

(See "Continuing Disclosure of Information" herein)

Dated February 6, 2024

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

THE CERTIFICATES ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$25,255,000
CITY OF KELLER, TEXAS
(Tarrant County)
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2024

Dated Date: February 1, 2024
Interest Accrues from Delivery Date

Due: August 15, as shown below

PAYMENT TERMS . . . Interest on the \$25,255,000 City of Keller, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2024 (the "Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing August 15, 2024, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank N.A., Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance adopted by the City Council (the "Ordinance") and constitute direct obligations of the City of Keller, Texas (the "City"), payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and from a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's waterworks and sewer system as provided in the Ordinance (see "The Certificates - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's parks and recreation facilities, including renovations and improvements to the Keller Sports Park facility, and (ii) paying all or a portion of costs of issuance and legal, fiscal and engineering fees in connection with these projects and the Certificates.

MATURITY SCHEDULE

CUSIP Prefix: 487685⁽¹⁾

Principal Amount	August 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾	Principal Amount	August 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 1,820,000	2024	5.000%	3.170%	CT4	\$ 1,685,000	2032	5.000%	2.690%	DB2
1,195,000	2025	5.000%	3.080%	CU1	1,765,000	2033	5.000%	2.760% ⁽²⁾	DC0
1,255,000	2026	5.000%	2.870%	CV9	1,855,000	2034	5.000%	2.780% ⁽²⁾	DD8
1,320,000	2027	5.000%	2.720%	CW7	1,950,000	2035	5.000%	2.900% ⁽²⁾	DE6
1,385,000	2028	5.000%	2.650%	CX5	2,045,000	2036	5.000%	2.980% ⁽²⁾	DF3
1,455,000	2029	5.000%	2.660%	CY3	2,145,000	2037	5.000%	3.100% ⁽²⁾	DG1
1,525,000	2030	5.000%	2.660%	CZ0	2,255,000	2038	4.000%	3.450% ⁽²⁾	DH9
1,600,000	2031	5.000%	2.650%	DA4					

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City, the Financial Advisor, nor the Initial Purchaser of the Certificates shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield shown is yield to first call date of February 15, 2033.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates - Optional Redemption").

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on March 12, 2024.

THIS PAGE LEFT BLANK INTENTIONALLY

This Official Statement, which includes the cover page, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Other Information - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The cover page of this Official Statement contains certain information for general reference only and is not intended as a summary of the offering. Investors should read the entire Official Statement, including all schedules and appendices hereto, to obtain information essential to making an informed investment decision.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with a purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The Certificates are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Certificates in accordance with applicable securities law provisions of the jurisdiction in which the Certificates have been registered, qualified or exempted should not be regarded as a recommendation thereof.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY	4	OTHER INFORMATION.....	38
CITY OFFICIALS, STAFF, AND CONSULTANTS....	6	RATINGS	38
ELECTED OFFICIALS	6	LITIGATION	38
SELECTED ADMINISTRATIVE STAFF	6	REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR	
CONSULTANTS AND ADVISORS	6	SALE	39
INTRODUCTION	7	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC	
PLAN OF FINANCING	7	FUNDS IN TEXAS.....	39
THE CERTIFICATES	8	LEGAL OPINIONS AND NO LITIGATION CERTIFICATE.....	39
TAX INFORMATION	13	AUTHENTICITY OF FINANCIAL DATA AND OTHER	
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL		INFORMATION	39
OBLIGATION DEBT.....	18	FINANCIAL ADVISOR.....	39
TABLE 2 - TAXABLE ASSESSED VALUATIONS		INITIAL PURCHASER OF THE CERTIFICATES.....	40
BY CATEGORY.....	19	FORWARD-LOOKING STATEMENTS DISCLAIMER	40
TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT		CERTIFICATION OF THE OFFICIAL STATEMENT.....	40
HISTORY.....	20	CYBERSECURITY	40
TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY	20	LINKS TO WEBSITES.....	40
TABLE 5 - TEN LARGEST TAXPAYERS	20	MISCELLANEOUS	41
TABLE 6 - TAX ADEQUACY	21		
TABLE 7 - ESTIMATED OVERLAPPING DEBT	21	APPENDICES	
DEBT INFORMATION.....	22	GENERAL INFORMATION REGARDING THE CITY.....	A
TABLE 8 - GENERAL OBLIGATION DEBT SERVICE		EXCERPTS FROM THE ANNUAL FINANCIAL REPORT	B
REQUIREMENTS	22	FORMS OF BOND COUNSEL'S OPINIONS.....	C
TABLE 9 - INTEREST AND SINKING FUND BUDGET			
PROJECTION	23	The cover pages hereof, this page, the appendices included	
TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT	23	herein and any addenda, supplement, or amendment hereto,	
TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL		are part of the Official Statement.	
OBLIGATION DEBT.....	23		
TABLE 12 - OTHER OBLIGATIONS.....	24		
FINANCIAL INFORMATION	30		
TABLE 13 - CHANGES IN NET ASSETS	30		
TABLE 13A - GENERAL FUND REVENUES AND			
EXPENDITURES HISTORY	31		
TABLE 14 - MUNICIPAL SALES TAX HISTORY.....	32		
TABLE 15 - CURRENT INVESTMENTS.....	34		
TAX MATTERS	35		
CONTINUING DISCLOSURE OF INFORMATION 37			

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE CITY**..... The City of Keller, Texas (the "City"), is a political subdivision and home rule municipal corporation of the State, located in Tarrant County, Texas. The City covers approximately 18.17 square miles (see "INTRODUCTION - Description of the City").
- THE CERTIFICATES** The \$25,255,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2024 are to mature on August 15 in the years 2024 through 2038 (see "The Certificates - Description of the Certificates").
- PAYMENT OF INTEREST** Interest on the Certificates accrues from the Delivery Date, and is payable August 15, 2024, and each February 15 and August 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates" and "The Certificates - Optional Redemption").
- AUTHORITY FOR ISSUANCE** The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, V.T.C.A. Local Government Code (the Certificate of Obligation Act of 1971), as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an Ordinance adopted by the City Council of the City (see "The Certificates - Authority for Issuance").
- SECURITY FOR THE CERTIFICATES** The Certificates constitute direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's waterworks and sewer system as provided in the Ordinance (see "The Certificates - Security and Source of Payment").
- REDEMPTION** The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates – Optional Redemption").
- TAX EXEMPTION** In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law subject to the matters described under "Tax Matters" herein.
- USE OF PROCEEDS** Proceeds from the sale of the Certificates will be used for (i) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's parks and recreation facilities, including renovations and improvements to the Keller Sports Park facility, and (ii) paying all or a portion of costs of issuance and legal, fiscal and engineering fees in connection with these projects and the Certificates.
- RATINGS** The Certificates and the presently outstanding tax supported debt of the City are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") (see "OTHER INFORMATION – Ratings").
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the **Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating** members of DTC for subsequent payment to the beneficial owners of the Certificates (see "The Certificates - Book-Entry-Only System").
- PAYMENT RECORD** The City has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽³⁾	Per Capita Taxable Assessed Valuation	Net Tax Supported Debt Outstanding at End of Year ⁽⁴⁾	Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2020	45,776	6,089,788,184	133,035	18,934,594	414	0.31%	99.94%
2021	45,660	6,008,353,327	131,589	18,520,000	406	0.31%	99.90%
2022	46,060	6,040,111,537	131,136	16,760,000	364	0.28%	99.59%
2023	46,308	6,612,948,067	142,804	14,100,000	304	0.21%	98.90%
2024	46,308 ⁽²⁾	7,526,829,656	162,538	11,435,000 ⁽⁵⁾	247	0.15%	49.80% ⁽⁶⁾

(1) Source: North Central Texas Council of Governments.

(2) Estimate provide by City officials.

(3) Net taxable assessed values, with the exception of fiscal years ending 2024 and 2023, are as reported in the City’s comprehensive annual financial report. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(4) Excludes self-supporting debt. See Tables 1 and 10 herein for more detailed information on the City’s general obligation self-supporting debt. The City’s policy to pay such self-supporting general obligation debt from other revenues is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

(5) Projected, excludes the Certificates and other Self-Supporting Debt.

(6) Collections for part year only, through January 1, 2024.

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Armin Mizani Mayor	3 Years	May, 2026	Attorney
Shannon Dubberly Councilmember, Place 1	2 Years	May, 2024	IT Project Manager
Sean Hicks Councilmember, Mayor Pro Tem	5 Years	May, 2024	Chief Executive Officer
Jessica Juarez Councilmember, Place 3	1 Year	May, 2025	Attorney
Tag Green Councilmember, Place 4	4 Years	May, 2025	Broker/Business Owner
Chris Whatley Councilmember, Place 5	6 Years	May, 2026	Self-Employed
Ross McMullin Mayor Pro Tem	3 Years	May, 2026	Attorney

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service With City</u>
Mark Hafner	City Manager	22 Years
Aaron Rector	Director of Administrative Services	7 Years
Kelly Ballard	City Secretary	10 Years

CONSULTANTS AND ADVISORS

Auditors Whitley Penn
Fort Worth, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisors Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Aaron Rector City of Keller P.O. Box 770 Keller, Texas 76244 (817) 743-4007	or	Nick Bulaich Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, Texas 76102 (817) 332-9710
---	----	---

OFFICIAL STATEMENT

RELATING TO

\$25,255,000

**COMBINATION TAX AND LIMITED SUPRLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2024**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$25,255,000 City of Keller, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2024 (the "Certificates"). The Certificates are authorized for issuance by an ordinance adopted by the City Council of the City on February 6, 2024 (the "Ordinance"), Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective Ordinance, except as otherwise indicated herein.

There follow in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Fort Worth, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1982. The City operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is three years with the terms of the Mayor and two of the Councilmembers' terms expiring in 2026, two Councilmembers terms expiring in 2025, and the term of the other two Councilmembers expiring in 2024. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, fire protection and emergency medical services), street maintenance, water, sanitary sewer and drainage utilities, library services, parks and recreation, community development (planning and zoning), and general administrative services. The 2020 Census population for the City was 45,776, while the estimated 2024 population is 46,308. The City covers approximately 18.17 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's parks and recreation facilities, including renovations and improvements to the Keller Sports Park facility, and (ii) paying all or a portion of costs of issuance and legal, fiscal and engineering fees in connection with these projects and the Certificates.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied as follows:

	<u>The Certificates</u>
<u>Sources of Funds</u>	
Par Amount	\$ 25,255,000.00
Premium	<u>2,918,717.15</u>
Total Sources of Funds	\$ 28,173,717.15
<u>Uses of Funds</u>	
Deposit to Construction Fund	\$ 28,000,000.00
Cost of Issuance	<u>173,717.15</u>
Total Uses of Funds	\$ 28,173,717.15

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated February 1, 2024 (the "Dated Date"), and mature on August 15 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing August 15, 2024, and until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of The Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on The Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of The Certificates. See "Book-Entry-Only System" herein.

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar (the "Registered Owners") at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the Registered Owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the Registered Owner. Principal of the Certificates will be paid to the Registered Owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the Registered Owner of the Certificates, all payments will be made as described under "The Certificates - Book-Entry-Only System" herein. If the date for any payment on the Certificates shall be a Saturday, a Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Certificates is payable from a direct and continuing annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. Additionally, the Certificates are payable from a limited pledge (not to exceed \$1,000) of the surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of the Certificates, to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates, are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates, to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates, have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF AN CERTIFICATE (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH CERTIFICATE (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

DEFEASANCE . . . The Ordinance provides that any Certificate and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Certificate") within the meaning of the Ordinance when payment of the principal of such Certificate, plus interest thereon to the due date either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Obligations. At such time as an Certificates shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in the Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations.

Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing to the City. The Ordinance provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, and including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, and including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council approves such defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Certificates. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Defeased Certificates shall no longer be regarded to be outstanding obligations payable from ad valorem taxes levied by the City or from the other revenues pledged to their payment in the Ordinance, but will be payable only from the funds and Government Obligations deposited in escrow and will not be considered debt of the City for any purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; and (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the Registered Owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Certificate certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Initial Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Certificates - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Certificates affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the use of the Book-Entry-Only system is discontinued, principal of the Certificates is payable to the Registered Owner at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Certificates for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the Registered Owner of the Certificates, all payments will be made as described under "The Certificates - Book-Entry-Only System" herein. Interest on the Certificates is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Bonds and Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the Registered Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Certificates issued in an

exchange or transfer of Certificates will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "The Certificates—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Certificate to be paid on the Special Payment Date that appears on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the Certificates for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the Registered Owner of the Certificates, as applicable, aggregating in principal amount a majority of the outstanding Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any Registered Owner of a respective Certificate is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the owners of the respective Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., V. City of Jacksonville*, No. 489 S.W.3d 427 (Tex. 2016), ("*Wasson*") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to the breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the "will of the people" and

protecting such municipalities "via the State's immunity is not an efficient way to ensure efficient allocation of State resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Certificates may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants in the absence of City action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Certificates, the City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds or the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Certificates will be Cede & Co., as DTC's nominee. See "The Certificates - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Certificates.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Tarrant Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Texas, Property Tax Code, (the "Property Tax Code") for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (excluding repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision in the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base

value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The City is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE . . . The Following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" mean the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values for all property in the City to the City Council by August 1 of each year, or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur the penalty interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$40,000.

The City grants an exemption of \$10,000 to the market value of the residence homestead of disabled persons.

The City has granted an additional exemption of 20% of the market value of residence homesteads with a minimum exemption of \$5,000 since tax year 2021. For tax year 2021, the City Council increased the additional exemption to 20% of the market value of residence homestead. For tax year 2020, the City Council increased the additional exemption to 14% of the market value of residence homestead. For tax year 2019, the City Council increased the additional exemption to 12% of the market value of residence homestead. For tax year 2018, the City Council increased the additional exemption to 10% of the market value of residence homestead. For tax year 2017, the City Council increased the additional exemption to 8% of the market value of residence homestead. For tax year 2016, the City Council increased the additional exemption to 4% of the market value of residence homestead. Prior to tax year 2016, the additional exemption was 1% of market value.

On August 3, 2004, the City Council adopted a resolution to implement the tax freeze for the residence homestead of the disabled and persons sixty-five years of age or older, and their spouses. The freeze was effective with the January 1, 2004 tax roll and the tax levied for the 2005/06 fiscal year.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Tarrant County Tax Assessor/Collector collects taxes for the City.

The City does allow split payments, but discounts are not allowed.

The City has taken action to tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does tax goods in transit.

On June 15, 2021, the City Council increased the additional exemption to 20% of the market value of residence homesteads, effective for the 2021/22 fiscal year.

The City has adopted a tax abatement policy but has not entered into any tax abatement agreements. Under the policy, a project may qualify for an abatement if it is expected to result in an increase in the appraised value of the property and is expected to prevent the loss of or retain employment or create new employment. Abatements may be granted up to 50% of the additional value generated by the project for a maximum of ten years, with the amount of abatement depending on expected capital investment by the applicant and the number of jobs to be created and applied on a declining scale after the first year.

CHAPTER 380 AGREEMENTS . . . The City has three active Chapter 380 Agreements with property tax grants. The first agreement relates to the current roll, which includes grants from legally available funds equal to 100% of the property taxes received by the City in the first two years, 75% in the third year, and 50% in the fourth year and began with the 2020 tax year.

The second agreement relates to current rolls, which includes grants from legally available funds equal to 100% of the property taxes received by the City the first year, 90% the second year, 80% the third year, 70% the fourth year, and 60% the fifth year and began with the 2022 tax year. This agreement has a maximum total property tax grant of \$72,332.

The third agreement will start with the completion of certain construction milestones, such as receipt of certificate of occupancy, and relates to future rolls, which includes grants from legally available funds equal to 100% of the property taxes received by the City the first year, 90% the second year, 80% the third year, 70% the fourth year, and 60% the fifth year and is anticipated to begin with tax year 2023. This agreement has a maximum total property tax rebate of \$151,890.

[REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY]

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2023/24 Market Valuation Established by Tarrant Appraisal District (includes incomplete and arb values, excludes totally exempt property)		\$ 9,110,350,010
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	\$ 1,296,716,683	
Over 65 Years of Age/Disabled	149,140,188	
Disabled Veterans Exemptions	91,867,099	
Solar	4	
Nominal Value	163,836	
Pollution	268,038	
Personal Property Vehicles	45,364,506	<u>1,583,520,354</u>
2023/24 Taxable Assessed Valuation		<u>\$ 7,526,829,656</u>
City Funded Debt Payable from Ad Valorem Taxes (as of 12-1-23)		
General Obligation Bonds	\$ 15,620,000	
Tax and System Debt	27,095,000	
The Certificates	<u>25,255,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 67,970,000
Less Self-Supporting Debt: ⁽¹⁾		
Crime Control District	\$ 1,985,000	
Development Corporation General Obligation Debt	27,650,000 ⁽²⁾	
Water and Sewer System General Obligation Debt	<u>24,235,000</u>	<u>53,870,000</u>
Net Funded Debt Payable from Ad Valorem Taxes		\$ 14,100,000
Interest and Sinking Fund as of 12-1-23		\$ 391,062,248
Ratio Total Funded Debt to Taxable Assessed Valuation		0.90%
Ratio Net Funded Debt to Taxable Assessed Valuation		0.19%
2024 Estimated Population - 46,308 Per Capita Taxable Assessed Valuation - \$162,538 Per Capita Total Funded Debt - \$1,468 Per Capita Net Funded Debt - \$304		

- (1) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.
- (2) Includes the Certificates.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY (1)(2)

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2024		2023		2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 7,705,164,088	84.58%	\$ 6,875,426,539	85.63%	\$ 6,248,670,205	79.55%
Real, Residential, Multi-Family	359,915,851	3.95%	269,630,274	3.36%	230,894,182	2.94%
Real, Vacant Lots/Tracts	104,042,770	1.14%	86,244,629	1.07%	102,411,628	1.30%
Real, Acreage (Land Only)	160,284	0.00%	246,337	0.00%	103,842,053	1.32%
Real, Farm and Ranch Improvements	33,529,438	0.37%	29,414,582	0.37%	28,586,286	0.36%
Real, Commercial and Industrial	691,643,079	7.59%	617,621,442	7.69%	919,875,627	11.71%
Real, Oil, Gas and Mineral Reserve	2,950,370	0.03%	781,060	0.01%	273,040	0.00%
Real and Tangible Personal, Utilities	80,374,914	0.88%	48,601,506	0.61%	60,971,636	0.78%
Tangible Personal, Commercial	119,998,888	1.32%	86,351,995	1.08%	142,129,711	1.81%
Tangible Personal, Industrial	2,305,164	0.03%	2,536,300	0.03%	2,697,836	0.03%
Tangible Personal, Mobile Homes	48,006	0.00%	53,642	0.00%	27,530	0.00%
Real Property, Inventory	10,217,158	0.11%	12,060,577	0.15%	14,834,050	0.19%
Total Appraised Value Before Exemptions	\$ 9,110,350,010	100.00%	\$ 8,028,968,883	100.00%	\$ 7,855,213,784	100.00%
Adjustments	-		-		33,612,874	
Plus: Minimum Value of Protests	-		-		-	
Less: Total Exemption/Reductions	(1,583,520,354)		(1,416,020,816)		(1,848,715,121)	
Taxable Assessed Value	\$ 7,526,829,656		\$ 6,612,948,067		\$ 6,040,111,537	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2021		2020	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 5,981,879,075	78.78%	\$ 5,998,037,919	79.55%
Real, Residential, Multi-Family	238,870,020	3.15%	260,195,406	3.45%
Real, Vacant Lots/Tracts	103,790,958	1.37%	93,861,020	1.24%
Real, Acreage (Land Only)	263,851	0.00%	106,546,577	1.41%
Real, Farm and Ranch Improvements	27,465,009	0.36%	28,904,188	0.38%
Real, Commercial and Industrial	939,334,899	12.37%	842,373,894	11.17%
Real, Oil, Gas and Mineral Reserve	276,020	0.00%	368,690	0.00%
Real and Tangible Personal, Utilities	98,826,084	1.30%	69,279,923	0.92%
Tangible Personal, Commercial	174,224,834	2.29%	109,854,004	1.46%
Tangible Personal, Industrial	1,949,743	0.03%	2,049,294	0.03%
Tangible Personal, Mobile Homes	35,217	0.00%	36,791	0.00%
Real Property, Inventory	26,404,117	0.35%	28,653,187	0.38%
Total Appraised Value Before Exemptions	\$ 7,593,319,827	100.00%	\$ 7,540,160,893	100.00%
Adjustments	(159,625,037)		14,242,956	
Plus: Minimum Value of Protests	-		-	
Less: Total Exemptions/Reductions	(1,425,341,463)		(1,464,615,665)	
Taxable Assessed Value	\$ 6,008,353,327		\$ 6,089,788,184	

- (1) Valuations shown are certified assessed values reported by the Tarrant Appraisal District to the State Comptroller of Public Accounts.
- (2) Net taxable assessed values, with the exception of fiscal years ending 2024 and 2023, are as reported in the City's comprehensive annual financial report. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Includes incomplete values and values in arbitration.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽³⁾	Taxable Assessed Valuation Per Capita	Net Tax Supported Debt Outstanding at End of Year ⁽⁴⁾	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2020	45,776	\$ 6,089,788,184	\$ 133,035	\$ 18,934,594	0.31%	\$ 414
2021	45,660	6,008,353,327	131,589	18,520,000	0.31%	406
2022	46,060	6,040,111,537	131,136	16,760,000	0.28%	364
2023	46,308	6,612,948,067	142,804	14,100,000	0.21%	304
2024	46,308 ⁽²⁾	7,526,829,656	162,538	11,435,000 ⁽⁵⁾	0.15%	247

(1) Source: North Central Texas Council of Governments.

(2) Estimate provide by City officials.

(3) Net taxable assessed values, with the exception of fiscal years ending 2024 and 2023, are as reported in the City’s comprehensive annual financial report. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(4) Excludes self-supporting debt. See Tables 1 and 10 herein for more detailed information on the City’s general obligation self-supporting debt. The City’s policy to pay such self-supporting general obligation debt from other revenues is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

(5) Projected, excludes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2020	\$ 0.39990	\$ 0.318276	\$ 0.081624	\$ 24,051,471	99.61%	99.94%
2021	0.39500	0.324190	0.070810	24,024,461	99.74%	99.90%
2022	0.39500	0.336030	0.058970	23,846,391	99.59%	99.59%
2023	0.35450	0.299234	0.055266	22,213,601	98.90%	98.90%
2024	0.31200	0.260403	0.051597	24,062,445	49.80% ⁽¹⁾	49.80% ⁽¹⁾

(1) Collections for part year only, through January 1, 2024.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2023/24 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
WW 1300 Keller Parkway LLC	Commercial	\$ 144,300,000	1.92%
RCM Keller Center Stage LLC	Apartments	69,453,779	0.92%
T Arthouse TX LLC	Commercial	48,700,000	0.65%
Grand Estates at Keller Owner LLC	Apartments	33,900,000	0.45%
Atmos Energy/Mid-Tex Div.	Oil & Gas	33,144,900	0.44%
Conservatory Senior Housing	Residential Land	29,500,000	0.39%
Regency Centers LP	Retail Shopping Center/Town Center	24,664,265	0.33%
Jahco Keller Crossing LLC	Retail Shopping Center/Town Center	17,500,000	0.23%
Keller Senior Community LP	Senior Housing Development	17,120,000	0.23%
Lowes Home Centers Inc.	Retail Store	15,344,794	0.20%
		<u>\$ 433,627,738</u>	<u>5.76%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (however, see "The Certificates - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY ⁽¹⁾

2024 Net Debt Service Requirement ⁽¹⁾	\$ 3,175,775
\$0.0427 Tax Rate at 99.00% Collection Produces	\$ 3,181,817
Net Maximum Debt Service Requirement, 2024 ⁽¹⁾	\$ 3,175,775
\$0.0427 Tax Rate at 99.00% Collection Produces	\$ 3,181,817
2024 Total Debt Service Requirement ⁽²⁾	\$ 9,605,767
\$0.1290 Tax Rate at 99.00% Collection Produces	\$ 9,612,514
Gross Maximum Total Debt Service Requirement, 2024 ⁽²⁾	\$ 9,605,767
\$0.1290 Tax Rate at 99.00% Collection Produces	\$ 9,612,514

(1) Excludes the Certificates and other self-supporting debt.

(2) Includes the Certificates and other self-supporting debt

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax obligations ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2023/24 Taxable Assessed Value	2023/24 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt As of 12-1-23	Authorized But Unissued Debt As Of 12-1-23
City of Keller	\$ 7,526,829,656	\$ 0.413250	\$ 14,100,000	100.00%	\$ 14,100,000 ⁽¹⁾	\$ -
Carroll Independent School District	11,757,506,425	1.002500	288,580,000	0.63%	1,818,054	-
Keller Independent School District	25,545,428,730	1.088000	782,924,989	30.70%	240,357,972	-
Northwest Independent School District	35,583,578,983	1.090200	1,807,155,334	0.10%	1,807,155	1,783,000,000
Tarrant County	287,630,145,281	0.195000	376,120,000	2.95%	11,095,540	205,600,000
Tarrant County College District	310,866,090,441	0.112000	591,230,000	2.95%	17,441,285	125,000,000
Tarrant County Hospital District	272,441,816,389	0.259909	448,410,000	2.95%	<u>13,228,095</u>	350,000,000
Total Direct and Overlapping Tax Supported Debt					\$ 299,848,101	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					3.98%	
Per Capita Overlapping Tax Supported Debt					\$ 6,480.32	

(1) Includes the Certificates and net of self-supporting debt.

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service ⁽¹⁾		The Certificates ⁽²⁾		Total Debt Service Requirements	Less: Development Corporation Requirements ⁽³⁾	Less: Crime Control Prevention District Requirements	Less: Water and Sewer System Requirements	Total Net Debt Service Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest						
2024	\$ 6,050,000	\$ 1,208,682	\$ 1,820,000	\$ 527,085	\$ 9,605,767	\$ 2,596,879	\$ 528,075	\$ 3,305,038	\$ 3,175,775	
2025	4,065,000	1,086,269	1,195,000	1,149,200	7,495,469	2,593,519	528,600	2,482,651	1,890,699	
2026	4,180,000	982,421	1,255,000	1,089,450	7,506,871	2,598,069	523,750	2,490,002	1,895,050	
2027	3,995,000	862,264	1,320,000	1,026,700	7,203,964	2,599,394	528,125	2,178,795	1,897,650	
2028	3,595,000	735,679	1,385,000	960,700	6,676,379	2,597,319	-	2,177,936	1,901,124	42.46%
2029	3,730,000	609,944	1,455,000	891,450	6,686,394	2,601,769	-	2,183,451	1,901,175	
2030	2,970,000	495,468	1,525,000	818,700	5,809,168	2,602,419	-	2,181,150	1,025,600	
2031	2,540,000	406,570	1,600,000	742,450	5,289,020	2,604,269	-	2,088,776	595,975	
2032	2,315,000	332,168	1,685,000	662,450	4,994,618	2,607,144	-	1,789,275	598,200	
2033	2,005,000	265,324	1,765,000	578,200	4,613,524	2,605,388	-	1,411,136	597,000	74.22%
2034	2,075,000	200,948	1,855,000	489,950	4,620,898	2,614,091	-	1,406,908	599,900	
2035	1,880,000	137,808	1,950,000	397,200	4,365,008	2,347,200	-	1,416,008	601,800	
2036	1,025,000	90,496	2,045,000	299,700	3,460,196	2,344,700	-	1,115,496	-	
2037	1,065,000	55,531	2,145,000	197,450	3,462,981	2,342,450	-	1,120,531	-	
2038	765,000	25,723	2,255,000	90,200	3,135,923	2,345,200	-	790,723	-	99.32%
2039	460,000	6,900	-	-	466,900	-	-	466,900	-	100.00%
	<u>\$ 42,715,000</u>	<u>\$ 7,502,195</u>	<u>\$ 25,255,000</u>	<u>\$ 9,920,885</u>	<u>\$ 85,393,080</u>	<u>\$ 37,999,807</u>	<u>\$ 2,108,550</u>	<u>\$ 28,604,775</u>	<u>\$ 16,679,947</u>	

(1) "Outstanding Debt" does not include lease/purchase obligations. Includes self-supporting debt.

(2) Average life of the issue - 8.114 years. Interest on the Certificates has been calculated at the rates stated on the cover page hereof.

(3) Includes the Certificates.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Projected Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-24		\$ 3,175,775 ⁽¹⁾
Budgeted Interest and Sinking Fund, 9-30-23	\$ 3,415,615	
Budget Interest and Sinking Fund Tax Levy	3,978,747	
Estimated Investment Income	<u>55,379</u>	<u>7,449,741</u>
Estimated Balance, 9-30-24		<u><u>\$ 4,273,966</u></u>

(1) Net of self-supporting debt.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT ⁽¹⁾

Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9-30-23	\$ 6,812,756 ⁽²⁾	
System General Obligation Bond Requirements, 2024 Fiscal Year		<u>3,305,038</u>
Balance		<u>\$ 3,507,718</u>
Percentage of System General Obligation Bonds, Self-Supporting		100.00%
Gross Revenue Available for Debt Service from Keller Development Corporation (KDC), Fiscal Year Ended 9-30-23	\$ 4,952,595 ⁽²⁾	
KDC General Obligation Bond Requirements, 2024 Fiscal Year		<u>2,596,879</u>
Balance		<u>\$ 2,355,716</u>
Percentage of KDC General Obligation Bonds, Self-Supporting		100.00%
Gross Revenue Available for Debt Service from Keller Crime Control Prevention District, Fiscal Year Ended 9-30-23	\$ 2,724,015 ⁽²⁾	
System General Obligation Bond Requirements, 2024 Fiscal Year		<u>528,075</u>
Balance		<u>\$ 2,195,940</u>
Percentage of System General Obligation Bonds, Self-Supporting		100.00%

- (1) It is the City’s current policy to provide these payments from the respective revenue sources shown above; this policy is subject to change in the future.
(2) Preliminary information provided by City Staff.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT

The City does not have any voter authorized but unissued bonds as of September 30, 2022.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City anticipates the issuance of \$15 million in additional general obligation debt in 2024.

TABLE 12 – OTHER OBLIGATIONS

The City has no unfunded debt outstanding as of September 30, 2022.

PENSION FUND . . . The City participates as one of 895 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 annual comprehensive financial report (annual report) that can be obtained at www.tmrs.com.

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

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

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

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee Deposit Rate	7%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5 Years
Updated Service Credit	100% repeating, transfers
Annuity Increase (to retirees)	50% of CPI repeating

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Benefits Provided

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	192
Inactive Employees Entitled to But Not Yet Receiving Benefits	251
Active Employees	<u>272</u>
	715

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.18% and 16.22% in calendar years 2022 and 2021, respectively.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the table below:

Asset Class	Target Allocation
Core Fixed Income	6.0%
Non-Core fixed income	20.0%
Global public equity	35.0%
Real Estate	12.0%
Hedge funds	5.0%
Other public & private market	12.0%
Private Equity	10.0%
Cash equivalents	0.0%
Total	100.0%

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 117,564,387	\$ 104,429,022	\$ 13,135,365
Changes for the year:			
Service cost	3,365,615	-	3,365,615
Interest	7,907,150	-	7,907,150
Difference between expected and actual experience	(154,873)	-	(154,873)
Changes of assumptions	-	-	-
Contributions - employer	-	3,192,003	(3,192,003)
Contributions - employee	-	1,391,612	(1,391,612)
Net investment income	-	13,624,176	(13,624,176)
Benefit payments, including refunds of employee contributions	(4,208,449)	(4,208,449)	-
Administrative expense	-	(62,991)	62,991
Other changes	-	432	(432)
Net changes	6,909,443	13,936,783	(7,027,340)
Balance at 12/31/2021	<u>\$ 124,473,830</u>	<u>\$ 118,365,805</u>	<u>\$ 6,108,025</u>

Sensitivity of the Net Pension Liability

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

	1% Decrease to 5.75%	Current Single Rate Assumption 6.75%	1% Increase to 7.75%
City's Net Pension Liability	\$ 24,738,138	\$ 6,108,025	\$ (9,110,735)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at the following location: TMRS 2021 ACFR.

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

For the year ended September 30, 2022, the City recognized pension expense of \$616,590.

At September 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actuarial assumptions and actual experience	\$ 61,912	\$ (146,973)
Changes in actuarial assumptions used	168,726	-
Difference between projected and actual investment earnings	-	(6,983,769)
Contributions subsequent to the measurement date	2,435,532	-
	<u>\$ 2,666,170</u>	<u>\$ (7,130,742)</u>

Deferred outflows of resources of \$2,435,532 resulting from contributions subsequent to the measurement date of will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred Outflows/(Inflows) of resources
2023	\$ (1,159,608)
2024	(2,912,175)
2025	(1,512,895)
2026	(1,315,426)
Total	<u>\$ (6,900,104)</u>

For more detailed information concerning the TMRS, see Appendix B, "Excerpts from the City's Annual Comprehensive Financial Report" - Note 8.

OTHER POST-EMPLOYMENT BENEFITS . . . 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 five 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 \$855 to \$2,132 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, 2021:

Inactive Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to But Not Yet Receiving Benefits	-
Active Employees	<u>263</u>
	266

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, 2022 of \$39,964 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.

Total OPEB Liability

Total OPEB liability reported at September 30, 2022 was measured as of December 31, 2021, and based on actuarial valuation performed as of December 31, 2021.

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	1.84% as of December 31, 2021
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years.
Participation Rates	15% for employees retiring on or after the age of 50; 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 2.00% (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 1.84% 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.

Changes in the Total OPEB Liability

Service cost	\$ 101,561
Interest	34,390
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	(328,708)
Changes of assumptions	(305,679)
Benefit payments	<u>(39,964)</u>
Net change in total OPEB liability	(538,400)
Total OPEB liability - beginning	<u>1,688,693</u>
Total OPEB liability - Ending	<u><u>\$ 1,150,293</u></u>
Covered payroll	\$ 19,324,496
Total OPEB liability as a percentage of covered payroll	5.95%

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

Age-adjusted premiums (retiree contributions *1.954)	\$ 81,855
Retiree Contributions	<u>(41,891)</u>
Total Benefit Payments	39,964

The 1.954 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 Total 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 total OPEB liability, calculated using a discount rate of 1.84%, 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:

	Current Discount Rate Assumption	
1% Decrease		1% Increase
<u>0.84%</u>	<u>1.84%</u>	<u>2.84%</u>
\$ 1,268,446	\$ 1,150,293	\$ 1,041,940

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:

Current Healthcare Cost Trend Rate		
1% Decrease	Assumption	1% Increase
\$ 1,268,446	\$ 1,150,293	\$ 1,041,940

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$79,047. At September 30, 2022, 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
Differences between expected and actual experience	\$ 5,444	\$ (454,570)
Changes assumptions	246,329	(309,978)
Contributions subsequent to the measurement date	27,526	-
	\$ 279,299	\$ (764,548)

The \$27,526 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, 2023. 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:

	Net deferred Outflows/(Inflows) of resources
2023	\$ (56,904)
2024	(56,904)
2025	(56,904)
2026	(56,904)
2027	(56,904)
Thereafter	(228,255)
Total	\$ (512,775)

Differences between expected and actual experience and 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.

At the beginning of the current measurement period, the expected remaining service lives of all active employees in the plan was approximately 2,591 years. Additionally, the total plan membership (active employees and inactive employees) was 266. 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 9.7408 years.

For more information concerning the City's other post-employment benefits, see Appendix B, "Excerpts from the City's Annual Comprehensive Financial Report" – Note - 9.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2022	2021	2020	2019	2018
Program Revenues:					
Charges for Services	\$ 6,343,642	\$ 6,112,192	\$ 4,740,898	\$ 5,499,265	\$ 5,351,963
Operating Grants and Contributions	3,359,341	6,013,508	6,710,961	4,363,634	4,209,216
Capital Grants and Contributions	1,265,346	740,219	1,826,542	2,023,535	20,227
General Revenues:					
Property Taxes	23,867,927	24,136,514	24,016,772	23,534,184	27,517,501
Sales/Other Taxes	23,142,611	16,025,875	18,888,287	17,455,101	16,726,915
Investment Earnings	693,947	1,304,235	1,296,970	1,726,322	1,070,649
Miscellaneous	1,200,968	5,484,514	727,029	183,918	278,852
Gain (Loss) of Sale of Assets	-	-	-	-	9,908
Total Revenues	\$ 59,873,782	\$ 59,817,057	\$ 58,207,459	\$ 54,785,959	\$ 55,185,231
Expenses:					
General Government	\$ 5,318,814	\$ 8,384,847	\$ 6,869,123	\$ 5,366,338	\$ 7,921,283
Planning & Community Development	2,071,671	1,836,261	18,811,465	20,083,209	19,093,622
Public Safety	20,468,163	19,297,660	11,550,285	10,340,308	6,722,250
Public Works	13,207,020	12,698,624	2,239,811	2,365,621	2,004,708
Recreation and Leisure	8,046,226	9,777,808	5,758,248	6,047,587	7,115,961
Interest on Long-Term Debt	680,922	823,081	958,518	1,016,877	1,299,198
Total Expenses	\$ 49,792,816	\$ 52,818,281	\$ 46,187,450	\$ 45,219,940	\$ 44,157,022
Increase in Net Position before Transfers	\$ 10,080,966	\$ 6,998,776	\$ 12,020,009	\$ 9,566,019	\$ 11,028,209
Transfers	(110,411)	230,980	309,902	1,032,632	-
Increase (Decrease) in Net Position	\$ 9,970,555	\$ 7,229,756	\$ 12,329,911	\$ 10,598,651	\$ 11,028,209
Adjustments	\$ -	\$ -	\$ -	\$ -	\$ (857,002)
Net Position - October 1	177,592,806	170,363,050	158,033,139	147,434,488	136,406,279
Net Position - September 30	\$ 187,563,361	\$ 177,592,806	\$ 170,363,050	\$ 158,033,139	\$ 147,434,488

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

Revenues	Fiscal Year Ended September 30,				
	2023 ⁽¹⁾	2022	2021	2020	2019
Total Property Tax	\$ 20,062,315	\$ 20,298,973	\$ 20,388,004	\$ 19,811,014	\$ 19,376,613
Sales Tax	9,435,668	9,110,290	8,072,194	7,234,231	6,390,217
Franchise/Other Local Tax	5,521,642	4,963,746	4,496,671	4,417,307	4,645,930
Permits, Licenses and Fees	1,004,321	1,324,100	1,835,800	1,061,240	1,225,453
Intergovernmental Revenue	6,065,994	3,874,035	3,945,067	5,924,285	3,518,179
Charges for Services	1,753,155	3,398,154	3,244,622	2,964,470	3,096,873
Fines and Warrants	467,445	445,082	413,612	602,757	732,740
Interest on Investments	1,965,199	300,765	88,116	312,127	509,995
Miscellaneous	270,543	503,334	302,408	344,869	106,890
Donations	74,986	90,757	48,716	41,222	63,725
Total Revenues	\$ 46,621,267	\$ 44,309,236	\$ 42,835,210	\$ 42,713,522	\$ 39,666,615
Expenditures					
General Government	\$ 5,706,178	\$ 5,209,697	\$ 5,373,110	\$ 5,431,399	\$ 4,665,969
Community Development	1,846,115	2,064,279	1,887,810	2,313,705	2,389,745
Public Safety	22,265,735	20,138,594	18,644,477	17,879,726	17,353,028
Public Works	3,305,853	3,304,248	3,432,671	3,260,195	2,729,907
Parks and Recreation	5,765,692	5,410,748	5,027,154	4,734,642	4,909,442
Capital Outlay	258,911	1,943,556	443,236	288,111	168,391
Total Expenditures	\$ 39,148,484	\$ 38,071,122	\$ 34,808,458	\$ 33,907,778	\$ 32,216,482
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 7,472,783	\$ 6,238,114	\$ 8,026,752	\$ 8,805,744	\$ 7,450,133
Sales of Capital Assets	48,050	45,403	836	13,426	5,868
Operating Transfers In	1,701,929	1,646,825	97,980	-	-
Operating Transfers Out	(8,357,425)	(8,244,450)	(3,575,336)	(5,147,840)	(5,784,023)
Increase (Decrease) in Fund Balance	\$ 865,337	\$ (314,108)	\$ 4,550,232	\$ 3,671,330	\$ 1,671,978
Beginning Fund Balance	31,222,463	31,536,571	26,986,339	23,315,009	21,643,031
Ending Fund Balance	\$ 32,087,800	\$ 31,222,463	\$ 31,536,571	\$ 26,986,339	\$ 23,315,009

(1) Preliminary information provided by City Staff.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In January of 1992, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for parks and recreation facilities. Collection for the additional tax went into effect on July 1, 1992. The sales tax for parks and recreational facilities is collected solely for the benefit of Keller Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation for the aforementioned purposes. In November, 2001, the voters approved the imposition of an additional sales and use tax of three-eighths of one percent (3/8th of 1%) for crime control and prevention pursuant to Chapter 363 of the Texas Government Code. In May 2006, this tax was re-authorized by the voters for an additional fifteen years, and in November 2007, voters authorized a reduction in the rate from 3/8th of 1% to ¼ of 1%. Said sales tax is collected solely for the benefit of the Keller Crime Control and Prevention District Board of Directors and may be pledged to secure payment of sales tax revenue bond issues. In November, 2003, the voters approved the imposition of an additional sales and use tax of one-eighth of one percent (1/8th of 1%) for street maintenance pursuant to Chapter 327 of the Texas Government Code. In November 2023, this tax was re-authorized by the voters for an additional four years at ¼ of 1%, effective April 1, 2024. Said sales tax is collected solely for the repair, rehabilitation and reconstruction of existing streets and may be pledged to secure payment of sales tax revenue bond issues. **Such sales tax revenues are not pledged to the payment of the Certificates.**

Fiscal Year Ended 9/30	1% Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2020	\$ 7,234,231	30.08%	\$ 0.1188	\$ 158
2021	8,072,194	33.60%	0.1343	177
2022	9,110,290	38.20%	0.1508	198
2023	9,435,668	42.48%	0.1427	204
2024	2,316,985 ⁽²⁾	9.63%	0.0308	50

- (1) Excludes the one-half cent Keller Development Corporation sales tax, the 1/4 cent Keller Crime Control Prevention District sales tax, and the 1/4 cent street maintenance tax.
- (2) Collections for part year only, through January 1, 2024.

The sales tax breakdown for the City is as follows:

Economic and Community Development	0.500¢
City Sales & Use Tax	1.000¢
Crime Control and Prevention	0.250¢
Street Maintenance Tax	0.250¢
State Sales & Use Tax	<u>6.250¢</u>
Total	8.250¢

FINANCIAL POLICIES

Basis of Accounting . . . The City’s accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenues susceptible to accrual are property taxes, franchise taxes and sales taxes and are recognized as revenue when measurable. However, the City has established an allowance for delinquent taxes equal to 100% of uncollected ad valorem taxes. As a result only ad valorem taxes collected are actually recognized as revenue. Gross receipts of taxes, license, charges for services, fines and miscellaneous revenues are recorded as revenue when received because they are generally not measurable until received.

Proprietary Fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

Transfers are recognized in the period in which the interfund receivable and payable arise.

Budgetary Procedures . . . The City adopts an annual appropriated budget for the General Fund, the Water and Sewer Fund, Debt Service Fund and the Drainage Utility Fund. All annual appropriations lapse at fiscal year end. The budget is legally enacted through passage of an ordinance after public hearings are conducted for the purpose of obtaining taxpayer comments. Project lengths financial plans are adopted for capital improvement program funds.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal, (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest, (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

TABLE 15 - CURRENT INVESTMENTS

As of December 1, 2023, the City's investable funds were invested in the following categories:

Description	Book Value as a % of Total	Book Value	Market Value
Investment Pools	17.30%	\$ 24,987,940	\$ 24,987,940
Treasuries	1.73%	2,499,640	2,486,957
Certificates of Deposit	42.02%	60,695,086	60,695,086
Money Market Funds/Cash	38.95%	56,263,237	56,263,237
	100.00%	\$ 144,445,903	\$ 144,433,220

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C – Form of Bond Counsel's Opinion.

In rendering the foregoing opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates..

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the City is conditioned on compliance by the City with such requirements, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the projects being financed or refinanced therewith. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Certificates may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECENTLY ENACTED LEGISLATION OR PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe each agreement while it remains obligated to advance funds to pay such Certificates. Under each agreement, the City will be obligated to provide certain updated financial information and operating data annually, and the timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided.

The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2023. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide the Annual Operating Report by the last day of March in each year, and audited Financial Statements for the preceding fiscal year (or unaudited Financial Statements if the audited Financial Statements are not yet available) as described above. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide the Annual Operating Report as set forth above.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". For purposes of clauses (15) and (16) above, "Financial Obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Certificates and the presently outstanding tax supported debt of the City are rated "Aaa" by Moody's and "AAA" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organization and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that, if decided adversely against the City, would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Certificates will also be furnished. Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

The legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Hilltop Securities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of BOK Financial Securities, Inc.(the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium of \$2,918,717.15. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish to the Initial Purchasers a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

CYBERSECURITY

The unauthorized access, use, disclosure, disruption, modification, or destruction of the City's information or information systems could negatively impact the operations of the City and its ability to provide services to its citizens. The City uses a risk-based approach and "best practices" to protect the confidentiality, integrity and availability of the information and information systems that it is entrusted with. Employees are required to take annual security training which is re-enforced with continuous phishing email tests. The City uses the NIST-CSF framework to assure compliance with multiple standards, regulations, and other obligations. In addition, to help protect the City against claims and expenses due to a cybersecurity incident, the City maintains cyber insurance.

LINKS TO WEBSITES

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

MISCELLANEOUS

The Ordinance authorized the issuance of the Certificates and approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Initial Purchaser.

ARMIN MIZANI

Mayor
City of Keller, Texas

ATTEST:

KELLY BALLARD

City Secretary

THIS PAGE LEFT BLANK INTENTIONALLY

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THIS PAGE LEFT BLANK INTENTIONALLY

Nestled comfortably in the heart of the Dallas- Fort Worth Metroplex, Keller has gained national attention by pairing big-city conveniences and amenities with small-town roots and an emphasis on quality of life. The city features a warm and welcoming atmosphere, an excellent school system, a wide variety of shopping and dining destinations, and award-winning city facilities and programs.

The distinct business districts, historic Old Town Keller and the urban Keller Town Center, are just two of its unique economic engines. And the citywide parks and trails system, anchored by Big Bear Creek, offers recreation and mobility among the city's recreation and aquatics center, The Keller Pointe, and multiple sports facilities. The Keller Public Library offers more than 80,000 in materials and a slew of online resources, and next door, the Keller Senior Activities Center brings senior citizens together for stimulating activities, emphasizing health and fellowship.

LOCATION AND HISTORY . . . The city was incorporated on Nov. 16, 1955 under the general laws of the State of Texas, and the current home-rule charter was approved by the voters in 1982. The city operates under the Council-Manager form of government. The City Council is comprised of a mayor and six council members who enact local legislation, determine overall city policies, pass ordinances, appoint committees and adopt the city's budget. The mayor and council members are all elected at-large on a non-partisan basis for three-year terms. The City Manager is appointed by the City Council and is responsible to them for proper administration of the daily affairs of the city.

The City of Keller is located in Northeast Tarrant County, Texas, approximately 10 miles northeast of downtown 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 area exceeding 7.8 million in January 2023. The city limits of Keller currently encompass 18.4 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.

POPULATION . . . Since 1970, the total population increase exceeds 39,000. That growth has calmed in recent years, however, as the community has moved toward residential buildout. The city's estimated population is 46,308. Tarrant County has experienced similar growth during the last 30 years, increasing from 715,587 in 1970 to 2,110,640 in 2020. According to the North Central Texas Council of Governments' population projections, the population of Tarrant County in 2023 is 2,188,951. The City of Keller has a staff of approximately 349.1 full-time employees, including 98 police department personnel and 57 fire/EMS department employees.

ECONOMICS . . . Keller is part of the Dallas/Fort Worth Metroplex, which has maintained a very strong economy, and is located midway between the Dallas/Fort Worth International Airport and Alliance Airport. A favorable personal and corporate tax climate, excellent schools, favorable right to work laws and a strong continuing commitment to business have made the city and state positive areas in which businesses can locate. The key city strengths of Keller include a strong diversified economy, high home values, highly ranked public schools, a low unemployment rate, an extremely low crime rate and several quality of life amenities such as The Keller Pointe fitness and aquatic center, Bear Creek Park, the Keller Sports Park, Keller Town Center, and the K-9 Pointe Dog Park

Keller is regularly named among the best places to live in the country. Recent accolades have included mentions as one of the "Best Small Cities in America" and among the "Top 10 Places to Live in Texas" and "Best Places to Raise a Family in Texas." In 2021, Congresswoman Beth Van Duyne recognized Keller's efforts in becoming Texas's Most Family Friendly City, reading a list of community accomplishments into the Congressional Record. Other recent recognitions include:

- Safest Cities in America, Neighborhood Scout
- Places with the Best Public Schools in Texas, Niche
- Top 10 Safest Cities in Texas, Ramsey Solutions
- Best Places to Live in Tarrant County, Niche
- Texas's 50 Safest Cities, Safewise

The city's economic growth has occurred primarily along major arterials such as FM 1709 and US 377.

Old Town Keller, which stretches along both sides of Hwy. 377, has experienced a resurgence in office, retail and restaurant activity. The City has invested nearly \$10 million into Old Town redevelopment and beautification in recent years, and construction is expected to begin in 2024, with an estimated \$21.9 million in additional improvements.

North of Old Town along the Hwy. 377 corridor, construction also continues on Center Stage, a 38-acre mixed-use development combining 60,000 square feet of commercial space, loft-style apartments and dozens of single-family homes at buildout. Phase 1 of the project — on track to become the City's largest taxpayer — has recently wrapped up, with additional commercial buildings planning to break ground in 2024.

A vibrant commercial district in the heart of Keller, Town Center also continues to attract new growth and redevelopment. The City's first hotel, Hampton Inn & Suites, opened its doors across from Keller Town Hall in 2020, and new tenants in the area include an independent bookstore, co-working space and trendy restaurants.

EDUCATION . . . As one of the fastest-growing school districts in Texas, Keller Independent School District (the "District") is proud to boast two National Blue Ribbon Schools of Excellence, and the 2007 Texas State Secondary Teacher of the Year. The District encompasses an area of approximately 51 square miles and conducts programs for K-12. The District has 42 campuses serving more than 34,000 students. Approximately 4,000 teachers, administrative personnel, and support staff are employed by the District. The District believes that education is a partnership among schools, parents and the community.

The physical facilities of the District include:

6	High schools (9-12)
7	Middle schools (7-8)
3	Intermediate schools (5-6)
23	Elementary schools (K-4)
2	Early Learning (Pre-K)
1	Alternative Education (9-12)

Educational opportunities beyond high school are readily available. The Northeast campus of the Tarrant County College District is within short driving distance. In addition, within a 40-mile radius, there are a number of colleges and universities, including Southern Methodist University, Texas Christian University, Texas Women's University, the University of North Texas, the University of Dallas, and the University of Texas at Arlington. In addition, there are several trade, industrial and technical schools located throughout the area.

TRANSPORTATION . . . Access to Keller is provided by a number of adjacent highways both on a north/south and east/west axis. North/south highways are SH 121, SH 26, FM 1938 and US Hwy. 377. The east/west highways are IH Loop 820, SH 170, SH 114, SH 183, and FM 1709. These major highways provide easy access to Dallas, Fort Worth and the entire Metroplex area.

Air service is provided by nearby Dallas/Fort Worth International Airport, the nation's second busiest airport, providing service to national and international destinations. Meacham Field, approximately five miles away in northern Fort Worth, is a fixed base operation for private and commercial service and provides sophisticated instrument approach facilities, lighted runways, terminal facilities and fuel and maintenance services. Alliance Airport, located northwest of Keller, began limited operations in 1989, and is the first newly constructed industrial airport in the United States. The Airport is home to a new FedEx hub, BNSF Intermodal Terminal, DEA, Galaxy Aviation, and numerous company distribution facilities.

MEDICAL . . . Excellent health care facilities are located within minutes of the City, including four of the largest hospitals in Tarrant County. The Metroplex area is served by more than 70 hospitals which offer specialized services such as organ transplantation, major trauma care, cancer treatment, kidney dialysis and chemical dependency treatment. Keller is also home to Baylor Scott & White Emergency Hospital on US 377, Texas Rehabilitation Hospital of Keller on US 377 South, a location of Cook Children's Pediatrics on FM 1709 and a wide variety of specialty care providers.

MISCELLANEOUS . . . The city offers suburban pedestrian-oriented quality-of-life living, tree-lined streets with neighborhood connectivity via a massive system of hike and bike trails. The city is in close proximity (within a 40-minute drive time) to 10 lakes, offering boating, fishing, camping, and picnicking facilities, entertainment facilities, and major sporting outlets. The Cities of Fort Worth and Dallas with their varied cultural opportunities of theaters, museums, zoos, botanical gardens and professional sport teams are less than a 30 minute drive from the city.

EMPLOYMENT DATA

	October 2023	Average Annual 2022	Average Annual 2021	Average Annual 2020	Average Annual 2019	Average Annual 2018
Keller:						
Civilian Labor Force	26,547	25,275	24,363	23,470	24,104	23,961
Unemployed	898	789	954	1,273	690	745
Percent of Unemployed	3.38%	3.12%	3.92%	5.42%	2.86%	3.11%
Dallas/Fort Worth/Arlington MSA:						
Civilian Labor Force	4,472,710	4,255,179	4,115,168	3,977,747	2,841,598	3,859,214
Unemployed	161,629	149,485	208,447	282,866	129,767	137,303
Percent of Unemployed	3.61%	3.51%	5.07%	7.11%	4.57%	3.56%
Tarrant County						
Civilian Labor Force	1,195,484	1,140,773	1,109,988	1,076,624	2,070,732	1,052,026
Unemployed	43,620	41,131	58,718	79,782	35,616	37,197
% of Unemployment	3.65%	3.61%	5.29%	7.41%	1.72%	3.54%

Source: Texas Workforce Commission.

THIS PAGE LEFT BLANK INTENTIONALLY

APPENDIX B

EXCERPTS FROM THE
CITY OF KELLER, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

The information contained in this Appendix consists of excerpts from the City of Keller, Texas Annual Financial Report for the Year Ended September 30, 2022, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Honorable Mayor and
Members of City Council

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, budgetary comparison information, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Honorable Mayor and
Members of City Council

Supplementary 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 combining and individual nonmajor fund financial statements and budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023 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 solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Fort Worth, Texas
March 24, 2023



CITY OF KELLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022. 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, 2022, by \$294,847,328 (net position). Of this amount, \$61,152,985 (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 restricted for other purposes.
- The City's overall total net position increased by \$13,108,363. The increase is attributable an increase in charges for services and sales tax over prior fiscal year.
- Net position in governmental activities was \$186,706,359 at September 30, 2022, an increase of \$9,970,555 over prior fiscal year. The increase is attributable to a reduction in general government expenses.
- Net position in the business-type activities was \$108,140,969 at September 30, 2022, an increase of \$3,137,808 over prior fiscal year. The increase is attributable to an increase in charges for services in comparison to previous fiscal year. Business-type activities include an internal allocation for their portion of the internal service fund activity of \$1,291,421.
- The City's governmental funds reported combined ending fund balances of \$89,995,503, an increase of \$2,212,513 in comparison to the previous year.
- The unassigned portion of the General Fund fund balance at the end of the year was \$30,297,602 or 80% of total General Fund expenditures. This includes the 25% of General Fund expenditures which is required to be held in General Fund fund balance per the City Council approved Financial Management Policies.
- Total debt of the City decreased by \$7,975,813 during the fiscal year due to the effect of payments on bonded deb.

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 manner similar to a private-sector business. Two statements, e Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

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).

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

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

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

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.

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

Government-Wide Financial Analysis

At the end of fiscal year 2022, the City's net position totaled \$294,847,328. 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, \$182,689,057, or 62%, 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, \$51,005,286, or 17% represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of net position which is \$61,152,985 (21%) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Keller's Net Position
Table 1

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 115,228,203	\$ 105,907,001	\$ 38,786,261	\$ 34,119,133	\$ 154,014,464	\$ 140,026,134
Capital assets, net	123,202,488	122,961,581	102,247,064	105,297,408	225,449,552	228,258,989
Total Assets	238,430,691	228,868,582	141,033,325	139,416,541	379,464,016	368,285,123
Deferred Outflows of resources	3,151,572	3,302,421	470,314	566,296	3,621,886	3,868,717
Other liabilities	12,555,595	6,188,406	7,694,014	5,688,260	20,249,609	11,876,666
Long-term Liabilities	35,363,602	46,505,844	24,650,772	28,897,194	60,014,374	75,403,038
Total Liabilities	47,919,197	52,694,250	32,344,786	34,585,454	80,263,983	87,279,704
Deferred Inflows of resources	6,956,707	2,740,949	1,017,884	394,222	7,974,591	3,135,171
Net Position						
Net investment in capital assets	99,447,718	102,376,998	83,241,339	84,752,502	182,689,057	187,129,500
Restricted for debt service	3,247,601	3,276,097	-	-	3,247,601	3,276,097
Restricted for capital projects	19,688,837	27,825,574	11,257,013	4,930,176	30,945,850	32,755,750
Restricted for parks development	5,446,891	4,509,800	-	-	5,446,891	4,509,800
Restricted for street maintenance	1,641,154	1,140,534	-	-	1,641,154	1,140,534
Restricted for law enforcement	7,556,244	6,697,632	-	-	7,556,244	6,697,632
Restricted for other	2,167,546	2,067,663	-	-	2,167,546	2,067,663
Unrestricted	47,510,368	28,841,506	13,642,617	15,320,483	61,152,985	44,161,989
Total Net Position	\$ 186,706,359	\$ 176,735,804	\$ 108,140,969	\$ 105,003,161	\$ 294,847,328	\$ 281,738,965

Changes in Net Position. The net position of the City increased by \$13,108,363 for the fiscal year ended September 30,2022.

Governmental Activities. Governmental activities increased the City's net position by \$9,970,555 from the prior year. This was primarily due to a decrease in net pension liability, which reduced the general government expenses.

Business-type Activities. Business-type activities net position increased by \$3,137,808 over the prior year. This increase is primarily due to the increase in charges for services over prior fiscal period.

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

Change in City of Keller's Net Position
Table 2

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 6,343,642	\$ 6,112,192	\$ 37,129,910	\$ 30,435,588	\$ 43,473,552	\$ 36,547,780
Operating grants and contributions	3,359,341	6,013,508	-	-	3,359,341	6,013,508
Capital grants and contributions	1,265,346	740,219	1,820,925	1,891,912	3,086,271	2,632,131
General revenues:						
Ad valorem taxes	23,867,927	24,136,514	-	-	23,867,927	24,136,514
Sales taxes	18,092,391	16,025,875	-	-	18,092,391	16,025,875
Other taxes and fees	5,050,220	4,601,101	-	-	5,050,220	4,601,101
Interest	693,947	419,517	177,072	168,286	871,019	587,803
Miscellaneous	1,200,968	1,768,131	13,345	194,199	1,214,313	1,962,330
Total Revenues	59,873,782	59,817,057	39,141,252	32,689,985	99,015,034	92,507,042
Expenses						
General government	5,318,814	8,384,847	-	-	5,318,814	8,384,847
Public safety	20,468,163	19,297,660	-	-	20,468,163	19,297,660
Public works	13,207,020	12,698,624	-	-	13,207,020	12,698,624
Community development	2,071,671	1,836,261	-	-	2,071,671	1,836,261
Culture and recreation	8,046,226	9,777,808	-	-	8,046,226	9,777,808
Interest on long-term debt	680,922	823,081	-	-	680,922	823,081
Water and wastewater operations	-	-	27,459,747	24,628,884	27,459,747	24,628,884
Drainage utility	-	-	1,871,299	2,192,325	1,871,299	2,192,325
Recreation aquatics center	-	-	6,782,809	6,899,928	6,782,809	6,899,928
Total Expenses	49,792,816	52,818,281	36,113,855	33,721,137	85,906,671	86,539,418
Increase (decrease) in net position before transfers	10,080,966	6,998,776	3,027,397	(1,031,152)	13,108,363	5,967,624
Transfers	(110,411)	230,980	110,411	(230,980)	-	-
Change in Net Position	9,970,555	7,229,756	3,137,808	(1,262,132)	13,108,363	5,967,624
Net Position, Beginning	176,735,804	169,506,048	105,003,161	106,265,293	281,738,965	275,771,341
Net Position, Ending	\$ 186,706,359	\$ 176,735,804	\$ 108,140,969	\$ 105,003,161	\$ 294,847,328	\$ 281,738,965

Fund Financial Analysis

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balance 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.

As of year-end of the current fiscal year, the City's governmental funds reported combined fund balances of \$89,995,503.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$30,297,602. There was a decrease in General Fund balance of \$314,108 during the current fiscal year. This decrease is primarily due to the impact of overall increase in sales tax revenue over prior year and reduced by transfers to other funds. The City continues to budget sales tax conservatively as it is anticipated the growth over the last two years will normalize soon.

The General Obligation Debt Service Fund had a decrease of \$73,726 in fund balance. These funds are specifically restricted for the payment of debt service. The Crime Control Prevention District Fund increased \$857,290 due to more sales tax revenue

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

than expenditures. The Capital Projects Fund had an increase of \$1,165,177 due primarily to current year spending on capital projects of bonds along with significant transfers from other funds.

Nonmajor governmental funds' combined fund balances increased \$577,880 which is primarily due to an increase in road impact fees and increased sales tax revenue. Among the nonmajor governmental funds, the Keller Crime Control and Prevention District had an increase of \$937,091 in fund balance. Sales tax from on-line purchases increased significantly during the fiscal year in part due to changes from State law and home- improvements continue to exceed projections. The City continues to budget sales tax conservatively as it is anticipated the growth will normalize soon.

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 \$83,080,953. This represents an increase of \$6,721,739 which was the result of operating revenues exceeding operating expenses by \$5,790,669. This income is attributable to significant increases in water and sewer charges for service revenue and increased impact fee revenue. The Water and Wastewater Utilities Fund also obtained \$1,199,407 in developer contributions.

The net position of the Drainage Utility Fund at the end of the year was \$20,222,995. This represents an increase of \$23,770 due primarily to \$621,518 of developer contributions of capital assets. This year's operating loss was \$362,249. This loss is less than the loss in the previous year due to reduced operating costs in the current year.

The proprietary funds also included a decrease in net position from the Recreation/Aquatic Center and an increase in internal service funds. The Recreation/Aquatic Center fund had a decrease of \$3,959,661 primarily due to a significant increase in operational expenses, primarily due to increased depreciation expense. The internal service fund had an increase of \$852,017 due to approximately \$422,000 of insurance recoveries.

General Fund Budgetary Highlights. In FY2022, the General Fund expenditure budget was unchanged from the 2022 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.

In the General Fund, the actual revenue received in comparison to the final budget was greater by \$3,799,538. This positive variance is most noticeable in sales tax revenues which was \$1,910,061 over budget. General Fund expenditures had a final budget to actual negative variance of \$417,815 prior to other financing sources/uses. This amount is attributable to public works being over budget by \$1,448,858.

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, 2022, amounts to \$225,449,552 (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 14%.

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

**Schedule of Capital Assets at Year-End
Net of Accumulated Depreciation (000's)**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 35,155	\$ 34,551	\$ 2,018	\$ 2,018	\$ 37,173	\$ 36,569
Capacity rights	-	-	773	930	773	930
Buildings	30,904	22,403	2,231	6,346	33,135	28,749
Utility facilities	-	-	94,577	94,253	94,577	94,253
Improvements	48,267	50,909	-	-	48,267	50,909
Machinery and equipment	6,464	6,114	573	688	7,037	6,802
Construction in progress	2,413	8,985	2,075	1,062	4,488	10,047
Totals	\$ 123,203	\$ 122,962	\$ 102,247	\$ 105,297	\$ 225,450	\$ 228,259

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

Debt Administration - At the end of the current fiscal year, the City had total debt outstanding of \$49,152,771 which was backed by the full faith and credit of the City in addition to unamortized premiums.

Schedule of Long-term Debt at Year-End (000's)

	Governmental Activities		Business-type Activities		Total Activities	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 16,570	\$ 20,045	\$ 3,395	\$ 4,735	\$ 19,965	\$ 24,780
Certificates of Obligation	6,520	7,855	19,180	20,455	25,700	28,310
Premium on Issuance	2,767	3,164	721	874	3,488	4,038
Totals	\$ 25,857	\$ 31,064	\$ 23,296	\$ 26,064	\$ 49,153	\$ 57,128

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	Aaa	AAA
Certificates of obligation	Aaa	AAA

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the next year's adopted fiscal year (FY) 2022-23 budget, total General Fund revenues (including transfers-in) are budgeted to increase by \$1,805,787 (4.5%) from the final FY 2021-22 Budget and increase by \$226,618 (0.5%) from the FY 2021-22 year-end projection, with general property taxes comprising about 48.0% of General Fund budgeted revenues and transfers-in. Certified taxable assessed valuations (after adjustments) increased by 12.2% compared to the prior year. Based upon the increased taxable valuations, the city reduced the tax rate to \$0.3545 per \$100 for FY 2022-23 from \$0.3995 per \$100 in order to remain at the no new revenue rate.

A moderate increase of 3.8% from FY 2022-23 year-end projects is budgeted for sales tax revenue for FY 2022-23 as the city anticipates sales tax to stabilize after significant growth during FY 2019-20 and FY 2020-22. While the projection is low compared to recent average growth, FY 2022-23 budget reflects an increase of sales tax revenue of \$1.2 million (17.0%) from the FY 2021-22 budget. Retail sales tax activity has continued steady annually grow and the city continues to see significant growth in on-line sales tax due to changes in State law. The City continues to monitor the impact of the new sales tax law and budgets conservatively with the anticipation that the on-line sales will normalize soon.

CITY OF KELLER, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund expenditures for the 2022-23 adopted budget represents a decrease of \$435,492 (1.0%) from the FY 2021-22 budget. The FY 2022-23 budget includes one-time expenditures of \$5,327,818 of which \$4,400,000 relates to cash-funding capital street improvements rather than issuing debt. The FY 2021-22 budget included one-time funding of \$7,698,872. With the one-time expenditures removed from FY 2021-22 and FY 2022-23, adopted budget represents an increase of \$628,354 or 2.2%.

The FY 2021-22 General Fund expenditure budget is \$45,445,179, which is an increase of \$6,143,772 or 15.6% from FY 2020-21. Included in the General Fund are one-time expenditures totaling \$7,698,872 which includes \$3.25 million for sidewalk maintenance, \$2 million for Shady Grove Road reconstruction, \$1,800,057 for street maintenance, and \$400,000 to address Bear Creek bridge erosion. When the one-time expenditures are removed from the FY 2020-21 and FY 2021-22 budgets, on-going General Fund expenditures are an increase of \$1,935,562 or 5.1% year over year. The use of cash funding one-time projects in the General Fund, the city is able to meet current service demands, including capital maintenance needs, without issuing debt.

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 2022-23 estimated ending fund balance at September 30, 2022 is \$24,994,304 which equals 63.0% of on-going expenditures. The estimated fund balance is above the policy required minimum balance of 35.0% and the policy maximum of 50.0%. 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 which also allows the City to have a competitive tax rate. The City's property tax rate for FY 2022-23 again 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.



BASIC FINANCIAL STATEMENTS



CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
September 30, 2022

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 48,984,878	\$ 20,288,128	\$ 69,273,006
Investments	61,773,204	3,042,498	64,815,702
Receivables, net allowance for uncollectable	5,619,765	5,671,637	11,291,402
Inventories	101,184	275,746	376,930
Prepaid items	40,593	290,772	331,365
Interfund balances	(1,291,421)	1,291,421	-
Restricted assets:			
Investments	-	7,926,059	7,926,059
Capital assets not being depreciated	37,567,336	4,093,375	41,660,711
Capital assets, net of accumulated depreciation	<u>85,635,152</u>	<u>98,153,689</u>	<u>183,788,841</u>
Total Assets	<u>238,430,691</u>	<u>141,033,325</u>	<u>379,464,016</u>
Deferred Outflows of Resources			
Deferred charge on refunding	367,864	63,026	430,890
Deferred outflows related to pensions	2,325,882	340,288	2,666,170
Deferred outflows related to OPEB - SDBF	214,173	31,354	245,527
Deferred outflows related to OPEB - Health Benefits	<u>243,653</u>	<u>35,646</u>	<u>279,299</u>
Total Deferred Outflows of Resources	<u>3,151,572</u>	<u>470,314</u>	<u>3,621,886</u>
Liabilities			
Accounts payable	5,875,280	5,605,244	11,480,524
Accrued interest payable	111,433	74,313	185,746
Customer deposits	341,813	1,438,225	1,780,038
Escrow payables	377,260	-	377,260
Unearned revenue	5,849,809	576,232	6,426,041
Long-term non-current liabilities:			
Due within one year	6,188,359	2,624,976	8,813,335
Due in more than one year	<u>29,175,243</u>	<u>22,025,796</u>	<u>51,201,039</u>
Total Liabilities	<u>47,919,197</u>	<u>32,344,786</u>	<u>80,263,983</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	6,220,593	910,149	7,130,742
Deferred inflows related to OPEB - SDBF	69,147	10,154	79,301
Deferred inflows related to OPEB - Health Benefits	<u>666,967</u>	<u>97,581</u>	<u>764,548</u>
Total Deferred Inflows of Resources	<u>6,956,707</u>	<u>1,017,884</u>	<u>7,974,591</u>
Net Position			
Net Investment in capital assets	99,447,718	83,241,339	182,689,057
Restricted for:			
Debt service	3,247,601	-	3,247,601
Capital projects	19,688,837	11,257,013	30,945,850
Park development	5,446,891	-	5,446,891
Street maintenance	1,641,154	-	1,641,154
Law Enforcement	7,556,244	-	7,556,244
Other	2,167,546	-	2,167,546
Unrestricted	<u>47,510,368</u>	<u>13,642,617</u>	<u>61,152,985</u>
Total Net Position	<u>\$ 186,706,359</u>	<u>\$ 108,140,969</u>	<u>\$ 294,847,328</u>

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental Activities:				
General government	\$ 5,318,814	\$ 1,946,250	\$ -	\$ -
Public safety	20,468,163	848,118	3,357,823	-
Public works	13,207,020	35,049	-	1,265,346
Community and economic development	2,071,671	3,214,072	-	-
Culture and recreation	8,046,226	300,153	1,518	-
Interest on long-term debt	680,922	-	-	-
Total Governmental Activities	49,792,816	6,343,642	3,359,341	1,265,346
Business-type Activities:				
Water and wastewater utility	27,459,747	33,030,914	-	1,199,407
Drainage utility	1,871,299	1,509,050	-	621,518
Recreation/Aquatic Center	6,782,809	2,589,946	-	-
Total Business-type Activities:	36,113,855	37,129,910	-	1,820,925
Total Primary Government	\$ 85,906,671	\$ 43,473,552	\$ 3,359,341	\$ 3,086,271

	Net (Expense) Revenues and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Functions/Programs			
Governmental Activities:			
General government	\$ (3,372,564)	\$ -	\$ (3,372,564)
Public safety	(16,262,222)	-	(16,262,222)
Public works	(11,906,625)	-	(11,906,625)
Community and economic development	1,142,401	-	1,142,401
Culture and recreation	(7,744,555)	-	(7,744,555)
Interest on long-term debt	(680,922)	-	(680,922)
Total Governmental Activities	(38,824,487)	-	(38,824,487)
Business-type Activities:			
Water and wastewater utility	-	6,770,574	6,770,574
Drainage utility	-	259,269	259,269
Recreation/Aquatic Center	-	(4,192,863)	(4,192,863)
Total Business-type Activities:	-	2,836,980	2,836,980
Total Primary Government	(38,824,487)	2,836,980	(35,987,507)
General Revenues and Transfers:			
Taxes:			
Property taxes	23,867,927	-	23,867,927
Sales and use taxes	18,092,391	-	18,092,391
Franchise taxes	4,861,663	-	4,861,663
Mixed drink taxes	188,557	-	188,557
Unrestricted Investment earnings	693,947	177,072	871,019
Miscellaneous	1,200,968	13,345	1,214,313
Transfers	(110,411)	110,411	-
Total General Revenues and Transfers	48,795,042	300,828	49,095,870
Change in Net Position	9,970,555	3,137,808	13,108,363
Net Position, Beginning	176,735,804	105,003,161	281,738,965
Net Position, Ending	\$ 186,706,359	\$ 108,140,969	\$ 294,847,328

CITY OF KELLER, TEXAS
BALANCE SHEET GOVERNMENTAL FUNDS
September 30, 2022

Exhibit A-3
Page 1 of 2

	General	General Obligation Debt Service	Crime Control Prevention District	Capital Projects Fund
Assets				
Cash and cash equivalents	\$ 27,585,873	\$ 46,192	\$ 31,475	\$ 7,232,504
Investments	8,976,201	3,233,480	6,905,495	22,103,307
Receivables, net of allowance for uncollectible:				
Ad valorem taxes	219,264	59,750	-	-
Franchise taxes	810,386	-	-	-
Sales taxes	1,572,577	-	367,582	-
Accounts	610,760	382	-	-
Interest and other	204,611	-	8,839	-
Due from other governments	381,994	-	63,518	-
Inventories	101,184	-	-	-
Prepaid items	38,832	-	-	-
Total Assets	\$ 40,501,682	\$ 3,339,804	\$ 7,376,909	\$ 29,335,811
Liabilities, Deferred Inflow of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,523,382	\$ -	\$ 13,269	\$ 1,104,502
Other payables	985,090	-	4,194	169,632
Customer deposits	326,585	-	-	-
Escrow payables	-	-	-	-
Unearned revenues	5,850,693	-	-	-
Total Liabilities	8,685,750	-	17,463	1,274,134
Deferred Inflows of Resources				
Unavailable resources	593,469	59,750	-	-
Total Deferred Inflows of Resources	593,469	59,750	-	-
Fund Balances:				
Nonspendable:				
Inventory	101,184	-	-	-
Prepaid items	38,832	-	-	-
Restricted for:				
Debt service	-	3,280,054	-	-
Capital projects	-	-	-	10,018,323
Park development	-	-	-	-
Municipal court building and technology	-	-	-	-
Law enforcement	-	-	7,359,446	-
Recreation and cultural	290,265	-	-	-
Public information and broadcasting	-	-	-	-
Community clean up	402,645	-	-	-
Street maintenance	-	-	-	-
Public safety and public works grants	91,935	-	-	-
Assigned:				
Capital projects	-	-	-	18,043,354
Unassigned:	30,297,602	-	-	-
Total Fund Balances	31,222,463	3,280,054	7,359,446	28,061,677
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 40,501,682	\$ 3,339,804	\$ 7,376,909	\$ 29,335,811

CITY OF KELLER, TEXAS
BALANCE SHEET GOVERNMENTAL FUNDS
September 30, 2022

Exhibit A-3
Page 2 of 2

	Nonmajor Governmental Funds	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 6,699,963	\$ 41,596,007
Investments	13,192,201	54,410,684
Receivables, net of allowance for uncollectible:		
Ad valorem taxes	-	279,014
Franchise taxes	22,943	833,329
Sales taxes	1,203,474	3,143,633
Accounts	3,542	614,684
Interest and other	54,267	267,717
Due from other governments	23,914	469,426
Inventories	-	101,184
Prepaid items	-	38,832
Total Assets	<u>\$ 21,200,304</u>	<u>\$ 101,754,510</u>
Liabilities, Deferred Inflow of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 678,581	\$ 3,319,734
Other payables	54,847	1,213,763
Customer deposits	15,228	341,813
Escrow payables	377,260	377,260
Unearned revenues	1,990	5,852,683
Total Liabilities	<u>1,127,906</u>	<u>11,105,253</u>
Deferred Inflows of Resources		
Unavailable resources	535	653,754
Total Deferred Inflows of Resources	<u>535</u>	<u>653,754</u>
Fund Balances:		
Nonspendable:		
Inventory	-	101,184
Prepaid items	-	38,832
Restricted for:		
Debt service	-	3,280,054
Capital projects	11,404,854	21,423,177
Park development	5,446,891	5,446,891
Municipal court building and technology	224,066	224,066
Law enforcement	196,798	7,556,244
Recreation and cultural	608,309	898,574
Public information and broadcasting	549,791	549,791
Community clean up	-	402,645
Street maintenance	1,641,154	1,641,154
Public safety and public works grants	-	91,935
Assigned:		
Capital projects	-	18,043,354
Unassigned:	-	30,297,602
Total Fund Balances	<u>20,071,863</u>	<u>89,995,503</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 21,200,304</u>	<u>\$ 101,754,510</u>



CITY OF KELLER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2022

Exhibit A-4

Total fund balance, governmental funds \$ 89,995,503

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Excludes governmental portion of the internal service funds of \$3,682,061. 119,520,427

Certain other long-term assets (property taxes, court fines, EMS and other receivables) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position. 653,754

Some liabilities and deferred outflows and inflows are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position. Excludes governmental portion of internal service funds of (\$100,82), (\$7,173), (\$137,334), and (\$50,718) for net deferred outflows and inflows of resources related to pensions, net outflows and inflows of resources related to OPEB, net pension liability, and total OPEB liability, respectively.

Bonds payable	(16,570,000)
Certificates of obligation	(6,520,000)
Premium on bonds	(2,766,951)
Deferred charge on refunding	367,864
Interest payable	(111,433)
Compensated absences	(2,210,342)
Deferred inflows/outflows related to pensions	(3,760,888)
Deferred inflows/outflows related to OPEB. Excludes	(268,725)
Net pension liability	(5,145,334)
Total OPEB liability	(1,900,276)

The assets and liabilities of certain internal service funds are not included in the fund financial statements but are included in the governmental activities of the Statement of Net Position. 15,422,760

Net Position of Governmental Activities \$ 186,706,359

CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

Exhibit A-5
Page 1 of 2

	<u>General</u>	<u>General Obligation Debt Service</u>	<u>Crime Control Prevention District</u>	<u>Capital Projects Fund</u>
Revenues				
Taxes:				
Ad valorem taxes	\$ 20,298,973	\$ 3,567,391	\$ -	\$ -
Sales and use taxes	9,110,290	-	2,149,324	-
Franchise taxes	4,775,189	-	-	-
Mixed drink tax	188,557	-	-	-
Licenses and permits	1,324,100	-	-	-
Intergovernmental revenues	3,874,035	-	100,982	-
Charges for services	3,398,154	-	-	-
Fines and forfeitures	445,082	-	-	-
Special assessments and impact fees	-	-	-	-
Donations	90,757	-	-	-
Interest income	300,765	16,393	37,359	131,372
Miscellaneous	503,334	3,070	-	8
Total Revenues	<u>44,309,236</u>	<u>3,586,854</u>	<u>2,287,665</u>	<u>131,380</u>
Expenditures				
Current:				
General government	5,209,697	-	-	20,169
Public safety	20,138,594	-	374,903	-
Public works	3,304,248	-	-	-
Community and economic development	2,064,279	-	-	-
Culture and recreation	5,410,748	-	-	-
Capital outlay	1,943,556	-	526,647	9,391,947
Debt service:				
Principal	-	2,930,000	435,000	-
Interest and fiscal charges	-	707,844	93,825	-
Other debt service expenditures	-	22,736	-	-
Total Expenditures	<u>38,071,122</u>	<u>3,660,580</u>	<u>1,430,375</u>	<u>9,412,116</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,238,114	(73,726)	857,290	(9,280,736)
Other Financing Sources (Uses)				
Transfers in	1,646,825	-	-	10,445,913
Transfers out	(8,244,450)	-	-	-
Proceeds from sales of assets	45,403	-	-	-
Total Other Financing Sources (Uses)	<u>(6,552,222)</u>	<u>-</u>	<u>-</u>	<u>10,445,913</u>
Net Change in Fund Balance	(314,108)	(73,726)	857,290	1,165,177
Fund Balances, Beginning	<u>31,536,571</u>	<u>3,353,780</u>	<u>6,502,156</u>	<u>26,896,500</u>
Fund Balances, Ending	<u>\$ 31,222,463</u>	<u>\$ 3,280,054</u>	<u>\$ 7,359,446</u>	<u>\$ 28,061,677</u>

CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

Exhibit A-5
Page 2 of 2

	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues		
Taxes:		
Ad valorem taxes	\$ -	\$ 23,866,364
Sales and use taxes	7,029,614	18,289,228
Franchise taxes	86,474	4,861,663
Mixed drink tax	-	188,557
Licenses and permits	-	1,324,100
Intergovernmental revenues	125,200	4,100,217
Charges for services	194,086	3,592,240
Fines and forfeitures	55,666	500,748
Special assessments and impact fees	269,832	269,832
Donations	30,815	121,572
Interest income	101,177	587,066
Miscellaneous	20,809	527,221
Total Revenues	<u>7,913,673</u>	<u>58,228,808</u>
Expenditures		
Current:		
General government	160,605	5,390,471
Public safety	140,131	20,653,628
Public works	68,682	3,372,930
Community and economic development	260,540	2,324,819
Culture and recreation	160,112	5,570,860
Capital outlay	2,457,934	14,320,084
Debt service:		
Principal	1,445,000	4,810,000
Interest and fiscal charges	137,859	939,528
Other debt service expenditures	-	22,736
Total Expenditures	<u>4,830,863</u>	<u>57,405,056</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,082,810	823,752
Other Financing Sources (Uses)		
Transfers in	1,302,500	13,395,238
Transfers out	(3,807,430)	(12,051,880)
Proceeds from sales of assets	-	45,403
Total Other Financing Sources (Uses)	<u>(2,504,930)</u>	<u>1,388,761</u>
Net Change in Fund Balance	577,880	2,212,513
Fund Balances, Beginning	<u>19,493,983</u>	<u>87,782,990</u>
Fund Balances, Ending	<u>\$ 20,071,863</u>	<u>\$ 89,995,503</u>



CITY OF KELLER, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022**

Exhibit A-6

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance-total governmental funds.	\$ 2,212,513
 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.	 14,329,387
Developers contributions are not reported in governmental funds.	876,848
 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 from internal service fund.	 (14,692,971)
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.	(3,445)
 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:	
Repayment of principal	4,810,000
Amortization of premium on bonds	397,270
Amortization of deferred charges on refunding	(132,364)
 Contributions are treated as expenditures in the fund based financial statements, but are treated as reductions in the City's net pension/total OPEB liability in the statement of net position. This amount is the difference between contributions and pension/OPEB expense (revenue) for the current fiscal year.	
Pension	1,903,640
OPEB	(164,114)
 Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Increase in compensated absences	(82,702)
Decrease in accrued interest	16,436
 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.	 <u>500,057</u>
 Change in Net Position of Governmental Activities	 <u><u>\$ 9,970,555</u></u>

CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

Exhibit A-7
Page 1 of 2

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Assets					
Current Assets:					
Cash and cash equivalents	\$17,886,252	\$ 2,304,758	\$ 97,118	\$ 20,288,128	\$ 7,388,871
Investments	534,650	1,783,332	724,516	3,042,498	7,362,520
Accounts receivable, net of allowance for doubtful accounts	5,582,003	59,462	30,172	5,671,637	18,148
Inventories, at cost	270,888	-	4,858	275,746	-
Prepaid items	289,255	-	1,517	290,772	1,761
Restricted:					
Investments	7,926,059	-	-	7,926,059	-
Total Current Assets	32,489,107	4,147,552	858,181	37,494,840	14,771,300
Noncurrent Assets:					
Capital assets:					
Land and Improvements	1,956,642	61,272	-	2,017,914	-
Water and sewer system	137,432,722	36,512,748	-	173,945,470	-
Buildings and improvements	19,790	-	19,120,577	19,140,367	38,500
Equipment	1,922,846	373,289	1,541,313	3,837,448	13,821,178
Capacity rights	6,282,281	-	-	6,282,281	-
Construction in progress	1,209,807	58,925	806,729	2,075,461	-
Less accumulated depreciation	(66,449,007)	(20,610,576)	(17,992,294)	(105,051,877)	(10,177,617)
Total Noncurrent Assets	82,375,081	16,395,658	3,476,325	102,247,064	3,682,061
Total Assets	114,864,188	20,543,210	4,334,506	139,741,904	18,453,361
Deferred Outflows of Resources					
Deferred loss on refunding	63,026	-	-	63,026	-
Deferred outflows related to pensions	239,569	37,919	62,800	340,288	79,916
Deferred outflows related to SDBF	22,062	3,492	5,800	31,354	7,359
Deferred outflows related to OPEB	25,096	3,972	6,578	35,646	8,372
Total Deferred Outflows of Resources	349,753	45,383	75,178	470,314	95,647

CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

Exhibit A-7
Page 2 of 2

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Recreation/ Aquatic Center</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 2,333,396	\$ 63,735	\$ 45,888	\$ 2,443,019	1,292,602
Other payables and accruals	3,087,497	15,279	50,349	3,153,125	52,493
Unearned revenue	330,022	-	356,532	686,554	-
Compensated absences - current	159,456	41,901	23,619	224,976	-
Bonds Payable - current	1,110,000	-	-	1,110,000	-
Certificates of obligations - current	1,290,000	-	-	1,290,000	-
Accrued interest payable	74,313	-	-	74,313	-
Customer deposits	1,334,208	-	2,795	1,337,003	-
Total Current Liabilities	<u>9,718,892</u>	<u>120,915</u>	<u>479,183</u>	<u>10,318,990</u>	<u>1,345,095</u>
Total Noncurrent Liabilities					
Compensated absences	50,187	12,315	-	62,502	-
Bonds Payable	3,005,820	-	-	3,005,820	-
Certificate of obligations	17,890,000	-	-	17,890,000	-
Net pension liability	548,838	86,869	143,900	779,607	183,084
Total OPEB liability (SDBF)	99,332	15,722	26,000	141,054	33,136
Total OPEB liability (Health Benefits)	103,360	16,360	27,093	146,813	34,479
Total Noncurrent Liabilities	<u>21,697,537</u>	<u>131,266</u>	<u>196,993</u>	<u>22,025,796</u>	<u>250,699</u>
Total Liabilities	<u>31,416,429</u>	<u>252,181</u>	<u>676,176</u>	<u>32,344,786</u>	<u>1,595,794</u>
Deferred inflows of resources					
Deferred inflows related to pensions	640,734	101,415	168,000	910,149	213,739
Deferred inflows related to SDBF	7,126	1,128	1,900	10,154	2,377
Deferred inflows related to OPEB Health benefits	68,699	10,874	18,008	97,581	22,917
Total Deferred Inflows of Resources	<u>716,559</u>	<u>113,417</u>	<u>187,908</u>	<u>1,017,884</u>	<u>239,033</u>
Net Position					
Investment in capital assets	63,369,356	16,395,658	3,476,325	83,241,339	3,682,061
Restricted for construction	9,131,967	2,102,748	22,298	11,257,013	-
Unrestricted	10,579,630	1,724,589	46,977	12,351,196	13,032,120
Total Net Position	<u>\$83,080,953</u>	<u>\$20,222,995</u>	<u>\$ 3,545,600</u>	106,849,548	<u>\$ 16,714,181</u>
Adjustment to reflect the consolidation of int service fund activities related to enterprise funds.				<u>1,291,421</u>	
Total Business-type Activities' Net Position per Government-Wide financial statements.				<u>\$ 108,140,969</u>	



CITY OF KELLER, TEXAS

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

PROPRIETARY FUNDS

For the Year Ended September 30, 2022

Exhibit A-8

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Operating Revenues					
Water	\$ 23,917,755	\$ -	\$ -	\$ 23,917,755	\$ -
Sewer	9,039,726	-	-	9,039,726	-
Drainage revenue	-	1,509,050	-	1,509,050	-
Recreation/Aquatic center revenue	-	-	2,587,065	2,587,065	-
Tap and connection fees	73,433	-	-	73,433	-
Miscellaneous	-	-	3,874	3,874	8,097,551
Total Operating Revenues	<u>33,030,914</u>	<u>1,509,050</u>	<u>2,590,939</u>	<u>37,130,903</u>	<u>8,097,551</u>
Operating Expenses					
Personnel	2,356,073	295,899	1,103,809	3,755,781	841,118
Supplies and materials	222,756	25,368	110,138	358,262	140,977
Services and other	6,760,619	585,455	1,129,681	8,475,755	4,678,046
Purchased water	11,332,573	-	-	11,332,573	-
Contractual services	4,005,268	-	-	4,005,268	-
Depreciation	2,562,956	964,577	4,446,811	7,974,344	860,662
Total Operating Expenses	<u>27,240,245</u>	<u>1,871,299</u>	<u>6,790,439</u>	<u>35,901,983</u>	<u>6,520,803</u>
Operating Income (Loss)	5,790,669	(362,249)	(4,199,500)	1,228,920	1,576,748
Non-Operating Revenues (Expenses)					
Investment revenue	145,178	25,300	6,511	176,989	106,927
Gain/loss on disposal of capital assets	(80,489)	-	7,630	(72,859)	199,388
Other	9,548	-	2,887	12,435	422,723
Interest expense	(490,973)	-	-	(490,973)	-
Total Non-Operating Revenues	<u>(416,736)</u>	<u>25,300</u>	<u>17,028</u>	<u>(374,408)</u>	<u>729,038</u>
Income (Loss) Before Contributions and Transfers	5,373,933	(336,949)	(4,182,472)	854,512	2,305,786
Contributions and Transfers					
Developer contributions	1,199,407	621,518	-	1,820,925	-
Transfer in	250,343	-	222,811	473,154	351,560
Transfer out	(101,944)	(260,799)	-	(362,743)	(1,805,329)
Total Contributions and Transfers	<u>1,347,806</u>	<u>360,719</u>	<u>222,811</u>	<u>1,931,336</u>	<u>(1,453,769)</u>
Change in Net Position	6,721,739	23,770	(3,959,661)	2,785,848	852,017
Net Position, Beginning	<u>76,359,214</u>	<u>20,199,225</u>	<u>7,505,261</u>		<u>15,862,164</u>
Net Position, Ending	<u>\$ 83,080,953</u>	<u>\$ 20,222,995</u>	<u>\$ 3,545,600</u>		<u>\$ 16,714,181</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. 351,960

Change in Net Position Business-type Activities \$ 3,137,808

CITY OF KELLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

Exhibit A-9

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 32,233,067	\$ 1,509,573	\$ 2,513,059	\$ 36,255,699	\$ 8,350,775
Cash payments to employees for services	60,360	(432,822)	(1,178,781)	(1,551,243)	(885,022)
Cash payments to other suppliers for goods and services	(23,170,820)	(621,201)	(1,332,721)	(25,124,742)	(3,683,155)
Net Cash Provided (Used) by Operating Activities	<u>9,122,607</u>	<u>455,550</u>	<u>1,557</u>	<u>9,579,714</u>	<u>3,782,598</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	250,343	-	222,811	473,154	351,560
Transfer to other funds	(101,944)	(260,799)	-	(362,743)	(1,805,329)
Net Cash Provided (Used) by Noncapital Financial Activities	<u>148,399</u>	<u>(260,799)</u>	<u>222,811</u>	<u>110,411</u>	<u>(1,453,769)</u>
Cash Flows from Capital & Related Financing Activities					
Principal and interest paid	(3,274,516)	-	-	(3,274,516)	-
Acquisition and construction of capital assets	(2,156,150)	(19,575)	(1,039,660)	(3,215,385)	(519,166)
Insurance recoveries	-	-	-	-	422,723
Miscellaneous revenue	9,548	-	2,887	12,435	-
Proceeds from the capital assets	42,531	-	-	42,531	130,248
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(5,378,587)</u>	<u>(19,575)</u>	<u>(1,036,773)</u>	<u>(6,434,935)</u>	<u>33,805</u>
Cash Flows from Investing Activities					
Purchase or sale of investments	4,339,435	29,935	156,154	4,525,524	(5,449,362)
Interest Received	145,178	25,300	6,511	176,989	106,927
Net Cash Provided (Used) by Investing Activities	<u>4,484,613</u>	<u>55,235</u>	<u>162,665</u>	<u>4,702,513</u>	<u>(5,342,435)</u>
Net Change in Cash and Cash Equivalents	8,377,032	230,411	(649,740)	7,957,703	(2,979,801)
Cash and cash equivalents, beginning	9,509,220	2,074,347	746,858	12,330,425	10,368,672
Cash and Cash Equivalents, Ending	<u>\$ 17,886,252</u>	<u>\$ 2,304,758</u>	<u>\$ 97,118</u>	<u>\$ 20,288,128</u>	<u>\$ 7,388,871</u>
Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 5,790,669	\$ (362,249)	\$ (4,199,500)	\$ 1,228,920	\$ 1,576,748
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	2,562,956	964,577	4,446,811	7,974,344	860,662
Decrease (increase) in accounts receivable	(894,545)	523	523	(893,499)	253,224
Decrease (increase) in inventories and prepaid items	28,260	-	-	28,260	(1,761)
Decrease (increase) in deferred outflows	55,899	23,571	755	80,225	(1,637)
Increase (decrease) in accounts payable	(877,864)	(10,378)	(92,902)	(981,144)	1,126,012
Increase (decrease) in other payables and accruals	2,965,100	(144)	13,574	2,978,530	11,617
Increase (decrease) in compensated absences	9,646	(2,756)	-	6,890	-
Increase (decrease) in customer deposits	31,793	-	697	32,490	-
Increase (decrease) in unearned revenue	64,905	-	(79,100)	(14,195)	-
Increase (decrease) in pension and OPEB liability	(1,060,654)	(212,088)	(212,027)	(1,484,769)	(182,420)
(Increase) decrease in deferred inflows	446,442	54,494	122,726	-	140,153
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,122,607</u>	<u>\$ 455,550</u>	<u>\$ 1,557</u>	<u>\$ 9,579,714</u>	<u>\$ 3,782,598</u>
Noncash Investing, Capital and Financing Activities:					
Capital asset contributions from governmental funds	<u>\$ 1,199,407</u>	<u>\$ 621,518</u>	<u>\$ -</u>	<u>\$ 1,820,925</u>	<u>\$ -</u>

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, 2022.

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

B - Financial Reporting Entity (continued)

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

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

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.

Note 1 - Summary of Significant Accounting Policies (continued)

C - Government-Wide and Fund Financial Statements (continued)

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.

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 governmental funds are used by the City:

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

General Obligation Debt Service Fund - The General Obligation Debt Service Fund is used to account for the payment of interest and principal on all general long-term debt of the City except for capital leases for which are accounted for in the General Fund. The primary source of revenue for the Debt Service Fund is general property taxes.

The Crime Control Prevention District Special Revenue Fund – This 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.

Note 1 - Summary of Significant Accounting Policies (continued)

D - Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fund Accounting (continued)

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

In addition, the City reports the following nonmajor governmental funds:

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 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.

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.

Hotel Occupancy Fund – This fund accounts for tax related occupancy collections.

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.

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

Governmental funds with legally adopted annual budgets include the General Fund, the General Obligation Debt Service Fund, Crime Control Prevention District, Municipal Court fund, Public Safety, Public Information and Broadcasting, Keller Development Corporation, and the Street/Sidewalk Improvement fund. The legal level of control and budget to actual expenditure comparison is reported at the department level.

Note 1 - Summary of Significant Accounting Policies (continued)

D - Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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, liabilities, deferred inflows and outflows of resources 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.

Note 1 - Summary of Significant Accounting Policies (continued)

E - Cash and Cash Equivalents and Investments

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, 2022, 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 is 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.

The governmental and proprietary funds report grant receivables as earned upon the time when eligible to receive reimbursement if collected within a year after fiscal year end.

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.

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>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20 - 40 years
Improvements other than buildings	20 - 40 years
Water , sewer, and drainage system	20 - 40 years
Capacity rights	40 years
Machinery, vehicle, and other equipment	3 - 20 years

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

M - Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category:

- Deferred outflows or resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for other post-employment benefits (OPEB) other than pension – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the total OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB investments will be amortized over a closed five-year period. The remaining postemployment related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

A *deferred inflow of resources* is an acquisition of a government's net positions (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual bases of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the City's proportional share of pension liabilities These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

Note 1 - Summary of Significant Accounting Policies (continued)

N - Fund Balance

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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

O - 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 \$0.3950 per \$100 of assessed valuation and assessed valuation is approximately 100% of estimated value.

Note 1 - Summary of Significant Accounting Policies (continued)

P - 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.

Q - Net Position Classifications

Classification of net position includes three components as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings, premiums, discounts, and deferred outflows of resources or deferred inflows of resources from a refunding.
- Restricted – This component of the net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

R - Proprietary Funds Operating and Non-operating Revenues and Expenses

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

S - Implementation of New Standards

GASB No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The City has determined that this statement does not have a material effect on the financial statements.

No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* was issued in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021. The City has evaluated the effects of this standard and has determined that this Statement does not impact the financial statements.

Note 2 - Deposits and Investments

The following table shows the City’s recorded cash and equivalents and investments at September 30, 2022:

<u>Fund</u>	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 41,596,007	\$ 7,388,871	\$ 20,288,128	\$ 69,273,006
Investments	54,410,684	7,362,520	10,968,557	72,741,761
	<u>\$ 96,006,691</u>	<u>\$ 14,751,391</u>	<u>\$ 31,256,685</u>	<u>\$ 142,014,767</u>

At year end, the carrying amount of the City’s interest bearing bank deposits and money market funds was \$69,273,006 and the bank balance was \$74,223,017. All of the bank balances were 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.

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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
Repurchases 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.

Note 2 - Deposits and Investments (continued)

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.

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:

	<u>Fair Value/ Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>	<u>Percentage of Portfolio</u>	<u>Portfolio WAM</u>	<u>Credit Risk</u>
Certificate of Deposits:					
East West Bank	\$ 26,053,032	75	36%	27	
Texas Brand Bank	3,880,000	20	5%	1	
Prosperity Bank	5,025,046	118	7%	8	
Frost Bank	8,000,000	355	11%	39	
Texas Bank	2,082,709	20	3%	1	
Local Government Investment Pools:					
TexPool	24,700,974	24	34%	8	AAAm
Investment Securities:					
U.S. Treasury	3,000,000	304	4%	13	Aaa/AA+
Total	<u>\$ 72,741,761</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, 2022, the City minimized the interest rate risk, the risk relating to the decline in fair 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.

Note 2 - Deposits and Investments (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 fair 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 State Comptroller of Public Accounts exercises responsibility over TexPool. This 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 operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized costs rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. There are no significant limitations or restrictions on participant withdrawals.

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:

	<u>General Fund</u>	<u>General Obligation Debt Service Fund</u>	<u>Crime Control Prevention District Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables					
Property taxes	\$ 250,587	\$ 68,286	\$ -	\$ -	\$ 318,873
Franchise taxes	810,386	-	-	22,943	833,329
Sales taxes	1,572,577	-	367,582	1,203,474	3,143,633
Accounts	613,989	382	-	8,356	622,727
Other	204,611	-	8,839	54,267	267,717
Due from other governments	381,994	-	63,518	23,914	469,426
Gross receivable	<u>3,834,144</u>	<u>68,668</u>	<u>439,939</u>	<u>1,312,954</u>	<u>5,655,705</u>
Less: Allowance for uncollectible	<u>(31,323)</u>	<u>(8,536)</u>	<u>-</u>	<u>(4,814)</u>	<u>(44,673)</u>
Net Receivables.	<u>\$ 3,802,821</u>	<u>\$ 60,132</u>	<u>\$ 439,939</u>	<u>\$ 1,308,140</u>	<u>\$ 5,611,032</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:

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Nonmajor Recreation Aquatic Center</u>	<u>Total Enterprise Funds</u>	<u>Nonmajor Internal Service Fund</u>
Receivables					
Accounts	\$ 5,793,409	\$ 70,353	\$ 30,172	\$ 5,893,934	\$ 18,148
Gross receivable	5,793,409	70,353	30,172	5,893,934	18,148
Less: Allowance for uncollectible	<u>(211,406)</u>	<u>(10,891)</u>	<u>-</u>	<u>(222,297)</u>	<u>-</u>
Net Receivables.	<u>\$ 5,582,003</u>	<u>\$ 59,462</u>	<u>\$ 30,172</u>	<u>\$ 5,671,637</u>	<u>\$ 18,148</u>

Note 4 - Capital Assets

Capital assets activity for the year ended September 30, 2022, was as follows:

	Balance September 30, 2021	Additions (Increases)	Retirements and Transfers	Balance September 30, 2022
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 34,551,267	\$ 603,777	\$ -	\$ 35,155,044
Construction in progress	8,984,516	4,263,737	(10,835,961)	2,412,292
Total capital assets, not being depreciated	<u>43,535,783</u>	<u>4,867,514</u>	<u>(10,835,961)</u>	<u>37,567,336</u>
Capital assets being depreciated:				
Buildings	52,334,930	1,562,225	9,281,640	63,178,795
Improvements other than buildings	213,085,901	7,852,231	1,444,534	222,382,666
Machinery and equipment	25,874,280	1,835,955	(71,887)	27,638,348
Total capital assets being depreciated	<u>291,295,111</u>	<u>11,250,411</u>	<u>10,654,287</u>	<u>313,199,809</u>
Less accumulated depreciation for:				
Buildings	(29,932,429)	(2,342,688)	-	(32,275,117)
Improvements other than buildings	(162,176,985)	(11,938,069)	-	(174,115,054)
Machinery and equipment	(19,759,899)	(1,543,002)	128,415	(21,174,486)
Total accumulated depreciation	<u>(211,869,313)</u>	<u>(15,823,759)</u>	<u>128,415</u>	<u>(227,564,657)</u>
Total capital assets being depreciated, net	<u>79,425,798</u>	<u>(4,573,348)</u>	<u>10,782,702</u>	<u>85,635,152</u>
Governmental Activities Capital Assets, Net	<u>\$ 122,961,581</u>	<u>\$ 294,166</u>	<u>\$ (53,259)</u>	<u>\$ 123,202,488</u>
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 2,017,914	\$ -	\$ -	\$ 2,017,914
Construction in progress	1,062,088	1,893,583	(880,210)	2,075,461
Total capital assets, not being depreciated:	<u>3,080,002</u>	<u>1,893,583</u>	<u>(880,210)</u>	<u>4,093,375</u>
Business-type assets, being depreciated				
Buildings	18,917,556	222,811	-	19,140,367
Utility facilities	170,290,709	2,774,551	880,210	173,945,470
Machinery and equipment	3,942,258	48,827	(153,637)	3,837,448
Capacity rights	6,282,281	-	-	6,282,281
Total capital assets being depreciated	<u>199,432,804</u>	<u>3,046,189</u>	<u>726,573</u>	<u>203,205,566</u>
Less accumulated depreciation for:				
Buildings	(12,571,055)	(4,338,053)	-	(16,909,108)
Utility facilities	(76,037,152)	(3,331,672)	-	(79,368,824)
Machinery and equipment	(3,254,758)	(147,575)	137,865	(3,264,468)
Capacity rights	(5,352,433)	(157,044)	-	(5,509,477)
Total accumulated depreciation	<u>(97,215,398)</u>	<u>(7,974,344)</u>	<u>137,865</u>	<u>(105,051,877)</u>
Total capital assets being depreciated, net	<u>102,217,406</u>	<u>(4,928,155)</u>	<u>864,438</u>	<u>98,153,689</u>
Business-Type Activities Capital Assets, Net	<u>\$ 105,297,408</u>	<u>\$ (3,034,572)</u>	<u>\$ (15,772)</u>	<u>\$ 102,247,064</u>

* Governmental activities include internal service fund machinery and equipment of \$13,859,678 with accumulated depreciation of \$10,177,617 as of September 30, 2022.

Note 4 - Capital Assets (continued)

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

Governmental Activities:	
General government	\$ 744,984
Public Safety	1,936,342
Public works	10,249,813
Community development	7,620
Recreation and cultural	2,885,000
Total Governmental Activities	<u>\$ 15,823,759</u>

Governmental activities portion of the internal service fund depreciation expense of \$860,662 is allocated within each function.

Business-type activities depreciation expense as follows:

Business-type Activities:	
Water and wastewater utilities	\$ 2,562,956
Drainage utility	964,577
Recreation / aquatic center	4,446,811
Total Business-type Activities	<u>\$ 7,974,344</u>

The City has active construction projects as of September 30, 2022. The projects include construction, park improvements, and drainage improvements.

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

<u>Project Name</u>	<u>Project Number</u>	<u>Budget</u>	<u>Total in Progress</u>	<u>Remaining Commitment</u>
Nightingale Culvert Ph 1	402001	\$ 1,238,000	\$ 54,255	\$ 1,183,745
Johnson Road Reconstruction	501905/501801	6,632,117	807,639	5,824,478
Old Town Keller East Reconstruction	502010	4,685,000	1,832,447	2,852,553
2022 Street Reconstruction	502102	3,725,114	269,613	3,455,501
2022 Sidewalk Maintenance	502201	3,760,798	733,153	3,027,645
Hwy 377 Water Lines	601805	1,004,877	919,548	85,329
Tank Maintenance	601905	2,800,000	259,490	2,540,510
Bates Street Line Replacements	602205	675,000	185,884	489,116
Big Bear Creek Interceptor II	701602	899,616	893,869	5,747
Overton Ridge Park	801602	3,221,654	1,604,149	1,617,505
Softball Parking Lot Improvements	802203	829,059	78,723	750,336
		<u>\$ 33,532,625</u>	<u>\$ 8,431,845</u>	<u>\$ 25,100,780</u>

Note 5 - Transfers

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:						Total
	Governmental Funds			Enterprise Funds			
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water and Wastewater Utilities Fund	Recreation and Aquatic Center Fund	Internal Service Fund	
Transfers out:							
General fund	\$ -	\$ 7,700,057	\$ -	\$ 212,706	\$ -	\$ 331,687	\$ 8,244,450
Nonmajor governmental funds	-	2,485,057	1,302,500	-	-	19,873	3,807,430
Water and wastewater utilities fund	101,944	-	-	-	-	-	101,944
Drainage utility fund	-	260,799	-	-	-	-	260,799
Internal service fund	1,544,881	-	-	37,637	222,811	-	1,805,329
	<u>\$ 1,646,825</u>	<u>\$ 10,445,913</u>	<u>\$ 1,302,500</u>	<u>\$ 250,343</u>	<u>\$ 222,811</u>	<u>\$ 351,560</u>	<u>\$ 14,219,952</u>

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 the 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 Fund	Nonmajor Governmental Funds	Total
Deferred inflows of resources:				
Property taxes	\$ 219,264	\$ 59,750	\$ -	\$ 279,014
Court fines	19,371	-	535	19,906
Emergency services	<u>354,834</u>	<u>-</u>	<u>-</u>	<u>354,834</u>
Total	<u>\$ 593,469</u>	<u>\$ 59,750</u>	<u>\$ 535</u>	<u>\$ 653,754</u>

Note 7 - Long-Term Liabilities

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.

<u>General Obligation Bonds</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Component Unit Portion</u>	<u>City Portion</u>	<u>Total Governmental</u>	<u>Business-Type</u>
\$9,860,000 Series 2011 Refunding *	2023	0.55 - 5.00%	\$ 1,320,000	\$ 85,000	\$ 1,405,000	\$ -
\$11,465,000 Series 2012 Refunding	2024	2.00 - 5.00%	-	980,000	980,000	1,585,000
\$10,475,000 Series 2015 Refunding	2026	2.00 - 4.00%	-	-	-	1,135,000
\$7,350,000 Series 2017 Refunding	2029	2.00 - 3.00%	-	5,355,000	5,355,000	-
\$12,220,000 Series 2020 Refunding and Improvement	2035	2.00 - 5.00%	-	8,830,000	8,830,000	675,000
Total General Obligation Bonds			<u>\$ 1,320,000</u>	<u>\$ 15,250,000</u>	<u>\$ 16,570,000</u>	<u>\$ 3,395,000</u>

* Component Unit Portion is with Keller Development Corporation

<u>Certificates of Obligation</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Component Unit Portion</u>	<u>City Portion</u>	<u>Total Governmental</u>	<u>Business-Type</u>
\$5,835,000 Series 2012 Improvements (CWSRF)	2032	0.05 - 2.20%	\$ -	\$ -	\$ -	\$ 3,235,000
\$6,000,000 Series 2012 Improvements	2027	2.00 - 5.00%	-	2,440,000	2,440,000	-
\$3,870,000 Series 2015 Improvements *	2034	2.00 - 3.13%	2,570,000	-	2,570,000	-
\$4,060,000 Series 2016 Improvements	2031	0.530 - 1.93%	-	-	-	2,500,000
\$9,250,000 Series 2017 Tax and Revenue	2037	2.00 - 4.00%	-	1,510,000	1,510,000	3,680,000
\$7,045,000 Series 2019 Tax and Revenue	2039	2.00 - 2.65%	-	-	-	6,230,000
\$4,060,000 Series 2020 Tax and Revenue	2035	0.10 - 1.36%	-	-	-	3,535,000
Total Certificates of Obligation			<u>\$ 2,570,000</u>	<u>\$ 3,950,000</u>	<u>\$ 6,520,000</u>	<u>\$ 19,180,000</u>

* Component Unit Portion is with Keller Development Corporation

Note 7 - Long-Term Liabilities (continued)

Changes in Long-term Liabilities

A summary of long-term liabilities transactions, including current portion, for the year ended September 30, 2022, is as follows:

	Balance September 30 2021	Additions	Reductions	Balance September 30 2022	Amounts Due Within One Year
Governmental Activities:					
Bonds payable:					
General Obligation Bonds	\$ 20,045,000	\$ -	\$ (3,475,000)	\$ 16,570,000	\$ 3,235,000
Certificates of Obligation	7,855,000	-	(1,335,000)	6,520,000	1,375,000
Premium on bond issuance	3,164,221	-	(397,270)	2,766,951	-
Total bonds payable	31,064,221	-	(5,207,270)	25,856,951	4,610,000
Compensated absences	2,127,640	82,702	-	2,210,342	1,578,359
Net pension liability *	10,984,989	-	(5,656,571)	5,328,418	-
Total OPEB liability - SDBF *	889,237	75,174	-	964,411	-
Total OPEB liability - health benefits *	1,439,757	-	(436,277)	1,003,480	-
Total Governmental Activities	\$ 46,505,844	\$ 157,876	\$ (11,300,118)	\$ 35,363,602	\$ 6,188,359
Business-type Activities:					
Bonds payable:					
General Obligation Bonds	\$ 4,735,000	\$ -	\$ (1,340,000)	\$ 3,395,000	\$ 1,110,000
Certificates of Obligation	20,455,000	-	(1,275,000)	19,180,000	1,290,000
Premium on bond issuance	874,363	-	(153,543)	720,820	-
Total bonds payable	26,064,363	-	(2,768,543)	23,295,820	2,400,000
Compensated absences	280,588	6,890	-	287,478	224,976
Net pension liability	2,150,376	-	(1,370,769)	779,607	-
Total OPEB liability - SDBF	152,931	-	(11,877)	141,054	-
Total OPEB liability - health benefits	248,936	-	(102,123)	146,813	-
Total Business-type Activities	\$ 28,897,194	\$ 6,890	\$ (4,253,312)	\$ 24,650,772	\$ 2,624,976

*Net pension and OPEB liabilities from the internal service fund are reported within governmental activities. Sources from the general fund are used to liquidate net pension/OPEB liabilities for governmental funds.

Note 7 - Long-Term Liabilities (continued)

Fiscal Year	General Obligation Bonds					
	Governmental			Business-Type		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 3,235,000	\$ 597,156	\$ 3,832,156	\$ 1,110,000	\$ 116,375	\$ 1,226,375
2024	1,900,000	499,300	2,399,300	1,170,000	65,550	1,235,550
2025	1,450,000	440,700	1,890,700	370,000	33,950	403,950
2026	1,495,000	400,050	1,895,050	380,000	23,525	403,525
2027	1,555,000	342,650	1,897,650	85,000	16,125	101,125
2028-2032	5,240,000	782,075	6,022,075	280,000	21,750	301,750
2033-2037	1,695,000	103,700	1,798,700	-	-	-
	<u>\$ 16,570,000</u>	<u>\$ 3,165,631</u>	<u>\$ 19,735,631</u>	<u>\$3,395,000</u>	<u>\$ 277,275</u>	<u>\$ 3,672,275</u>

Fiscal Year	Certificates of Obligation					
	Governmental			Business-Type		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,375,000	\$ 177,150	\$ 1,552,150	\$ 1,290,000	\$ 444,745	\$ 1,734,745
2024	1,420,000	134,344	1,554,344	1,310,000	425,448	1,735,448
2025	675,000	102,919	777,919	1,340,000	402,667	1,742,667
2026	695,000	82,369	777,369	1,370,000	376,951	1,746,951
2027	720,000	60,819	780,819	1,390,000	349,691	1,739,691
2028-2032	1,120,000	167,169	1,287,169	7,205,000	1,245,776	8,450,776
2033-2037	515,000	16,328	531,328	4,370,000	461,972	4,831,972
2038-2042	-	-	-	905,000	27,375	932,375
	<u>\$ 6,520,000</u>	<u>\$ 741,098</u>	<u>\$ 7,261,098</u>	<u>\$19,180,000</u>	<u>\$ 3,734,625</u>	<u>\$22,914,625</u>

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 - Defined-Benefit Pension Plans

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 895 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 annual comprehensive financial report (annual report) that can be obtained at www.tmr.com.

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

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

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

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Updated Service Credit:	100% Repeating Transfers
Annuity Increase to retirees:	50% of CPI Repeating

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Note 8 - Defined-Benefit Pension Plans (continued)

Texas Municipal Retirement System (continued)

Benefits Provided

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	192
Inactive employees entitled to but not yet receiving benefits	251
Activity employees	<u>272</u>
Total	<u><u>715</u></u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.18% and 16.22% in calendar years 2022 and 2021, respectively.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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.

Note 8 - Defined-Benefit Pension Plans (continued)

Texas Municipal Retirement System (continued)

Actuarial Assumptions (continued)

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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the table below:

<u>Asset Class</u>	<u>Strategic Target Allocation Index</u>
Core fixed income	6.0%
Non-core fixed income	20.0%
Global public equity	35.0%
Real estate	12.0%
Hedge funds	5.0%
Other public & private market	12.0%
Private equity	10.0%
Cash equivalents	0.0%
Total	100.0%

Discount Rate

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

Note 8 - Defined-Benefit Pension Plans (continued)

Texas Municipal Retirement System (continued)

Changes in the Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 117,564,387	\$ 104,429,022	\$ 13,135,365
Changes for the year:			
Service cost	3,365,615	-	3,365,615
Interest	7,907,150	-	7,907,150
Difference between expected and actual experience	(154,873)	-	(154,873)
Changes in assumptions	-	-	-
Contributions - employer	-	3,192,003	(3,192,003)
Contributions - employee	-	1,391,612	(1,391,612)
Net investment income	-	13,624,176	(13,624,176)
Benefit payments, including refunds, of employee contributions	(4,208,449)	(4,208,449)	-
Administrative expense	-	(62,991)	62,991
Other charges	-	432	(432)
Net changes	<u>6,909,443</u>	<u>13,936,783</u>	<u>(7,027,340)</u>
Balance at 12/31/2021	<u>\$ 124,473,830</u>	<u>\$ 118,365,805</u>	<u>\$ 6,108,025</u>

Sensitivity of the Net Pension Liability

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

	1% Decrease to 5.75%	Current Single Rate Assumption 6.75%	1% Increase to 7.75%
City's net pension liability	\$ 24,738,138	\$ 6,108,025	\$ (9,110,735)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at the following location: TMRS 2021 ACFR.

Note 8 - Defined-Benefit Pension Plans (continued)

Texas Municipal Retirement System (continued)

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

For the year ended September 30, 2022, the City recognized pension expense of \$616,590.

At September 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actuarial assumptions and actual experience	\$ 61,912	\$ (146,973)
Changes in actuarial assumptions used	168,726	-
Differences between projected and actual investment earnings	-	(6,983,769)
Contributions subsequent to the measurement date	<u>2,435,532</u>	<u>-</u>
Total	<u>\$ 2,666,170</u>	<u>\$ (7,130,742)</u>

Deferred outflows of resources of \$2,435,532 resulting from contributions subsequent to the measurement date of will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) Of Resources</u>
2023	\$ (1,159,608)
2024	(2,912,175)
2025	(1,512,895)
2026	<u>(1,315,426)</u>
Total	<u>\$ (6,900,104)</u>

Note 9 - Other Post-Employment Benefits (OPEB)

The City provides for two other post-employment benefits (OPEB) plans; one provides for post-employment health insurance benefits through a single-employer defined benefit medical plan (City of Keller Retiree Health Care Plan), and the other is The Texas Municipal Retirement System Supplemental Death Benefits Fund, a single employer defined benefit OPEB plan. Both plans are described in detail below. Aggregate amounts for the two OPEB plans are as follows:

	<u>Retiree Health Care Plan</u>	<u>TMRS SDBF</u>	<u>Total</u>
OPEB Liability	\$ 1,150,293	\$ 1,105,465	\$ 2,255,758
Deferred outflows of resources	279,299	245,527	524,826
Deferred inflows of resources	764,548	79,301	843,849
OPEB expense	79,047	112,387	191,434

City Of Keller Retiree Health Care Plan

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 five 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 \$855 to \$2,132 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, 2021:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>263</u>
Total	<u><u>266</u></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, 2022 of \$39,964 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.

Total OPEB Liability

Total OPEB liability reported at September 30, 2022 was measured as of December 31, 2021, and based on actuarial valuation performed as of December 31, 2021.

Note 9 - Other Post-Employment Benefits (OPEB) (continued)

City Of Keller Retiree Health Care Plan (continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	1.84% as of December 31, 2021
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years.
Participation Rates	15% for employees retiring on or after the age of 50; 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 2.00% (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 1.84% 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.

Changes in the Total OPEB Liability

Service cost	\$ 101,561
Interest	34,390
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	(328,708)
Changes of assumptions	(305,679)
Benefit payments	<u>(39,964)</u>
Net change in total OPEB liability	(538,400)
Total OPEB liability - beginning	<u>1,688,693</u>
Total OPEB Liability - Ending	<u>\$ 1,150,293</u>
Covered payroll	\$ 19,324,496
Total OPEB liability as a percentage of covered payroll	5.95%

Note 9 - Other Post-Employment Benefits (OPEB) (continued)

City Of Keller Retiree Health Care Plan (continued)

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

Age-adjusted premiums (retiree contributions * 1.954)	\$ 81,855
Retiree contributions	<u>(41,891)</u>
Total Benefit Payments	<u>\$ 39,964</u>

The 1.954 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 Total 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 total OPEB liability, calculated using a discount rate of 1.84%, 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:

<u>1% Decrease</u> <u>0.84%</u>	<u>Current Discount</u> <u>Rate Assumption</u> <u>1.84%</u>	<u>1% Increase</u> <u>2.84%</u>
\$ 1,268,446	\$ 1,150,293	\$ 1,041,940

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:

<u>1% Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u> <u>Assumption</u>	<u>1% Increase</u>
\$ 991,121	\$ 1,150,293	\$ 1,342,510

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$79,047. At September 30, 2022, the reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 5,444	\$ (454,570)
Changes assumptions	246,329	(309,978)
Contributions subsequent to the measurement date	<u>27,526</u>	<u>-</u>
Total	<u>\$ 279,299</u>	<u>\$ (764,548)</u>

Note 9 - Other Post-Employment Benefits (OPEB) (continued)

City Of Keller Retiree Health Care Plan (continued)

The \$27,526 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, 2023.

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:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) Of Resources</u>
2023	\$ (56,904)
2024	(56,904)
2025	(56,904)
2026	(56,904)
2027	(56,904)
Thereafter	<u>(228,255)</u>
Total	<u>\$ (512,775)</u>

Differences between expected and actual experience and 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.

At the beginning of the current measurement period, the expected remaining service lives of all active employees in the plan was approximately 2,591 years. Additionally, the total plan membership (active employees and inactive employees) was 266. 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 9.7408 years.

Other Post Employment Benefits – 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.

Note 9 - Other Post-Employment Benefits (OPEB) (continued)

Other Post Employment Benefits – TMRS Supplemental Death Benefit Fund (continued)

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	113
Inactive employees entitled to but not yet receiving benefits	60
Active employees	<u>272</u>
Total	<u><u>445</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 0.06% in calendar years 2020 and 2021. The City’s contributions to the SDBF for the year ended September 30, 2022 were \$12,496, and were equal to the required contributions.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 1.84% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2021.

Actuarial Assumptions

The City’s total OPEB liability was measured at December 31, 2021 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Retiree’s share of benefit-related costs	0.00%
Actuarial cost method	Entry Age Normal

Note 9 - Other Post-Employment Benefits (OPEB) (continued)

Other Post Employment Benefits – TMRS Supplemental Death Benefit Fund (continued)

Changes in the Total OPEB Liability

Total OPEB Liability	
Service cost	\$ 49,611
Interest	21,220
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	(33,719)
Changes of assumptions	38,092
Benefit payments	<u>(11,907)</u>
Net change in total OPEB liability	63,297
Total OPEB liability - beginning	<u>1,042,168</u>
Total OPEB liability - ending	<u>\$ 1,105,465</u>
Covered payroll	\$ 19,844,428
Total OPEB liability as a percentage of covered payroll	5.57%

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 1.84%, 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 (1.00%) or 1 percentage point higher (3.00%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease	Current Discount	1% Increase
0.84%	Rate	2.84%
<u> </u>	<u> </u>	<u> </u>
\$ 1,386,182	\$ 1,105,465	\$ 892,782

For the year ended September 30, 2022, the City recognized OPEB expense of \$112,387. As of September 30, 2022, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred	Deferred
	Outflows of	Inflows of
	Resources	Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 1,086	\$ (55,042)
Changes assumptions	235,329	(24,259)
Contributions subsequent to the measurement date	9,112	-
Total	<u>\$ 245,527</u>	<u>\$ (79,301)</u>

The \$9,112 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2023.

Note 9 - Other Post-Employment Benefits (OPEB) (continued)

TMRS Supplemental Death Benefits Fund (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity (continued)

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) Of Resources</u>
2023	\$ 41,556
2024	41,297
2025	33,133
2026	32,867
2027	8,112
Thereafter	149
Total	\$ 157,114

Note 10 – Other Information

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, 2022, 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.

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 11 – Tax Abatements

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. Based on City Council agreements with developers, the City reimbursed \$47,544 for ad valorem and \$180,000 for hotel occupancy taxes paid to the City for fiscal year ending September 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF KELLER, TEXAS

GENERAL FUND

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

For the Year Ended September 30, 2022

Exhibit B-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Ad valorem taxes	\$ 20,242,689	\$ 20,242,689	\$ 20,298,973	\$ 56,284
Sales and use taxes	7,200,229	7,200,229	9,110,290	1,910,061
Franchise taxes	4,179,459	4,179,459	4,775,189	595,730
Mixed drink tax	156,687	156,687	188,557	31,870
Licenses and permits	1,108,526	1,108,526	1,324,100	215,574
Intergovernmental revenues	3,509,558	3,509,558	3,874,035	364,477
Charges for services	3,087,792	3,087,792	3,398,154	310,362
Fines and forfeitures	700,000	700,000	445,082	(254,918)
Donations	-	-	90,757	90,757
Investment Earnings	148,705	148,705	300,765	152,060
Miscellaneous	176,053	176,053	503,334	327,281
Total Revenues	40,509,698	40,509,698	44,309,236	3,799,538
Expenditures				
Current:				
Administration	2,434,556	2,434,556	2,098,569	335,987
Town hall operations	585,892	585,892	518,671	67,221
Mayor and council	59,849	59,849	36,565	23,284
Finance and municipal court	1,784,745	1,784,745	1,864,492	(79,747)
Human resources	829,519	829,519	691,400	138,119
Police department	10,567,258	10,567,258	10,607,793	(40,535)
Fire department	9,667,885	9,667,885	9,827,532	(159,647)
Public Works	3,502,215	3,502,215	4,951,073	(1,448,858)
Library	1,853,368	1,853,368	1,810,033	43,335
Parks and recreation	3,643,545	3,643,545	3,600,715	42,830
Economic development	1,027,036	1,027,036	468,231	558,805
Community development	1,697,439	1,697,439	1,596,048	101,391
Total Expenditures	37,653,307	37,653,307	38,071,122	(417,815)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,856,391	2,856,391	6,238,114	3,381,723
Other Financing Sources (Uses)				
Transfers in	-	-	1,646,825	(1,646,825)
Transfers out	(7,943,124)	(7,943,124)	(8,244,450)	301,326
Proceeds from sales of assets	-	-	45,403	(45,403)
Total Other Financing Sources (Uses)	(7,943,124)	(7,943,124)	(6,552,222)	(1,390,902)
Net Change in Fund Balance	(5,086,733)	(5,086,733)	(314,108)	1,990,821
Fund Balances, Beginning	31,536,571	31,536,571	31,536,571	-
Fund Balances, Ending	\$ 26,449,838	\$ 26,449,838	\$ 31,222,463	\$ 1,990,821

CITY OF KELLER, TEXAS

CRIME CONTROL PREVENTION DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (GAAP BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Exhibit B-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 1,716,171	\$ 1,716,171	\$ 2,149,324	\$ 433,153
Intergovernmental	20,000	20,000	100,982	80,982
Interest income	100,000	100,000	37,359	(62,641)
Total Revenues	<u>1,836,171</u>	<u>1,836,171</u>	<u>2,287,665</u>	<u>451,494</u>
Expenditures				
Current:				
Police department	1,537,728	1,537,728	901,550	636,178
Debt Service:				
Principal	435,000	435,000	435,000	-
Interest and other charges	94,500	94,500	93,825	675
Total Expenditures	<u>2,067,228</u>	<u>2,067,228</u>	<u>1,430,375</u>	<u>636,853</u>
Excess (deficiency) of revenues over (under) expenditures	(231,057)	(231,057)	857,290	(185,359)
Other Financing Sources				
Proceeds from sale of capital assets	50,000	50,000	-	(50,000)
Total Other Financing Sources	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balance	(181,057)	(181,057)	857,290	686,853
Fund balances - beginning of year	<u>6,502,156</u>	<u>6,502,156</u>	<u>6,502,156</u>	<u>-</u>
Fund balances - end of year	<u>\$ 6,321,099</u>	<u>\$ 6,321,099</u>	<u>\$ 7,359,446</u>	<u>\$ 686,853</u>

CITY OF KELLER, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Controls and Procedures

The City follows the following procedures in establishing the budgetary data 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 unless related to grant or bond activities.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2022, 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.
7. During the year ended September 30, 2022, the City's actual expenditures exceeded the budgeted amounts in the following departments: Finance and Municipal Court, Police Department, and Public Works.

CITY OF KELLER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Eight Measurement Years

Exhibit B-3
Page 1 of 2

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability				
Service Cost	\$ 3,365,615	\$ 3,413,551	\$ 3,298,258	\$ 3,212,200
Interest (on total pension liability)	7,907,150	7,450,262	6,989,780	6,584,504
Difference between expected and actual experience	(154,873)	77,470	(94,235)	134,966
Changes of assumptions	-	-	527,715	-
Benefit payments, including refunds of employee contributions	(4,208,449)	(4,088,744)	(3,825,677)	(4,115,526)
Net change in total pension liability	6,909,443	6,852,539	6,895,841	5,816,144
Total Pension Liability – Beginning	117,564,387	110,711,848	103,816,007	97,999,863
Total Pension Liability – Ending (A)	<u>\$ 124,473,830</u>	<u>\$ 117,564,387</u>	<u>\$ 110,711,848</u>	<u>\$ 103,816,007</u>
Plan Fiduciary Net Position				
Contributions – employer	\$ 3,192,003	\$ 3,174,883	\$ 2,971,278	\$ 2,898,267
Contributions – employee	1,391,612	1,403,928	1,346,228	1,308,051
Net investment income	13,624,176	7,340,916	12,893,636	(2,574,087)
Benefit payments, including refunds of employee contributions	(4,208,449)	(4,088,744)	(3,825,677)	(4,115,526)
Administrative Expense	(62,991)	(47,470)	(72,799)	(49,714)
Other	432	(1,854)	(2,186)	(2,558)
Net change in plan fiduciary net position	13,936,783	7,781,659	13,310,480	(2,535,567)
Plan Fiduciary Net Position – Beginning	104,429,022	96,647,363	83,336,883	85,872,450
Plan Fiduciary Net Position – Ending (B)	<u>\$ 118,365,805</u>	<u>\$ 104,429,022</u>	<u>\$ 96,647,363</u>	<u>\$ 83,336,883</u>
Net Pension Liability As A Percentage Of Covered Employee Payroll (A-B)	<u>\$ 6,108,025</u>	<u>\$ 13,135,365</u>	<u>\$ 14,064,485</u>	<u>\$ 20,479,124</u>
Plan Fiduciary Net Position As A Percentage Of The Total Pension Liability	95.09%	88.83%	87.30%	80.27%
Covered Employee Payroll	\$ 19,844,428	\$ 20,056,116	\$ 19,231,826	\$ 18,686,443
Net Pension Liability As A Percentage Of Covered Employee Payroll	30.78%	65.49%	73.13%	109.59%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will continue to build this schedule over the next 10-year period as the information becomes available.

CITY OF KELLER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Eight Measurement Years

Exhibit B-3
Page 2 of 2

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service Cost	\$ 3,157,398	\$ 3,108,994	\$ 2,979,303	\$ 2,982,697
Interest (on total pension liability)	6,208,840	5,809,689	5,555,939	5,216,622
Difference between expected and actual experience	(297,161)	(233,586)	(270,677)	(993,549)
Changes of 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)	<u>\$ 97,999,863</u>	<u>\$ 91,877,452</u>	<u>\$ 85,837,599</u>	<u>\$ 79,254,755</u>
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	(2,711)	(2,818)	(2,987)	(3,036)
Net change in plan fiduciary net position	11,463,845	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)	<u>\$ 85,872,450</u>	<u>\$ 74,408,605</u>	<u>\$ 68,519,231</u>	<u>\$ 67,265,476</u>
Net Pension Liability As A Percentage Of Covered Employee Payroll (A-B)	<u>\$ 12,127,413</u>	<u>\$ 17,468,847</u>	<u>\$ 17,318,368</u>	<u>\$ 11,989,279</u>
Plan Fiduciary Net Position As A Percentage Of The Total Pension Liability	87.63%	80.99%	79.82%	84.87%
Covered Employee Payroll	\$ 18,421,226	\$ 18,044,073	\$ 17,556,292	\$ 17,462,991
Net Pension Liability As A Percentage Of Covered Employee Payroll	65.83%	96.81%	98.64%	68.66%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will continue to build this schedule over the next 10-year period as the information becomes available.

CITY OF KELLER, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Eight Fiscal Years

Exhibit B-4

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 3,371,461	\$ 3,166,103	\$ 3,062,263	\$ 2,984,650	\$ 2,919,456
Contributions in relation to the actuarially determined contribution	<u>(3,371,461)</u>	<u>(3,166,103)</u>	<u>(3,062,263)</u>	<u>(2,984,650)</u>	<u>(2,919,456)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$20,823,272	\$19,605,266	\$19,294,644	\$19,127,201	\$18,656,792
Contributions as a percentage of covered payroll	16.19%	16.15%	15.87%	15.60%	15.65%
	<u>2017</u>	<u>2016</u>	<u>2015</u>		
Actuarially Determined Contribution	\$ 2,842,339	\$ 2,828,969	\$ 2,711,603		
Contributions in relation to the actuarially determined contribution	<u>(2,842,339)</u>	<u>(2,828,969)</u>	<u>(2,711,603)</u>		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$18,325,278	\$18,575,332	\$17,520,406		
Contributions as a percentage of covered payroll	15.51%	15.23%	15.48%		

Note: This schedule is required to have 10 years of information, but the information prior to 2015 is not available.

CITY OF KELLER, TEXAS

Exhibit B-5

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH BENEFITS PLAN
Last Five Measurement Years**

Total OPEB Liability	2021	2020	2019	2018	2017
Service cost	\$ 101,561	\$ 87,041	\$ 75,552	\$ 75,886	\$ 66,467
Interest on the total OPEB liability	34,390	41,408	54,374	47,242	48,385
Difference between expected and actual experience of the total OPEB liability	(328,708)	(3,754)	(223,895)	8,944	-
Changes in assumptions	(305,679)	120,511	164,885	(58,608)	69,663
Benefit payments	(39,964)	(37,464)	(35,615)	(34,269)	(29,461)
Net change in total OPEB liability	(538,400)	207,742	35,301	39,195	155,054
Total OPEB Liability - Beginning	1,688,693	1,480,951	1,445,650	1,406,455	1,251,401
Total OPEB Liability - Ending	\$ 1,150,293	\$ 1,688,693	\$ 1,480,951	\$ 1,445,650	\$ 1,406,455
Covered payroll	\$ 19,324,496	\$ 20,056,117	\$ 18,781,278	\$ 19,602,257	\$ 18,421,226
Total OPEB liability as a percentage of covered payroll	5.95%	8.42%	7.89%	7.37%	7.63%

Notes to the Required Supplementary Information

Ten years of data should be presented but data was unavailable prior to 2017.

CITY OF KELLER, TEXAS

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM FOR SDBF
Last Five Measurement Years**

Exhibit B-6

Total OPEB Liability	2021	2020	2019	2018	2017
Service cost	\$ 49,611	\$ 42,118	\$ 30,771	\$ 35,504	\$ 29,474
Interest on the total OPEB liability	21,220	23,686	25,368	22,710	21,710
Changes in benefit terms	-	-	-	2,550	-
Difference between expected and actual experience of the total OPEB liability	(33,719)	(17,720)	(26,911)	-	-
Changes in assumptions	38,092	155,838	146,555	(56,935)	60,354
Benefit payments	(11,907)	(4,011)	(3,846)	(3,737)	(1,842)
Net change in total OPEB liability	63,297	199,911	171,937	92	109,696
Total OPEB Liability - Beginning	1,042,168	842,257	670,320	670,228	560,532
Total OPEB Liability - Ending	\$ 1,105,465	\$ 1,042,168	\$ 842,257	\$ 670,320	\$ 670,228
Covered payroll	\$ 19,844,428	\$ 20,056,116	\$ 19,231,826	\$ 18,686,443	\$ 18,421,226
Total OPEB liability as a percentage of covered payroll	5.57%	5.20%	4.38%	3.59%	3.64%

Notes to the Required Supplementary Information

Ten years of data should be presented but data was unavailable prior to 2017.

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
SCHEDULE OF OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM FOR SDBF
Last Five Fiscal Years

Exhibit B-7

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 12,496	\$ 9,603	\$ 3,859	\$ 3,825	\$ 3,281
Contributions in relation to the actuarially determined contribution	<u>(12,496)</u>	<u>(9,603)</u>	<u>(3,859)</u>	<u>(3,825)</u>	<u>(3,281)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 20,823,272	\$ 19,605,266	\$ 19,294,644	\$ 19,127,201	\$ 18,656,792
Contributions as a percentage of covered payroll	0.06%	0.05%	0.02%	0.02%	0.02%

Notes to the Required Supplementary Information

This schedule is required to have 10 years of information, but the information prior to 2015 is not available.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

THIS PAGE LEFT BLANK INTENTIONALLY

Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates,
assuming no material changes in facts or law.*

[Issue Date]

**CITY OF KELLER, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2024
DATED FEBRUARY 1, 2024
IN THE PRINCIPAL AMOUNT OF \$25,255,000**

AS BOND COUNSEL FOR THE CITY OF KELLER, TEXAS (the “Issuer”) in connection with the issuance of the Certificates of Obligation described above (the “Certificates”), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the “Ordinance”).

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Council of the Issuer relating to the issuance of the Certificates, including the Ordinance and other documents authorizing and relating to the issuance of the Certificates; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Certificates (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization, and other similar matters affecting creditors’ rights generally, or by general principles of equity and governmental immunity of political subdivisions which permit the exercise of judicial discretion, the Certificates will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues (not to exceed \$1,000) of the Issuer’s combined waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer’s waterworks and sewer system as provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as “specified private activity bonds” the interest on which would be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume

compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT THAT the interest on tax-exempt obligations, such as the Certificates of Obligation, is includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged surplus net revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

THIS PAGE LEFT BLANK INTENTIONALLY

Municipal Advisory Services
Provided By

