

City of Keller, Texas

Comprehensive Annual Financial Report *For Fiscal Year Ended September 30, 2007*

Mayor and City Council

Pat McGrail, Mayor

Ray Brown, City Council - Place 1

Mark Harness, City Council - Place 2

Bob Kirk, City Council - Place 3

Jim Carson, City Council - Place 4 and Mayor Pro Tem

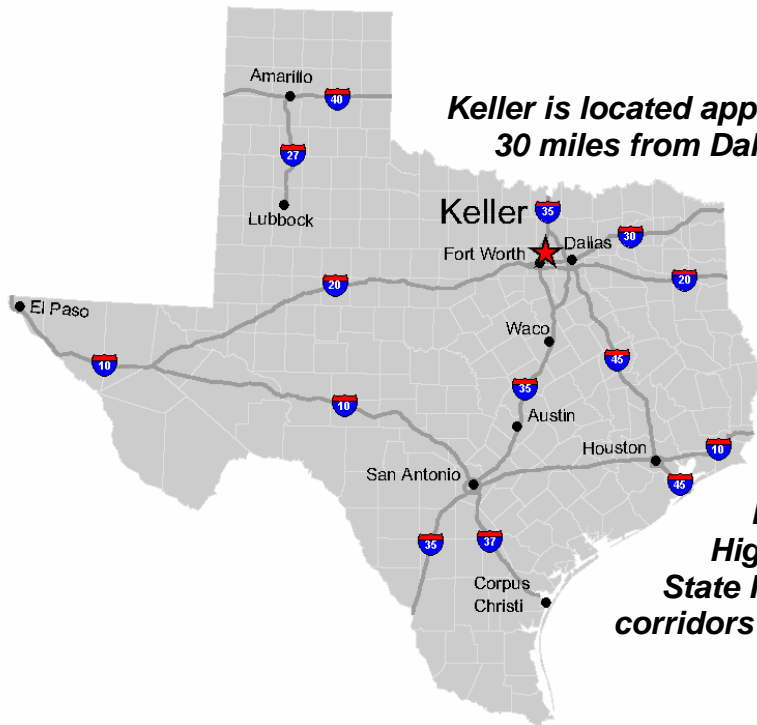
Mitch Holmes, City Council - Place 5

Administrative Officials

Dan O'Leary, City Manager

Johnny Phifer, Director of Finance





Keller is located approximately 15 miles from Fort Worth and 30 miles from Dallas. Located in the heart of the Dallas Fort Worth Metroplex, Keller is 9 miles from the Dallas/Fort Worth International Airport and 5 miles from Fort Worth Alliance Airport. Keller city limits encompasses approximately 19 square miles, and is traversed by several major traffic corridors including U.S. Highway 377 and Texas Farm-to-Market Road 1709. In addition, Interstate Highway 35W, Interstate Highway 820, State Highway 170, and State Highway 114 are also major highway corridors within easy access to Keller citizens.

CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2007

Prepared by the
CITY OF KELLER
FINANCE DEPARTMENT

CITY COUNCIL
Pat McGrail, Mayor
Jim Carson, Mayor Pro-Tem

Ray Brown
Mark Harness
Bob Kirk
Mitch Holmes

CITY MANAGER
Dan O'Leary

DIRECTOR OF FINANCE
Johnny L. Phifer, CGFO

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City of Keller, Texas

Comprehensive Annual Financial Report
For The Year Ended September 30, 2007

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INTRODUCTORY SECTION



March 18, 2008

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

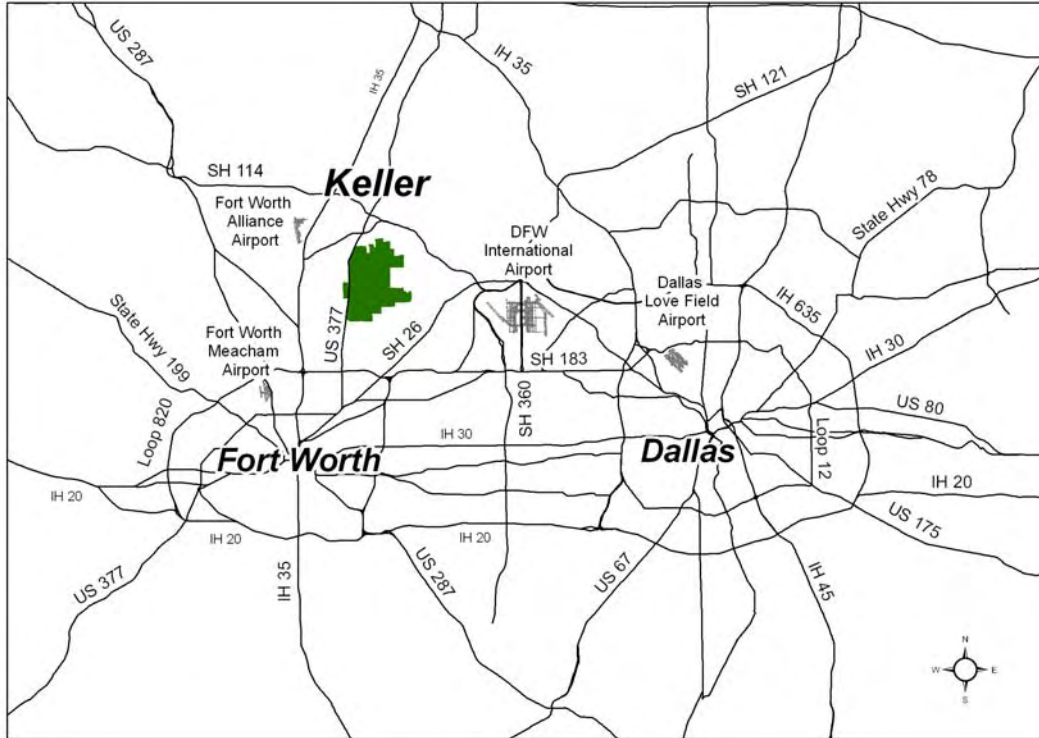
The Comprehensive Annual Financial Report for the City of Keller, Texas (the City) for the fiscal year ended September 30, 2007, is hereby submitted. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditors, in accordance with §103.001 of the Texas Local Government Code and Article VIII, Section 15 of the Charter of the City of Keller. The purpose of the report is to provide the City Council, management, staff, the public, and other interested parties with detailed information reflecting the City's financial condition.

Full responsibility for the accuracy and reliability of the data contained herein, as well as, completeness and fairness of this report, including all disclosures, rests with City management. The City has established and maintains a system of internal accounting controls designed in part to provide a reasonable assurance that assets are safeguarded against loss, theft, or unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles (GAAP). The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed the benefits likely to be derived. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

City Profile

The City was incorporated on November 16, 1955 under the general laws of the State of Texas, and the current Home-rule Charter was approved by the voters in 1982. The City operates under the Council-Manager form of government. The City Council is comprised of a mayor and five 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. Council members are elected for a two-year term on a rotating basis, with the Mayor and two council members elected in odd-numbered years, and the remaining three council members elected on even-numbered years. The City Manager is appointed by the Mayor and City Council and is responsible to them for proper administration of the daily affairs of the City, and appointing the heads of the various departments.



The City is located in Northeast Tarrant County, Texas, approximately 10 miles north of Fort Worth on U.S. Highway 377, and 25 miles northwest of downtown Dallas. It is part of the "Metroplex" of North Central Texas, which includes the cities of Fort Worth and Dallas, as well as the surrounding communities, with an estimated population exceeding 4.5 million. The city limits of Keller currently encompasses approximately 19 square miles.

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

The Reporting Entity. For financial reporting purposes, the City is a primary government. As previously mentioned the City's governing body is elected by the citizens of Keller. This report includes all organizations and activities for which the elected officials exercise financial policy control. Included in the financial statements of the City are the activities of the Keller Development Corporation (KDC), the Keller Crime Control and Prevention District (KCCPD), and the Keller Tax Increment Reinvestment Zone No. 1 (TIRZ or TIF). Since the City Council exercises financial policy control over these entities, they are included within this report. The City interacts or contracts with various other governmental entities (e.g., the Keller Independent School District), but is not financially accountable for those entities.

Accounting system and budgetary control. The annual budget of the City serves as the foundation for its financial planning and control. The budget is proposed by the City Manager and adopted by the City Council in accordance with policies and procedures established by the City Charter, Council ordinances and policies. The budget is prepared and presented by fund (e.g., general fund), department (e.g., police) or function (e.g., debt service), and major cost category (e.g., personnel services). The department level within the individual fund is the legal level of control for budget expenditures. The budgetary process begins each year with the preparation of revenue estimates and budget instructions by the City's Finance Department staff, and expenditure estimates and requests by each City department. Estimates and requests are reviewed by the City Manager, and evaluated within the total financial

framework of the City. The City Manager makes final decisions regarding the budget recommendations that are submitted to the City Council. The City Charter requires that the City Manager's proposed budget be filed with the City Secretary no later than August 15th. The City Manager's proposed budget is reviewed by the City Council, followed by a final public review process, including a required public hearing prior to budget adoption. The City Charter requires adoption of the City budget no later than the twenty-seventh (27th) day of the last month of the fiscal year.

Budgetary reporting is provided at the department level within the individual fund. Transfers of budget appropriations within departments may occur with the approval of the City Manager, provided there is not an increase in overall expenditures. Transfers of budget appropriations between funds and/or departments, as well as any increase in total appropriations, require a formal budget amendment adopted by the City Council. Unless otherwise noted, except for capital projects funds, all appropriations lapse at year-end and excess funds become available for re-appropriation in the subsequent year. At year end, encumbrances are recorded as a reservation of fund balance, and then re-appropriated in the subsequent year.

Near the end of each fiscal year, as the budget for the ensuing fiscal year is being considered and adopted, the City Council traditionally adopts a current year revised budget by ordinance. Although not required by City Charter or policy, this revised budget presents a more accurate picture of the City's financial position at the end of the current year than does the original adopted budget. For the fiscal year ended September 30, 2007, a revised budget was approved by the City Council on September 18, 2007. The revised budget amounts are used throughout this report where applicable in the budget to actual comparisons. The report provides comparative information on the original adopted and revised budget where applicable.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the major and non-major governmental fund sections of this report.

For fiscal year 2007-2008, the City adopted a tax rate of \$0.43219 per \$100 of taxable value, unchanged from the previous year. All applicable financial targets were met or exceeded. Further information regarding to the annual budget is provided in the MD&A.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. The U.S. 377 corridor continued to experience steady development activity in 2007. Construction began on the third phase of Bear Creek Plaza, with an overall square footage of 101,792. A Care Now medical facility was also completed as part of this development. Just south of Baylor Medical Plaza, two new developments were completed in 2007. The Keller Medical Office building contains 11,600 square feet and the Keller Town Plaza, at the northeast corner of South Main (U.S. 377) and Bear Creek Parkway, contains 11,400 square feet of retail space. Several fast food restaurants opened for business along this corridor last year with exceptionally high sales volumes. All of these new developments continue to add commercial property value to our tax base, reducing the tax burden on the average homeowner.

Development continues to boom in Keller Town Center. The \$26 million mixed-use Arthouse at Keller Town Center is nearing completion with two of the three major buildings completed in the last quarter of 2007. Phase one of the \$36 million Uptown at Keller Town Center began construction last year with a 33,000 square foot professional office building on Keller Parkway next to Frost Bank along with the first two of 48 live-work units on the west side of Countrybrook Lane. Plans were approved for Phase two of Uptown, which will consist of a three-story, 54,411 square-foot mixed use building at the northwest corner of Bear Creek Parkway and Town Center Lane along with 24 live-work units. Other developments in Town Center approved in 2007 include a 4,043 square foot Wachovia Bank on Keller Parkway; a 77,000 square foot retail/office development at The Square at Keller Town Center; and the 10,000 square foot Pecan Office Park on Rufe Snow Drive south of the Police and Courts Building. All of these projects will continue to add significant value to Keller Town Center.

In the area of sales tax growth, Keller received a record level of sales tax during the month of August 2007 reflecting strong commercial and retail growth in the City. Total city sales tax revenue reached an all-time high of \$917,283 for the month, a 19.3 percent increase in sales tax revenue, compared to August of last year.

Residential growth remains strong both in terms of quantity and value of new development. The City issued 255 residential building permits having an average construction permit value in excess of \$353,000. In addition, the continued increase in population as depicted below combined with over 12,800 households has stimulated steady commercial and retail growth. The permit value of new commercial/retail business completions (certificates of occupancy) totaled over \$31.8 million.

Local/regional economic indicators remain strong with Northeast Tarrant County again projected to grow at a faster pace than other regions of Texas.

According to the Texas Workforce Commission, the City's civilian labor force was 19,640 in September 2007, compared to a total civilian labor force for Tarrant County of 874,971. Keller's unemployment rate in September 2007 was 3.6%, compared to the Tarrant County rate of 4.3%, and a statewide rate of 4.4%.

The City continues to experience significant increases in population. The official census population for 1990 and 2000 was 13,683 and 27,345 respectively. The January 2007 population estimate was 37,685, representing an increase of 24,002 (175%) over 1990, and 10,340 (37.8%) increase since 2000. The following table presents Keller's official Census population since 1970, as well as the current year estimated population.

	Population	Increase (Decrease)	Percent Change
1970 Census	1,474	NA	NA
1980 Census	4,156	2,682	182.0%
1990 Census	13,683	9,527	229.2%
2000 Census	27,345	13,662	99.8%
2007 Estimate	37,685	10,340	37.8%

Since 1970, the total population increase exceeds 36,200. This increasing population trend is anticipated to continue for several years, although at a more reasonable pace. The City's estimated population by 2010 is 40,127. Tarrant County has experienced similar growth during the last 30 years, increasing from 715,587 in 1970 to 1,410,740 in 2000, an increase of over 97%. According to the North Central Texas Council of Governments population projections, the population of Tarrant County in 2010 is anticipated to be 1,746,082, an increase of approximately 20% over 2000.

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

Year Ended September 30	Market Value (000's)	Percent Change
2000	\$ 1,507,879.7	18.7%
2001	1,808,569.7	19.9
2002	2,181,555.9	20.6
2003	2,539,750.8	16.4
2004	2,763,866.5	8.8
2005	2,939,038.3	6.3
2006	3,187,969.2	8.5
2007	3,368,539.5	5.7

The rate of increase in the City's total market value has slowed from a five-year average rate of increase of 18.9% from fiscal year 1999-2000 through fiscal year 2002-2003, to an increase of 5.7% for fiscal year 2007. The reduction in the rate of increase in taxable values has also impacted the City's general fund operations, since property tax revenues comprise over 42% of the total revenue for the general fund. City management will continue to monitor local economic trends, in order to maintain adequate fund balance reserve levels, and also to meet policy targets.

The net assessed taxable value for calendar year 2006 (fiscal year 2007) increased 10.3% over calendar year 2005 (fiscal year 2006), compared to the prior year's increase of 8.8%. The growth in revenue produced the funding necessary to meet most of the significant 2007 goals of the City Council, while maintaining the property tax rate at \$0.43219 per \$100 of taxable value; maintaining the financial/budget targets to ensure the fiscal stability of the City's operations; and maintaining the employee compensation plan.

The 1/8th of one percent local option sales tax for maintenance and rehabilitation of existing streets was approved by voters in November 2003. Tax collections by businesses commenced in April 2004, and the City received the first rebate in June 2004. For fiscal years 2006 and 2007, \$469,856 & \$518,477 was collected, respectively. Use of this non-property tax revenue has enabled the city to increase funding for street maintenance and repairs. (In November 2007, this tax was re-authorized by voters at 1/4th of one percent.)

Long-term Financial Planning. The City maintains a five-year capital improvement program (CIP), with all planned capital projects reviewed annually and prioritized by the City staff and City Council. This annual review allows the City to change and adjust priorities by responding to changing growth patterns, economic conditions, or federal and state mandates. The CIP is used exclusively as a planning tool, and therefore does not commit the City to any project or project funding. The intent of the CIP is for the City staff to identify and prioritize specific capital improvements needed during the subsequent five years. The CIP is not a capital budget, and as such provides only recommended projects and the means of financing the improvements. Recommended improvements are not approved until official action has been taken by the City Council to authorize funding for the improvement.

The most recently updated plan is the 2007 plan that identified over \$92.4 million of capital improvements during the next five years (through 2012). These recommended improvements are identified by the following activities:

Streets and drainage improvements	\$42.5 million (46%)
Water and sewer improvements	22.2 million (24%)
Fire and emergency medical services	18.0 million (20%)
Parks and recreation	6.9 million (8%)
Police department improvements	2.2 million (2%)
Municipal facilities and other	0.7 million (1%)

These improvements provide for new facilities and facilities expansion; land acquisition; equipment acquisition and replacement; athletic fields, parks and park facilities; and water and sewer mains, facilities, and storage facilities. The majority of these improvements, 58%, is anticipated to be funded by debt obligations. Debt obligations include both self-supporting debt (e.g., water and sewer improvements), and general obligation debt (e.g., street and drainage improvements).

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

Cash Management. The City awards its bank depository services contract through competitive proposals for a three-year period with two additional one year renewal options. The City recently entered into a three year depository contract, with two additional one year renewal options. Should the City exercise both renewal options, the existing depository contract will expire on June 30, 2011. The depository contract is a services only contract, whereby a minimum amount of cash is held in checking accounts to meet the City's operational needs.

Remaining idle cash is invested by the City in securities and other investments, such as local government investment pools and government securities, as allowed by Texas Statutes and the City's investment policy. The City has also contracted with an investment advisory firm through a competitive proposal contract. The investment advisory services contract is limited to two years by Texas Statutes. The most recent investment advisory services contract was renewed for another two year term, through November 2007. (In December 2007, the investment advisory services contract was renewed for an additional two year term through December 2009.)

The average book value of the City's investment portfolio for fiscal year 2007 was approximately \$42.2 million, and the overall portfolio provided \$2,201,321 in unrestricted investment income, compared to \$1,645,396 in 2006, an increase of almost 34%. The average yield to maturity on the portfolio for fiscal year 2007 was 5.2456%, compared to the City's targeted return of 4.8457%. The average yield to maturity on the portfolio for fiscal year 2006 was 4.4155%, compared to the targeted return of 4.5528%

It is the City's policy that all demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 100% of the deposits, less an amount insured by the FDIC. Evidence of the pledged collateral is maintained by the Finance Department and a third party financial institution. Collateral is reviewed no less than monthly to ensure that the market value of the securities pledged equals or exceeds the related bank balances.

The City maintains an internal cash/investment pool that is available for use by several funds. The primary purpose of using a pooled cash/investment concept is to increase interest income through ease of investment transactions. Earnings from these pooled investments are distributed to the appropriate fund, based on each fund's equity in the investment pool.

The investment of City funds is governed by an investment policy adopted annually by the City Council in accordance with State law. The investment policy establishes an investment committee, comprised of 5 members of City Staff, plus one member of the City Council. Quarterly investment reports are prepared by City officials and the investment advisory firm, reviewed by the City's investment committee, and presented to the City Council. In addition the investment advisory firm recommends investment strategies, and monitors results of the investment program, in accordance with the stated objectives and strategies of the investment policy. The investment policy also establishes specific collateral and safekeeping requirements.

Risk Management. The City provides an indemnity plan for employee group health and life insurance coverage through Blue Cross/Blue Shield of Texas. Workers' compensation and liability and property insurance coverage is provided by the Texas Municipal League Intergovernmental Risk Pool, an insurance pool established for the political subdivisions of the State of Texas. The City's worker compensation rates are determined by the State, and the Risk Pool assigns discounts and experience ratings based on the City's past claims history. Premiums are paid to the Pool, which retains a limit of loss. For risks beyond the Pool's limits of liability, the Pool obtains reinsurance for excess coverage. The City retains as a risk only the deductible amount for each policy. Unemployment compensation coverage is provided on a reimbursement basis to the Texas Workforce Commission for unemployment claims paid to former employees.

Employee's Retirement System. The City provides retirement benefits for all full-time employees through a non-traditional, joint contributory, defined contribution plan in the Texas Municipal Retirement System, an agent multiple-employer public employee retirement system. Employees contribute 7% of their gross salary, and the City contributes the employer's contribution rate of 11.6% for calendar year 2006, and 11.88% for calendar year 2007. City employees also participate in the U.S. Social Security system. The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all employees, permits employees to defer a portion of their salary until future years.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2006; a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for 18 consecutive fiscal years (FY1989 through FY2006). In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition to the Certificate of Achievement, the City also received GFOA's Distinguished Budget Presentation Award for its fiscal year 2007 annual budget document. In order to qualify for the award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and as an operations guide. The City has received the award for eleven consecutive years (1997 – 2007). Recognition by GFOA as evidenced by these two awards is verification of the Finance department's dedication to producing documents that effectively communicate the City's financial condition.

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy

and timeliness of this report. Appreciation is expressed to the City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based. Acknowledgment is also given to representatives of Rutledge Crain & Company, PC, Certified Public Accountants, for their dedicated assistance in producing this report.

Finally, our appreciation is extended to the Mayor, the members of the City Council, Interim City Manager Kevin Lahner and City Manager, Dan O'Leary for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Johnny Phifer
Director of Finance



Vivian Leverington
Chief Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Keller
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



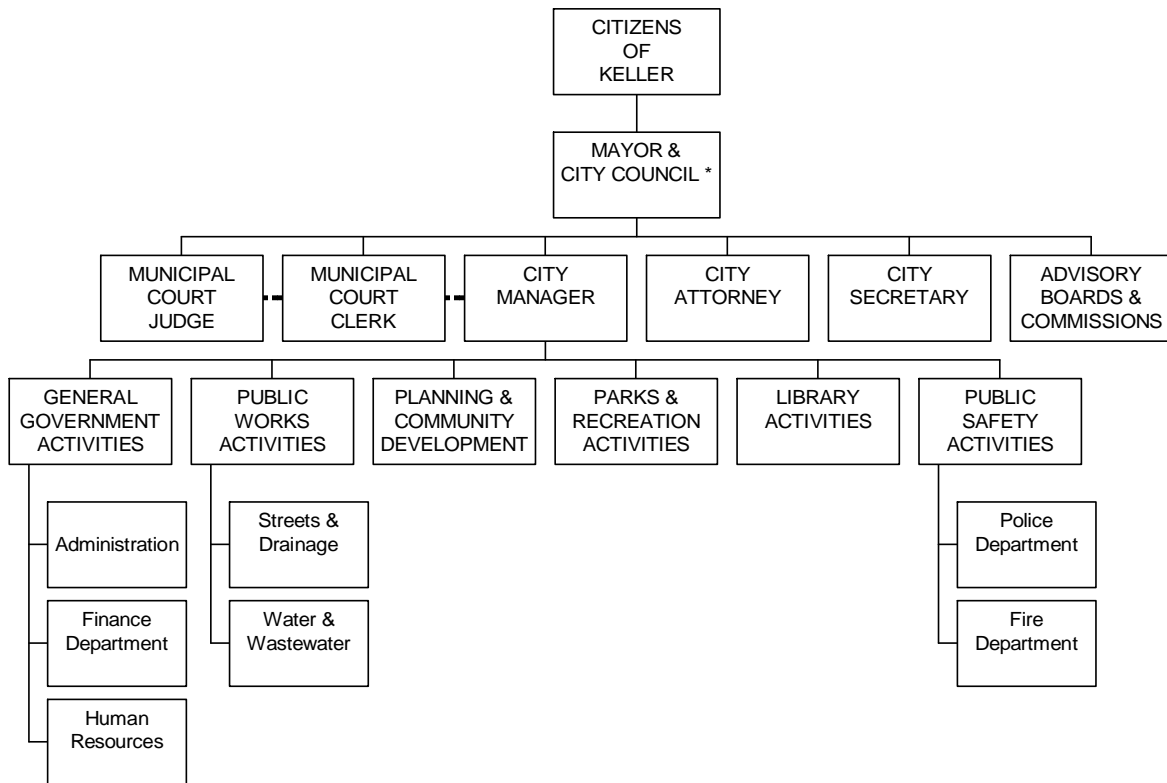
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF KELLER, TEXAS ORGANIZATION CHART



* Denotes elected positions.

PRINCIPAL OFFICIALS

<u>Name</u>	<u>Title</u>
<u>ELECTED OFFICIALS:</u>	
Pat McGrail	Mayor
Ray Brown	Council Member, Place 1
Mark Harness	Council Member, Place 2
Bob Kirk	Council Member, Place 3
Jim Carson	Council Member, Place 4 and Mayor Pro Tem
Mitch Holmes	Council Member, Place 5
<u>APPOINTED OFFICIALS</u>	
Dan O'Leary	City Manager
Greg Dickens	Director of Public Works
Mark Hafner	Police Chief
Kelly B. King	Fire Chief
Dona Roth Kinney	Director of Parks and Recreation
Richard E. Luedke	Interim Director of Community Development
Michael Newman	Municipal Court Judge
Carolyn J. Nivens	Interim Director of Human Resources
Johnny L. Phifer	Director of Finance
Jana Prock	Library Director
Jeanie Roumell	Municipal Court Clerk
Sheila Stephens	City Secretary
Vacant	Assistant City Manager
<u>OTHER APPOINTED OFFICIALS:</u>	
Boyle and Lowry, L.L.P.	City Attorney
First Southwest Company	Financial Advisors
First Southwest Asset Management, Inc.	Investment Advisors
McCall, Parkhurst & Horton, L.L.P.	Bond Counsel

FINANCIAL SECTION

RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council
City of Keller, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Keller, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 12 through 22 and 53 through 58, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Keller, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


March 16, 2008

CITY OF KELLER, TEXAS

Management's Discussion and Analysis For Year Ended September 30, 2007 (Unaudited)

As management of the City of Keller (the City), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. Readers are encouraged to consider the information presented here in conjunction with additional information provided in the transmittal letter at the front of this report, and the City's financial statements, which follow this section.

Financial Highlights

- The City's assets exceeded its liabilities at the close of the 2007 fiscal year by \$156,723,548 (net assets). Of this amount, \$26,028,387 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$6,036,002, or 4%. The net assets of governmental activities increased \$4,870,029, or approximately 6%. This increase in net assets resulted in part from slight increases in ad valorem (property) taxes, sales, and franchise taxes. The assets of business-type activities increased by \$1,165,973, or 1.7%. The increase was due in part to weather conditions which resulted in lower water usage and associated water revenues, combined with lower costs for wholesale water purchases because of decreased customer water demands.
- As of September 30, 2007, the City's governmental funds reported combined ending fund balances of \$20,501,471. Approximately 67% of this total amount, \$13,745,990, is unreserved and available for use within the City's designation and policies. Reservations for (1) encumbrances \$2,489,485, (2) special uses \$4,088,939, and (3) debt service \$89,000, total \$6,667,424, and represent over 32% of the total fund balance.
- Total cost of all the City's programs was \$55,532,963 in 2007, compared to \$53,554,548 in 2006.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$6,620,147, or 30% of total expenditures. This represents a decrease of \$90,568, or 1% from the prior fiscal year due mainly to planned (budget) increases in property, sales, and franchise taxes, combined with planned (budget) increases in general fund expenditures.
- The City's total debt outstanding (excluding bond premiums and discounts) decreased by \$8,750,929, or 7.35% during the current fiscal year, primarily the result of retirement of existing debt. The City issued no certificates of obligation during the year.

Overview of 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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

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

The *Statement of Net Assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate the improvement or deterioration of the City's financial position.

The *Statement of Activities* presents information showing how the City's net assets change during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of

CITY OF KELLER, TEXAS

Management's Discussion and Analysis For Year Ended September 30, 2007 (Unaudited)

the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities* – These are functions such as public safety, public works, planning and development, general government, and recreation and leisure, including the Keller Public Library, that are principally supported by taxes and intergovernmental revenue.
- *Business-type activities* – These functions are intended to recover all or a significant portion of their costs through user fees and charges. Business-type activities of the City include Water and Sewer, and Drainage Utility operations.

The government-wide financial statements can be found in Exhibits A-1 and A-2 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 20 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the general and debt service funds, both of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibits A-3 and A-5 of this report.

Proprietary Funds – There are two types of proprietary funds: enterprise funds and internal service funds. The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for both the water and sewer, and drainage utilities. The City has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the Water and Wastewater Operations, and Drainage Utility funds, since both are considered major funds of the City.

The basic proprietary fund financial statements can be found in Exhibits A-7 through A-9 of this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 34 through 50 of this report.

CITY OF KELLER, TEXAS

*Management's Discussion and Analysis
For Year Ended September 30, 2007
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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 following the notes to the financial statements. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Keller, assets exceeded liabilities by \$156,723,548 as of September 30, 2007.

The largest portion of the City's net assets, \$118.4 million (75%), reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$12.3 million (7.9%), represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$26 million (16.6%), may be used to meet the City's ongoing obligations to citizens and creditors.

Total assets of governmental activities decreased by \$1,404,212, or 0.8% during fiscal year 2007. The decrease in total assets of governmental activities results primarily from a decrease in net capital assets. The decrease in net capital assets of \$4,525,352 (3%) is net of accumulated depreciation, a non-cash expense. During the year, completed capital assets were transferred from the construction in process category, where assets are not depreciated, to completed construction, where assets are depreciated. Even though total assets decreased, net assets of governmental activities increased \$4,870,029, or 6%. Total liabilities of governmental activities decreased \$6,274,241, or 6.5%. Non-current liabilities of governmental activities decreased by \$6,654,155 or 7.2%. The reduction in liabilities of governmental activities is primarily due to the retirement of outstanding debt service.

Total assets of business-type activities decreased by \$323,723, or 0.3%. Total current assets decreased \$944,699 (4%), while total capital assets increased \$623,976 (0.8%), respectively. Net assets of business-type activities increased \$1,165,973, or 1.7%. The decrease in current and other assets is primarily due to a decrease in receivables during the year from the City of Southlake related to amounts due to the City of Keller for wholesale water purchases during fiscal year 2006-2007. Total capital assets increased as a result of the construction of new capital projects for water and wastewater improvements. The total liabilities for business-type activities decreased \$1,489,697, or 5% primarily due to the retirement of outstanding debt service.

CITY OF KELLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2007
(Unaudited)

CITY OF KELLER'S CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 26,098,938	\$ 22,977,798	\$ 22,631,423	\$ 23,579,122	\$ 48,730,361	\$ 46,556,920
Capital assets	149,525,171	154,050,523	76,254,032	75,630,056	225,779,203	229,680,579
Total Assets	175,624,109	177,028,321	98,885,455	99,209,178	274,509,564	276,237,499
Long term liabilities	85,734,899	92,389,054	24,538,531	26,549,289	110,273,430	118,938,343
Other liabilities	3,892,914	3,513,000	3,619,672	3,098,611	7,512,586	6,611,611
Total liabilities	89,627,813	95,902,054	28,158,203	29,647,900	117,786,016	125,549,954
Net Assets:						
Invested in capital assets, net of related debt	64,573,383	63,207,052	53,805,294	52,467,582	118,378,677	115,674,634
Restricted	11,798,349	9,909,962	518,135	481,856	12,316,484	10,391,818
Unrestricted	9,624,564	8,009,253	16,403,823	16,611,841	26,028,387	24,621,094
Total Net Assets	<u>\$85,996,296</u>	<u>\$81,126,267</u>	<u>\$70,727,252</u>	<u>\$69,561,279</u>	<u>\$156,723,548</u>	<u>\$150,687,546</u>

Analysis of the City's Operations – The following table provides a summary of the City's operations for year ended September 30, 2007. Overall the City had an increase in net assets of \$6,036,002.

Government Activities

Government activities increased the City's net assets by \$4,870,029, or 6% from the prior year. Total governmental revenues increased \$2,769,794 (7%). Major increases in revenues were ad valorem taxes (\$1,619,968); sales tax revenues (\$760,559); and investment (interest) earnings (\$323,255). Ad valorem taxes increased because of the increase in taxable values from the prior year by approximately 9.7%. Sales taxes increased due to an increase in retail establishments and related taxable sales, resulting from continuing economic development activity. Interest earnings increased because of increasing market rates throughout the year. The average yield to maturity on the City's portfolio for fiscal year 2006-2007 was 5.25%, compared to the prior year yield to maturity of 4.42%.

Total governmental expenses increased by \$1,995,915 (5.4%). The largest change in expenses was an increase of \$1,534,929 or 14.4% in public safety expenses. This increase is primarily due to the addition of new dispatchers and jailers related to the new Keller/Southlake combined jail and dispatch operations, as well as the addition of 6 new firefighters, in anticipation of the addition of Fire Station No. 4 (the City of Southlake is reimbursing the City of Keller for all additional costs related to the combined jail/dispatch operations). General government and non-departmental expenses increased by \$449,501 or 9%. This increase is due to a combination of factors, including an increase in legal services necessary for defending the City in various on-going lawsuits; planned (budget) increases in personnel services related to funding for new employees and retirements; and reclassification of other city-wide expenses previously classified in other programs. Recreation and leisure expenses increased by \$360,522 or 4%. This increase is also due to a combination of factors, including parks capital improvements, and expenses related to the operations of The Keller Pointe Recreation and Aquatic Center. Interest expense decreased \$394,604, or 9.2%, primarily due to a combination of retirement of long-term debt and no issuance of new debt during the year.

Business-type Activities

Net assets from business-type activities increased by \$1,165,973, or 1.7%. Total expenses decreased by \$17,500, or 0.1%. Total revenues decreased \$5,275,799 (21.3%), including a decrease of \$3,588,461 (18.4%) in charges for services, related to a decreased demand in water usage by City of Keller customers. Capital grants and contributions decreased by \$1,976,150 (43.4%), primarily because of a decrease in developer contributions related to new residential development.

CITY OF KELLER, TEXAS

*Management's Discussion and Analysis
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(Unaudited)*

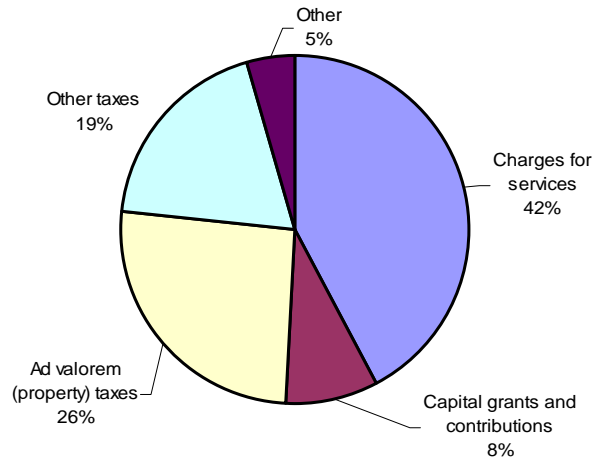
CITY OF KELLER'S CHANGES IN NET ASSETS

	Government Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for services	\$ 10,122,119	\$ 10,025,176	\$ 15,956,011	\$ 19,544,472	\$ 26,078,130	\$ 29,569,648
Operating grants and contributions	241,636	259,871			241,636	259,871
Capital grants & contributions	2,640,281	2,904,694	2,579,605	4,555,755	5,219,886	7,460,449
General revenues:						
Ad valorem (property) taxes	16,079,035	14,459,067			16,079,035	14,459,067
Sales taxes	8,294,981	7,534,422			8,294,981	7,534,422
Other taxes	3,236,163	3,138,860			3,236,163	3,138,860
Investment earnings	1,253,401	930,146	947,920	715,249	2,201,321	1,645,395
Miscellaneous	314,929	4,660	66,392	(5,051)	381,321	(391)
Gain (loss) on sale/retirement of fixed assets	(155,856)		(7,652)	7,650	(163,508)	7,650
Total revenues	<u>42,026,689</u>	<u>39,256,896</u>	<u>19,542,276</u>	<u>24,818,075</u>	<u>61,568,965</u>	<u>64,074,971</u>
Expenses:						
General government	5,380,332	4,814,291			5,380,332	4,814,291
Community development	1,231,365	1,251,056			1,231,365	1,251,056
Public safety	12,162,131	10,627,205			12,162,131	10,627,205
Public works	7,800,979	7,735,718			7,800,979	7,735,718
Recreation & leisure	8,449,576	8,089,054			8,449,576	8,089,054
Non-departmental	115,375	231,915			115,375	231,915
Interest on long-term debt	3,909,308	4,303,912			3,909,308	4,303,912
Water and sewer operations			14,664,225	14,859,712	14,664,225	14,859,712
Drainage utility			1,819,672	1,641,685	1,819,672	1,641,685
Total expenses	<u>39,049,066</u>	<u>37,053,151</u>	<u>16,483,897</u>	<u>16,501,397</u>	<u>55,532,963</u>	<u>53,554,548</u>
Increase (decrease) in net assets before transfers	2,977,623	2,203,745	3,058,379	8,316,678	6,036,002	10,520,423
Transfers in (out)	1,892,406	2,192,110	(1,892,406)	(2,192,110)	—	—
Increase (decrease) in net assets	<u>4,870,029</u>	<u>4,395,855</u>	<u>1,165,973</u>	<u>6,124,568</u>	<u>6,036,002</u>	<u>10,520,423</u>
Net assets – October 1	81,126,267	76,730,412	69,561,279	63,436,711	150,687,546	140,167,123
Net assets – September 30	<u>\$ 85,996,296</u>	<u>\$ 81,126,267</u>	<u>\$ 70,727,252</u>	<u>\$ 69,561,279</u>	<u>\$ 156,723,548</u>	<u>\$ 150,687,546</u>

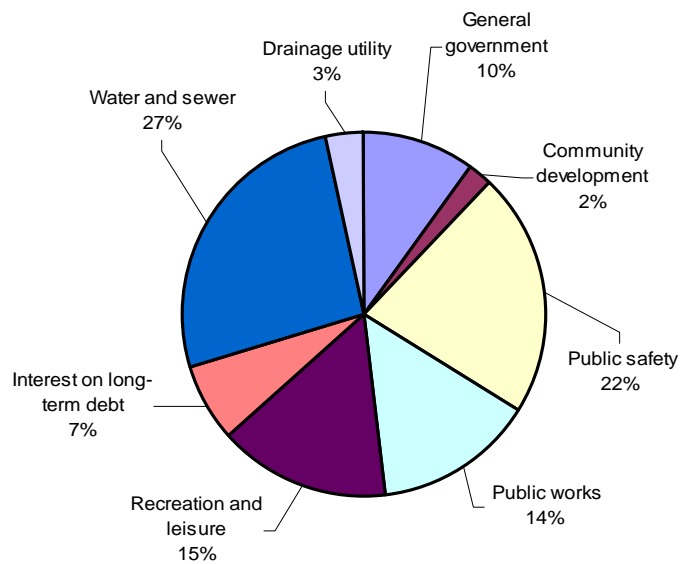
CITY OF KELLER, TEXAS

Management's Discussion and Analysis
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Total Sources of Revenue – \$61,568,966



Total Expenses by Activity – \$55,532,963



CITY OF KELLER, TEXAS

*Management's Discussion and Analysis
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(Unaudited)*

Financial Analysis of the City's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,501,471, an increase of \$1,978,841 (10.7%) in comparison with the prior year. Approximately 33%, or \$6,667,424 of this total fund balance is reserved to indicate that it is not available for new spending because it has already been committed to: 1) pay for encumbrances, or liquidate contracts and purchase orders at the end of the year (\$2,489,485); 2) for special uses (\$4,088,939); and 3) to pay for debt service (\$89,000). Approximately 67% of the total amount (\$13,745,990) constitutes unreserved fund balance, which is available for appropriation by the City Council. A portion of this unreserved fund balance, while not legally obligated, is planned for future capital projects.

Enterprise Funds – The City's enterprise fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Total unrestricted net assets of enterprise funds were \$16,403,823. Unrestricted net assets of the respective funds are: Water and Wastewater-\$16,113,847, and Drainage Utility-\$289,976. The Water and Wastewater operations had an increase in net assets of \$1,373,477, while the Drainage Utility had a decrease in net assets of \$207,502. The decrease in the net assets of the Drainage Utility resulted primarily from a decrease in capital contributions from developers over the previous year of \$751,282, combined with increases in service charges and transfers, as well as increases in operating expenses. The increase in water and wastewater net assets is due primarily to a decrease in wholesale water purchase costs, resulting from decreased customer demand for water, combined with decreases in water revenues and capital contributions from developers.

General Fund Budgetary Highlights – In fiscal year 2007, the City Council approved revisions to the original budget appropriations. Although not required by official City policy or Charter, the annual budget is traditionally amended by the City Council toward the end of the fiscal year, in conjunction with the review and adoption of the subsequent year's budget. During the current year review process, all revenue sources and line-item expenditures are reviewed and adjusted to account for increases and/or decreases occurring during the year. As a result, a revised (final) budget, which reflects the recommended changes made to the original adopted budget, is usually adopted each September. The revised budget amounts are used throughout this report as the amended adopted (final) budget.

Significant budget changes:

The original general fund adopted budget included a net decrease of \$1,635,450 in the unreserved fund balance, while the final budget reflected a decrease of \$1,161,113 in the unreserved fund balance, a difference of \$474,337. The original budget included a total ending fund balance of \$3,880,869, while the final budget total ending fund balance was \$5,915,752. The final budgeted increase in fund balance was part of the City's plan to maintain the current property tax rate, while also meeting the City's financial policy target balance of 13% of operating expenditures. Total final budgeted revenues and transfers in increased \$832,925 from the original budget, with the primary increase resulting from intergovernmental revenue from the City of Southlake (\$462,000) related to the City of Keller/City of Southlake combined public safety dispatch and jail agreement, which became effective April 1, 2007. Other significant increases include interest revenue (\$210,000), ambulance services fees (\$160,000), and municipal court fines and fees (\$150,000). Total final budgeted expenditures and transfers out increased by \$358,588 over the original budget. The most significant increase in budgeted expenditures was to account for expenditures related to the previously mentioned City of Keller/City of Southlake combined public safety dispatch and jail agreement, which became effective April 1, 2007 (\$462,000). This increase was combined with other decreases in expenditures throughout all the departments of the City.

CITY OF KELLER, TEXAS

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Significant budget variances:

Total actual revenues and transfers in exceeded the final budgeted amounts by \$126,126, or 1%. The most significant variance was sales taxes (\$244,474, a 6.3% increase over the final budget amount), resulting primarily continuing strong retail sales. Interest income exceeded the final budget amount by \$97,136, or 21%, resulting primarily from increased market rates, combined with additional funds available for investment. The most significant negative variances in revenue categories were in franchise taxes (\$189,409, or 9.5% below the final budget amount) and permits, licenses, and fees (\$107,688, or 9.5% below the final budget amount). During the summer months of 2007, the North Texas area experienced below normal temperatures, combined with above normal rainfall. The combination of these two factors impacted franchise revenues and building activity. Total actual expenditures and transfers out were less than final budgeted expenditures by \$1,055,331, or 9.6%. The positive total actual expenditure variance from the final budget was primarily due to efforts of all department managers to keep actual expenditures below the final budgeted expenditures, as all departments completed the year with actual expenditures less than the final budget.

As a measure of liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 30% (financial policy target = 13%) of total fund expenditures, while the total fund balance represents 32% of that same amount. The actual total ending fund balance of \$7,097,190 at September 30, 2007 is an increase of \$20,324 (0.3%) over the final adopted budget.

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, 2007, amounts to \$225,779,203 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, improvements other than buildings, and construction in progress. The total decrease in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$3,901,376, or 1.7% (a 2.9% decrease in capital assets for governmental activities and 0.8% increase in capital assets for business-type activities, respectively).

Capital asset contributions, primarily from developers, for fiscal year 2007 were \$5,219,886, a decrease of \$2,240,563 or 30% from the prior year.

This year's major additions (completed projects) include (000's):

1 million gallon elevated water storage tank on Keller-Smithfield Road	\$ 2,079
Keller-Smithfield Road water distribution improvements	1,569
3 million gallon water ground storage tank on Pearson Road	1,785
Street improvements funded from the 1/8 th cent street maintenance sales tax	<u>1,421</u>
Total	<u>\$ 6,854</u>

Ongoing projects (000's):

Pearson Pump Station Expansion and improvements	\$ 874
Land acquisition and design for new Fire Station No. 4	488

In addition to the above ongoing projects, there are several street improvement projects that are in the design phase, including Elm Street Bridge improvements (Texas Department of Transportation), North Tarrant Parkway design (a joint project with Tarrant County, Keller, and the city of North Richland Hills), and the Elm Street/U.S. Highway 377 one-way couplet (Texas Department of Transportation).

The five-year capital improvements program for fiscal years 2007-08 through 2011-12 identifies approximately \$92.4 million of capital projects, comprised primarily of streets and drainage improvements (46%), water and wastewater improvements (24%), and public safety (police and fire departments) improvements (20%). Currently, none of the \$92.4 million projects have been authorized or funded at this time.

CITY OF KELLER, TEXAS

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**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Government Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 19,268,180	\$ 18,871,354	\$ 1,153,640	\$ 1,122,730	\$ 20,421,820	\$ 19,994,084
Buildings	39,607,019	41,198,595	–	–	39,607,019	41,198,595
Equipment	3,544,770	3,850,605	665,677	806,898	4,210,447	4,657,503
Improvements	85,651,869	89,329,996	69,278,802	69,721,519	154,930,671	159,051,515
Capacity Rights	–	–	3,697,304	3,854,348	3,697,304	3,854,348
Construction in Progress	1,453,333	799,973	1,458,609	124,561	2,911,942	924,534
Total	<u>\$149,525,171</u>	<u>\$ 154,050,523</u>	<u>\$76,254,032</u>	<u>\$ 75,630,056</u>	<u>\$ 225,779,203</u>	<u>\$ 229,680,579</u>

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

Debt administration. At the end of the current fiscal year, the City of Keller had a total debt outstanding and capital leases payable (excluding bond premiums and discounts) of \$110,364,295. Of this amount, \$85,528,392 comprises debt backed by the full faith and credit of the City, and \$24,835,902 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues. Total outstanding debt of governmental activities decreased \$6,681,823 (7.3%), while total outstanding debt of business-type activities decreased \$2,069,107 (7.7%).

Outstanding Debt at Year End

Type of Debt	Government Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation	\$ 19,577,410	\$ 21,226,400	\$ 8,782,587	\$ 9,768,600	\$ 28,359,997	\$ 30,995,000
Revenue bonds	775,000	890,000	–	–	775,000	890,000
Certificates of obligation	64,590,000	69,425,000	14,850,000	15,515,000	79,440,000	84,940,000
Contractual obligations	–	–	1,203,316	1,621,410	1,203,316	1,621,410
Capital leases	585,982	668,814	–	–	585,982	668,814
Total	<u>\$ 85,528,392</u>	<u>\$ 92,210,214</u>	<u>\$ 24,835,903</u>	<u>\$ 26,905,010</u>	<u>\$ 110,364,295</u>	<u>\$ 119,115,224</u>

As of September 30, 2007, of the \$85,528,392 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 56%, or \$47,905,000, is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1	\$30,855,000
Keller Development Corporation	17,050,000

Therefore 43%, or \$37,623,392, is backed by the full faith and credit of the City's general property tax base.

- During the fiscal year, the City's total outstanding debt decreased by \$8,750,929, or 7.4%. The decrease was primarily due to current year debt payments

CITY OF KELLER, TEXAS

*Management's Discussion and Analysis
For Year Ended September 30, 2007
(Unaudited)*

The City maintains favorable ratings from bond rating agencies. The City's General Obligation, Combination Tax and Revenue Certificates of Obligation ratings are as follows:

	<u>Moody's Investors Service</u>	<u>Standard & Poor's</u>
General obligation bonds (tax supported)	A1	A+
Certificates of obligation (tax supported)	A1	A+

Revenue bonds: As of September 30, 2007, the only remaining revenue bond debt outstanding is \$775,000 Keller Development Corporation Sales Tax Revenue Refunding Bonds, Series 2005.

Several of the City's outstanding bonds are insured by various commercial companies, and thus are rated "Aaa" by Moody's and "AAA" by S&P. In July 2006, Moody's Investors Services upgraded the City's general obligation and certificates of obligation debt from A2 to A1. Since 2000, the City's debt has been upgraded a total of 5 times.

Additional information on the City's long-term debt can be found in Note III.F. to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

In the fiscal year 2007-08 budget, general fund revenues and transfers in were budgeted to increase by \$2,133,750 (8.8%) from the revised 2006-07 budget, with general property taxes comprising about 42.1% of General Fund budgeted revenues and transfers in. Certified taxable assessed valuations (after adjustments) increased 11.1% over the prior year, compared to an increase of 8.5% last year. Projected increases in sales tax receipts (4%) continue in fiscal year 2006-07 because of new retail outlets opening in Keller, and continued increases in historical growth trends. Development-related budgeted revenues for the 2007-08 fiscal year were increased by \$263,975, or 13.4% over fiscal year 2006-07 as development activity is anticipated to continue at a strong pace because of continued growth in the area.

These revenue projections, combined with an effort to maintain ending fund balances as required by the City's financial policies, resulted in an increase in the projected ending fund balance at September 30, 2007. Budgeted expenditures increased by 4.4%, primarily as a result of an increase in capital outlay expenditures primarily for street improvements and replacement of essential equipment, maintaining the employee compensation plan, and the addition of approximately 12 full-time equivalent positions for the Fire Department, in anticipation of the opening of the new Fire Station No. 4 in the first calendar quarter of 2009. The adopted budget maintains the required ending fund balance at September 30, 2007 of 13% of operating expenditures (actual of 19.6%). The City's property tax rate was reduced to \$0.43219 cents per \$100 of assessed value, a decrease of \$0.01194 cents, or 2.7%.

Major items funded in the General Fund for fiscal year 2007-08 are:

Seven solar school crossing street lights	\$ 70,000
Increase in funding for street improvements	703,385
Replacement of Fire Department vehicles & equipment	84,000
Replacement of Street Department vehicles & equipment	77,000
Public Arts purchases	55,000

Significant items in other funds:

Information Services Fund – replace 3 network servers at Keller Town Hall-\$23,500; expansion of wireless Internet access capability-\$3,500; audio/visual improvements to pre-council room and council chambers-\$20,000; upgrade GIS plotter--\$7,500

Municipal Court – funding for document imaging system-\$32,100

Keller Development Corporation – funding for land acquisition-\$100,000; 5-gang reel mower for Keller Sports Park-440,000; replacement maintenance utility vehicle-\$26,500

CITY OF KELLER, TEXAS

*Management's Discussion and Analysis
For Year Ended September 30, 2007
(Unaudited)*

Street/Drainage Improvements Fund – provide street, curb, gutter and sidewalk improvements totaling \$1,490,000 from the 1/8th of one percent street maintenance sales tax

Keller Crime Control Prevention District – provide (set-aside) contingency funding for jail improvements-\$1 million, vehicle replacement-\$196,725, digital phone and radio recording system-\$118,000

The City's financial position continues to improve because of an expanding property tax base, a growing retail base, and a competitive tax rate (the City's property tax rate for 2007-08 ranks the 3rd lowest among 12 Tarrant County-area cities).

Requests for Information

The financial report is designed to provide our citizens, customers, investors, and creditors with general overview of the City's finances. If you have questions about this report, or need any additional information, please contact the Finance Department, P.O. Box 770, Keller, Texas 76244-0770, call (817) 743-4025, or e-mail at finance@cityofkeller.com.

CITY OF KELLER, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Cash</i>	\$ 105,036	\$ 400	\$ 105,436
<i>Investments</i>	21,381,102	4,879,346	26,260,448
<i>Receivables (net of allowances for uncollectibles):</i>	2,257,380	2,639,336	4,896,716
<i>Special assessments</i>	27,038	--	27,038
<i>Internal balances</i>	(152,693)	152,693	--
<i>Due from other governments</i>	1,541,506	245,698	1,787,204
<i>Inventories</i>	22,314	315,479	337,793
<i>Prepaid items</i>	51,311	11,727	63,038
<i>Deferred charges</i>	865,944	301,011	1,166,955
Restricted assets:			
<i>Investments</i>	--	14,085,733	14,085,733
Capital assets (net of accumulated depreciation, where applicable):			
<i>Land</i>	19,268,180	1,153,640	20,421,820
<i>Construction in progress</i>	1,453,333	1,458,609	2,911,942
<i>Buildings</i>	39,607,019	--	26,222,367
<i>Improvements other than buildings</i>	85,651,869	69,278,802	162,355,127
<i>Machinery and equipment</i>	3,544,770	665,677	10,170,643
<i>Capacity rights (net of accumulated amortization)</i>	--	3,697,304	3,697,304
Total Assets	<u>175,624,109</u>	<u>98,885,455</u>	<u>274,509,564</u>
LIABILITIES			
<i>Accounts payable</i>	2,047,806	2,527,380	4,575,186
<i>Accrued liabilities and other payables</i>	605,609	113,316	718,925
<i>Unearned revenue</i>	718,606	85,093	803,699
<i>Customer deposits</i>	44,186	737,875	782,061
<i>Accrued interest payable</i>	476,707	156,008	632,715
Noncurrent liabilities:			
<i>Due within one year</i>	6,045,755	2,176,566	8,222,321
<i>Due in more than one year</i>	79,689,144	22,361,965	102,051,109
Total Liabilities	<u>89,627,813</u>	<u>28,158,203</u>	<u>117,786,016</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	64,573,383	53,805,294	118,378,677
Restricted For:			
Debt Service	1,154,079	518,135	1,672,214
Capital Projects	10,644,270	--	10,644,270
Unrestricted	<u>9,624,564</u>	<u>16,403,823</u>	<u>26,028,387</u>
Total Net Assets	<u>\$ 85,996,296</u>	<u>\$ 70,727,252</u>	<u>\$ 156,723,548</u>

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
<i>General government</i>	\$ 5,380,332	\$ 543,332	\$ 11,853	\$ --
<i>Community development</i>	1,231,365	3,272,575	--	--
<i>Public safety</i>	12,162,131	1,901,519	175,823	--
<i>Public works</i>	7,800,979	920,400	--	2,271,281
<i>Recreation and leisure</i>	8,449,576	3,484,293	53,960	369,000
<i>Non-departmental</i>	115,375	--	--	--
<i>Interest on long-term debt</i>	3,909,308	--	--	--
Total Governmental Activities	<u>39,049,066</u>	<u>10,122,119</u>	<u>241,636</u>	<u>2,640,281</u>
Business-type Activities:				
Water and Wastewater Utility	14,664,225	15,100,194	--	2,025,767
Drainage Utility	1,819,672	855,817	--	553,838
Total Business-type Activities	<u>16,483,897</u>	<u>15,956,011</u>	<u>--</u>	<u>2,579,605</u>
Total Primary Government	<u>\$ 55,532,963</u>	<u>\$ 26,078,130</u>	<u>\$ 241,636</u>	<u>\$ 5,219,886</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous Income
Gain on Sale of Capital Assets
Litigation Settlement
Transfers
Total General Revenues
Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,825,147)		\$ (4,825,147)
2,041,210		2,041,210
(10,084,789)		(10,084,789)
(4,609,298)		(4,609,298)
(4,542,323)		(4,542,323)
(115,375)		(115,375)
(3,909,308)		(3,909,308)
<u>(26,045,030)</u>		<u>(26,045,030)</u>
--	\$ 2,461,736	2,461,736
--	(410,017)	(410,017)
--	<u>2,051,719</u>	<u>2,051,719</u>
<u>(26,045,030)</u>	<u>2,051,719</u>	<u>(23,993,311)</u>
16,079,035	--	16,079,035
8,294,981	--	8,294,981
3,182,681	--	3,182,681
53,482	--	53,482
1,253,401	947,920	2,201,321
16,680	66,392	83,072
(155,856)	(7,652)	(163,508)
298,249	--	298,249
<u>1,892,406</u>	<u>(1,892,406)</u>	<u>--</u>
<u>30,915,059</u>	<u>(885,746)</u>	<u>30,029,313</u>
4,870,029	1,165,973	6,036,002
<u>81,126,267</u>	<u>69,561,279</u>	<u>150,687,546</u>
<u>\$ 85,996,296</u>	<u>\$ 70,727,252</u>	<u>\$ 156,723,548</u>

CITY OF KELLER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General Fund	G.O. Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
<i>Cash</i>	\$ 67,389	\$ --	\$ 37,646	\$ 105,035
<i>Investments</i>	6,866,118	720,939	13,794,041	21,381,098
Receivables (net of allowances for uncollectibles):				
<i>Taxes</i>	783,652	101,069	--	884,721
<i>Accounts</i>	415,294	--	2,269	417,563
<i>Interest</i>	94,471	8,321	163,766	266,558
<i>Other</i>	211,088	53,625	430,998	695,711
<i>Special assessments</i>	--	--	19,865	19,865
<i>Intergovernmental</i>	785,607	--	755,899	1,541,506
<i>Due from other funds</i>	32,178	--	49,501	81,679
<i>Advance to other funds</i>	--	--	14,432	14,432
<i>Inventories</i>	22,314	--	--	22,314
<i>Prepaid items</i>	30,080	--	21,231	51,311
Total Assets	\$ 9,308,191	\$ 883,954	\$ 15,289,648	\$ 25,481,793
LIABILITIES AND FUND BALANCES				
Liabilities:				
<i>Accounts payable</i>	\$ 954,096	\$ --	\$ 1,093,710	\$ 2,047,806
<i>Accrued liabilities and other payables</i>	496,688	--	108,921	605,609
<i>Due to other funds</i>	--	57,729	120,415	178,144
<i>Advance from other funds</i>	--	56,229	14,432	70,661
<i>Customer deposits</i>	42,752	--	1,434	44,186
<i>Deferred revenue</i>	717,465	148,254	1,168,197	2,033,916
Total Liabilities	2,211,001	262,212	2,507,109	4,980,322
Fund Balances:				
Reserved Fund Balances				
<i>Reserved for encumbrances</i>	370,780	--	2,118,705	2,489,485
<i>Reserved for special uses</i>	53,869	--	4,035,070	4,088,939
<i>Reserved for interfund advances</i>	--	--	14,432	14,432
<i>Reserved for prepaid items</i>	30,080	--	21,231	51,311
<i>Reserved for inventory</i>	22,314	--	--	22,314
<i>Reserved for debt service</i>	--	--	89,000	89,000
Unreserved, reported in:				
<i>General Fund</i>	6,620,147	--	--	6,620,147
<i>Special Revenue Funds</i>	--	--	1,928,273	1,928,273
<i>Debt Service Funds</i>	--	621,742	247,354	869,096
<i>Capital Projects Funds</i>	--	--	4,328,474	4,328,474
Total Fund Balances	7,097,190	621,742	12,782,539	20,501,471
Total Liabilities and Fund Balances	\$ 9,308,191	\$ 883,954	\$ 15,289,648	\$ 25,481,793

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2007

Total fund balances - governmental funds balance sheet	\$ 20,501,471
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	149,525,170
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	598,201
Payables for bond principal which are not due in the current period are not reported in the funds.	(84,221,009)
Payables for bond interest which are not due in the current period are not reported in the funds.	(476,708)
Payables for notes which are not due in the current period are not reported in the funds.	(585,982)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(927,909)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	865,952
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	88,719
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	315,528
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>312,863</u>
Net assets of governmental activities - statement of net assets	<u>\$ 85,996,296</u>

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Fund	G.O. Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
<i>Taxes</i>	\$ 17,193,033	\$ 4,118,098	\$ 6,125,180	\$ 27,436,311
<i>Permits, licenses and fees</i>	1,914,637	--	67,000	1,981,637
<i>Intergovernmental</i>	1,452,871	--	131,521	1,584,392
<i>Charges for services</i>	738,684	--	2,904,111	3,642,795
<i>Fines</i>	1,076,532	--	101,119	1,177,651
<i>Special assessments and impact fees</i>	--	--	865,963	865,963
<i>Donations</i>	11,353	--	485,749	497,102
<i>Interest income</i>	557,136	67,997	628,268	1,253,401
<i>Miscellaneous</i>	219,382	9	682,671	902,062
Total revenues	<u>23,163,628</u>	<u>4,186,104</u>	<u>11,991,582</u>	<u>39,341,314</u>
Expenditures:				
Current:				
<i>General government</i>	3,481,037	--	1,237,900	4,718,937
<i>Community development</i>	1,208,865	--	--	1,208,865
<i>Public safety</i>	10,977,896	--	133,486	11,111,382
<i>Public works</i>	1,888,375	--	55,775	1,944,150
<i>Recreation and leisure</i>	3,450,130	--	3,062,262	6,512,392
<i>Non-departmental</i>	378,409	--	--	378,409
<i>Capital outlay</i>	851,337	--	2,015,150	2,866,487
Debt service:				
<i>Principal</i>	--	2,986,820	3,695,000	6,681,820
<i>Interest and fiscal charges</i>	--	1,735,135	2,097,299	3,832,434
Total expenditures	<u>22,236,049</u>	<u>4,721,955</u>	<u>12,296,872</u>	<u>39,254,876</u>
Excess (deficiency) of revenues over (under) expenditures	927,579	(535,851)	(305,290)	86,438
Other financing sources (uses):				
<i>Transfers in</i>	1,203,053	648,970	2,921,073	4,773,096
<i>Transfers out</i>	(2,110,308)	--	(770,382)	(2,880,690)
Total other financing sources (uses)	<u>(907,255)</u>	<u>648,970</u>	<u>2,150,691</u>	<u>1,892,406</u>
Net change in fund balances	20,324	113,119	1,845,401	1,978,844
Fund balances, October 1	<u>7,076,866</u>	<u>508,623</u>	<u>10,937,138</u>	<u>18,522,627</u>
Fund balances, September 30	<u>\$ 7,097,190</u>	<u>\$ 621,742</u>	<u>\$ 12,782,539</u>	<u>\$ 20,501,471</u>

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net change in fund balances - total governmental funds	\$ 1,978,844
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,029,772
The depreciation of capital assets used in governmental activities is not reported in the funds.	(8,699,575)
The gain or loss on the sale of capital assets is not reported in the funds.	(155,856)
Donations of capital assets increase net assets in the SOA but not in the funds.	2,300,307
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	173,867
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	6,598,987
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	82,832
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(129,868)
(Increase) decrease in accrued interest, bond premium/discount and deferred refunding items.	52,995
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(21,833)
Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year.	30,665
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	312,561
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	23,831
Payment of accrued litigation settlement is an expenditure in the funds but is not an expense in the SOA.	<u>292,500</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 4,870,029</u>

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS

STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

SEPTEMBER 30, 2007

	Water and Wastewater Utility	Drainage Utility	Total Enterprise Funds
ASSETS			
Current Assets:			
<i>Cash</i>	\$ 400	\$ --	\$ 400
<i>Investments</i>	4,497,826	381,520	4,879,346
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	5,381	--	5,381
<i>Accounts</i>	2,379,488	45,648	2,425,136
<i>Interest</i>	193,716	4,602	198,318
<i>Other</i>	10,501	--	10,501
<i>Intergovernmental</i>	245,698	--	245,698
<i>Due from other funds</i>	165,897	2,653	168,550
<i>Advance to other funds</i>	56,229	--	56,229
<i>Inventories</i>	315,479	--	315,479
<i>Prepaid items</i>	11,678	49	11,727
Total Current Assets	<u>7,882,293</u>	<u>434,472</u>	<u>8,316,765</u>
Noncurrent Assets:			
Restricted assets:			
<i>Investments</i>	14,085,733	--	14,085,733
Total Restricted Assets	<u>14,085,733</u>	<u>--</u>	<u>14,085,733</u>
<i>Property, Plant and Equipment</i>			
<i>Land</i>	1,126,640	27,000	1,153,640
<i>Improvements other than buildings</i>	75,947,176	20,231,262	96,178,438
<i>Machinery and equipment</i>	1,694,422	527,161	2,221,583
<i>Construction in progress</i>	1,458,609	--	1,458,609
<i>Capacity rights</i>	6,281,781	--	6,281,781
<i>Accumulated Depreciation</i>	(22,952,153)	(8,087,866)	(31,040,019)
Net Property, Plant and Equipment	<u>63,556,475</u>	<u>12,697,557</u>	<u>76,254,032</u>
<i>Deferred charges</i>	301,011	--	301,011
Total Noncurrent Assets	<u>77,943,219</u>	<u>12,697,557</u>	<u>90,640,776</u>
Total Assets	<u>85,825,512</u>	<u>13,132,029</u>	<u>98,957,541</u>
LIABILITIES			
Current Liabilities:			
<i>Accounts payable</i>	2,521,275	6,105	2,527,380
<i>Accrued liabilities and other payables</i>	97,416	15,900	113,316
<i>Due to other funds</i>	--	72,086	72,086
<i>Accrued interest payable</i>	156,008	--	156,008
<i>Unearned revenue</i>	85,093	--	85,093
<i>Customer deposits</i>	697,875	40,000	737,875
<i>Current portion of compensated absences</i>	32,352	3,357	35,709
<i>Current portion of certificates of obligation</i>	720,000	--	720,000
<i>Current portion of general obligation bonds</i>	980,272	--	980,272
<i>Current portion of contractual obligations</i>	440,585	--	440,585
Total Current Liabilities	<u>5,730,876</u>	<u>137,448</u>	<u>5,868,324</u>
Noncurrent Liabilities:			
Compensated absences payable	49,111	7,048	56,159
<i>Certificates of obligation</i>	14,130,000	--	14,130,000
<i>Contractual obligations</i>	762,731	--	762,731
<i>General obligations</i>	7,413,075	--	7,413,075
Total Noncurrent Liabilities	<u>22,354,917</u>	<u>7,048</u>	<u>22,361,965</u>
Total Liabilities	<u>28,085,793</u>	<u>144,496</u>	<u>28,230,289</u>
NET ASSETS			
<i>Invested in capital assets, net of related debt</i>	41,107,737	12,697,557	53,805,294
<i>Restricted</i>	518,135	--	518,135
<i>Unrestricted</i>	16,113,847	289,976	16,403,823
Total Net Assets	<u>\$ 57,739,719</u>	<u>\$ 12,987,533</u>	<u>\$ 70,727,252</u>

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Water and Wastewater Utility	Drainage Utility	Total Enterprise Funds
OPERATING REVENUES:			
<i>Charges for services - water</i>	\$ 10,273,194	\$ --	\$ 10,273,194
<i>Charges for services - sewer</i>	4,435,132	--	4,435,132
<i>Charges for services - drainage</i>	--	855,817	855,817
<i>Tap and connection fees</i>	103,917	--	103,917
<i>Intergovernmental</i>	258,791	--	258,791
Total Operating Revenues	<u>15,071,034</u>	<u>855,817</u>	<u>15,926,851</u>
OPERATING EXPENSES:			
<i>Personnel services</i>	2,575,702	495,447	3,071,149
<i>Supplies and maintenance</i>	570,557	85,949	656,506
<i>Services and other</i>	1,944,993	199,040	2,144,033
<i>Wholesale water purchases</i>	4,147,890	--	4,147,890
<i>Wastewater services contracted</i>	1,639,664	--	1,639,664
<i>Depreciation and amortization</i>	2,617,685	1,037,095	3,654,780
Total Operating Expenses	<u>13,496,491</u>	<u>1,817,531</u>	<u>15,314,022</u>
Operating Income (Loss)	<u>1,574,543</u>	<u>(961,714)</u>	<u>612,829</u>
NON-OPERATING REVENUES (EXPENSES):			
<i>Interest income</i>	928,797	19,124	947,921
<i>Gain from disposal of assets</i>	--	(7,652)	(7,652)
<i>Miscellaneous income</i>	95,451	101	95,552
<i>Interest and fiscal charges</i>	(1,167,734)	(2,141)	(1,169,875)
Total Non-operating Revenues (Expenses)	<u>(143,486)</u>	<u>9,432</u>	<u>(134,054)</u>
Net Income (Loss) before Capital Contributions and Transfers	<u>1,431,057</u>	<u>(952,282)</u>	<u>478,775</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS:			
<i>Capital Contributions</i>	2,025,766	553,838	2,579,604
<i>Transfers in</i>	51,459	224,000	275,459
<i>Transfers out</i>	(2,134,805)	(33,060)	(2,167,865)
Total Capital Contributions and Transfers	<u>(57,580)</u>	<u>744,778</u>	<u>687,198</u>
Change in Net Assets	<u>1,373,477</u>	<u>(207,504)</u>	<u>1,165,973</u>
Total Net Assets, October 1	<u>56,366,242</u>	<u>13,195,037</u>	<u>69,561,279</u>
Total Net Assets, September 30	<u>\$ 57,739,719</u>	<u>\$ 12,987,533</u>	<u>\$ 70,727,252</u>

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Water & Wastewater Operations	Drainage Utility	Totals
Cash Flows from Operating Activities:			
<i>Cash received from customers and users</i>	\$ 15,284,035	\$ 853,288	\$ 16,137,323
<i>Cash payments to suppliers for goods and services</i>	(7,237,264)	(300,026)	(7,537,290)
<i>Cash payments to employees for services</i>	(2,545,008)	(488,178)	(3,033,186)
Net Cash Provided (Used) by Operating Activities	<u>5,501,763</u>	<u>65,084</u>	<u>5,566,847</u>
Cash Flows from Non-capital Financing Activities:			
<i>Transfers from other funds</i>	51,459	224,000	275,459
<i>Transfers to other funds</i>	(2,134,805)	(33,060)	(2,167,865)
<i>Cash received from other funds</i>	259,880	--	259,880
<i>Cash paid to other funds</i>	(58,482)	(37,639)	(96,121)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,881,948)</u>	<u>153,301</u>	<u>(1,728,647)</u>
Cash Flows from Capital and Related Financing Activities:			
<i>Acquisition or construction of capital assets</i>	(1,446,191)	(257,611)	(1,703,802)
<i>Principal payments on debt</i>	(2,149,953)	--	(2,149,953)
<i>Interest paid</i>	(1,136,543)	(2,141)	(1,138,684)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(4,732,687)</u>	<u>(259,752)</u>	<u>(4,992,439)</u>
Cash Flows from Investing Activities:			
<i>Purchase of investments</i>	(4,744,889)	(90,509)	(4,835,398)
<i>Investment interest received</i>	876,770	27,029	903,799
Net Cash Provided (Used) for Investing Activities	<u>(3,868,119)</u>	<u>(63,480)</u>	<u>(3,931,599)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,980,991)</u>	<u>(104,847)</u>	<u>(5,085,838)</u>
Cash and cash equivalents - beginning	2,283,800	211,252	2,495,052
Restricted cash and cash equivalents - beginning	7,880,544	--	7,880,544
	<u>10,164,344</u>	<u>211,252</u>	<u>10,375,596</u>
Cash and cash equivalents - ending	1,254,843	106,405	1,361,248
Restricted cash and cash equivalents - ending	3,928,510	275,115	4,203,625
	<u>\$ 5,183,353</u>	<u>\$ 381,520</u>	<u>\$ 5,564,873</u>
Cash	\$ 400	\$ --	\$ 400
Investments classified as cash equivalents	1,254,443	106,405	1,360,848
	<u>\$ 1,254,843</u>	<u>\$ 106,405</u>	<u>\$ 1,361,248</u>
Restricted investments classified as cash equivalents	<u>\$ 3,928,510</u>	<u>\$ 12,697,557</u>	<u>\$ 16,626,067</u>

	Enterprise Funds		
	Water & Wastewater Operations	Drainage Utility	Totals
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating income (loss)	\$ 1,574,543	\$ (961,714)	\$ 612,829
Adjustments to reconcile operating income to net cash			
Provided by Operating Activities			
<i>Depreciation and amortization</i>	2,617,685	1,037,095	3,654,780
<i>Miscellaneous income (expense)</i>	95,451	101	95,552
(Increase) decrease in assets			
<i>Accounts receivable</i>	1,659	(2,630)	(971)
<i>Other receivables/accrued interest</i>	7,624	--	7,624
<i>Due from other governments</i>	702,755	--	702,755
<i>Prepaid items</i>	(900)	(6)	(906)
<i>Inventory</i>	(24,941)	--	(24,941)
Increase (decrease) in liabilities:			
<i>Accounts payable</i>	529,847	(15,031)	514,816
<i>Accrued liabilities and other payables</i>	(125,169)	4,196	(120,973)
<i>Customer deposits</i>	23,174	--	23,174
<i>Compensated absences</i>	14,942	3,073	18,015
<i>Deferred revenue</i>	85,093	--	85,093
Total Adjustments	<u>3,927,220</u>	<u>1,026,798</u>	<u>4,954,018</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,501,763</u>	<u>\$ 65,084</u>	<u>\$ 5,566,847</u>
Noncash Investing, Capital, and Financing Activities			
<i>Developer contributions of infrastructure</i>	<u>\$ 2,025,766</u>	<u>\$ 553,838</u>	<u>\$ 2,579,604</u>

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Keller, Texas, was incorporated in 1955. The City operates under the Council-Manager form of government as adopted by a home rule charter approved November 16, 1955. The City provides a full range of municipal services including general government, planning & community development, public safety (police, fire, animal control, and emergency medical services), public works, recreation and leisure, and other. In addition, the City provides water and sewer service, and storm water drainage as proprietary functions of the City.

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

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

Blended Component Units

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

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, the financial information of KDC is blended as a governmental fund into the primary government.

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

Since the TIF Board of Directors acts primarily in an advisory role to the Keller City Council, who exercise the ultimate financial control over the recommendations of the TIF board, the financial information of the TIF is blended as a governmental fund into the primary government.

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

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

authorized for an initial period of five years. In May 2006, voters re-authorized the tax for an additional period of 15 years.

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, the financial information for KCCPD is blended as a governmental fund into the primary government.

Separate financial statements for the component units are not prepared.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

The City reports the following major proprietary funds:

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits 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.

The City's investment policy is more restrictive than permitted by State statutes. The investment policy authorizes the City to invest in (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities; (4) collateralized certificates of deposit issued 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 the National Credit Union Share Insurance fund, or its successor, (B) secured by obligations that are described by Section 2256.009(a) of the Texas Public Funds Investment Act, including mortgage-backed securities directly issued by a federal agency or instrumentality, but excluding those mortgage-backed securities of the nature described in Section 2256.009(b) of the Act, (C) secured in any other manner and amount provided by law for deposits of the City; or, (5) eligible local government investment pools which invest in instruments and follow practices allowed by current law as defined in Section 2256.016 of the Texas Public Funds Investment Act; (6) regulated no-load money market mutual funds that are (A) registered with and regulated by the Securities and Exchange Commission; (B) having a dollar-weighted average portfolio of ninety (90) days or less; (C) the investment objectives include the maintenance of a stable net asset value of one dollar (\$1.00) per share; and (D) the fund is continuously rated no lower than "AAA" or its equivalent rating by at least one nationally recognized rating service; and (7) repurchase agreements, reverse repurchase agreements, bankers' acceptances and commercial paper, to the extent they are contained in the portfolios of approved public funds investment pools in which the City invests.

Investments maturing within one year of date of purchase are stated at cost or amortized cost; all other investments are stated at fair value which is based on quoted market prices.

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account 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.

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

3. Inventories and prepaid items

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

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

4. Restricted assets

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

5. Capital assets

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

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

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

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

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

Buildings and building improvements	20 to 40 years
Improvements other than buildings	20 to 40 years
Water and sewer system infrastructure	20 to 40 years
Storm drainage system infrastructure	20 to 40 years
Capacity rights	40 years
Heavy equipment	10 to 15 years
Fire trucks and ambulances	15 to 20 years
Furniture and fixtures	5 to 10 years
Machinery and equipment	5 to 10 years
Police pursuit vehicles	3 years
Other vehicles	3 to 6 years

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Vacation benefits are accrued at 6.67, 10.00, or 13.34 hours per month for employees with less than 5, 10, or more than 10 years of service, respectively. Non-exempt employees may accrue up to 40 hours while exempt employees may accrue up to 320 hours. Sick leave is accrued at 8.0 hours per month without limitation. Upon termination or retirement, any accumulated sick leave expires. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are matured, for example, unused reimbursable leave payable as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. DETAILED NOTES ON ALL FUNDS

Cash

A. Deposits and investments

In accordance with "GASB Statement No. 3, Deposits and Financial Institutions," the City classifies its deposits as to custodial credit risk. At year end, the carrying amount of the City's deposits and cash on hand was \$105,035 and the bank balance was \$499,776. \$100,000 of the bank balance was covered by federal deposit insurance and the remainder was covered by collateral pledged by the depository in the City's name and held by the depository's agent.

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

Under a contractual agreement with Trinity River Authority, depository accounts are maintained by TRA for interest sinking, debt and construction reserves totaling \$1,169,500 which are separately insured or secured by collateral pledged by TRA's depository. The City's liability for its share of TRA contract revenue bonds is reduced by this amount.

Investments

Investments are categorized to give an indication of the level of credit risk assumed by the City. At September 30, 2007, all of the City's investments are classified as Category I investments (lowest risk category), which are defined as securities held by the City or its agent in the City's name. At year end the City's investments were:

Description	Carrying Amount	Fair Value	% of Total (Cost)	Ratings (Standard & Poor's)	
				Minimum	Actual
U.S. Agency Discount/Callable Notes	\$ 27,758,067	\$ 27,926,080	69%		
Money Market Mutual Funds	354,289	354,289	1%		
Government Sponsored Investment Pools					
TexPool	9,146,525	9,146,525	22%	AAA	AAAm
LOGIC	3,087,300	3,087,300	8%	AAA	AAAm
	<u>\$ 40,346,181</u>	<u>\$ 40,514,194</u>	<u>100%</u>		
Unrestricted	\$ 26,260,448				
Restricted	<u>14,085,733</u>				
	<u>\$ 40,346,181</u>				

Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its portfolio to less than three years.

Weighted Average Maturity - Fair Value		
Maturity Range	% Minimum	Actual %
Within 1 Month	25.0%	34.4%
Within 3 Months	33.0%	52.6%
Within 6 Months	50.0%	74.4%
Within 1 Year	75.0%	89.0%
Within 3 Years	100.0%	100.0%

Credit Risk – The City's investment policy limits investments as described previously in Note I.D.1.

Concentration of Credit Risk – With the exception of U.S. Government securities (100%), as authorized, and authorized local government investment pools (up to 60%), no more than 50% of the total investment portfolio may be invested in any one security type or with a single financial institution. Investments in money market mutual funds are limited to 10% of the City's total portfolio.

Custodial Credit Risk – Deposits. In the case of deposits this is the risk, that in the event of a bank failure, the City's deposits may not be returned to it. 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.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

The City is a member of two local government investment pools – TexPool and LOGIC.

CITY OF KELLER, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2007

TexPool is an external investment pool operated by the Texas Comptroller of Public Accounts and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

Local Government Investment Cooperative (LOGIC) is also an external investment pool governed by the Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act. It operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over LOGIC.

B. Receivables

Receivables as of year-end for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Proprietary Funds		
	General	G. O. Debt Service	Nonmajor	Total	Water & Wastewater Operations	Drainage Utility	Total
Taxes receivable	\$ 813,655	\$ 114,974	\$ -	\$ 928,629	\$ 5,381	\$ -	\$ 5,381
Allowance for uncollectible taxes	(30,003)	(13,905)	-	(43,908)	-	-	-
	<u>783,652</u>	<u>101,069</u>	<u>-</u>	<u>884,721</u>	<u>5,381</u>	<u>-</u>	<u>5,381</u>
Accounts receivable	2,056,079	-	13,216	2,069,295	2,668,147	75,966	2,744,113
Allowance for uncollectible accounts	(1,640,785)	-	(10,947)	(1,651,732)	(288,659)	(30,318)	(318,977)
	<u>415,294</u>	<u>-</u>	<u>2,269</u>	<u>417,563</u>	<u>2,379,488</u>	<u>45,648</u>	<u>2,425,136</u>
Accrued interest	94,471	8,321	163,766	266,558	193,716	4,602	198,318
Other receivables	211,088	53,625	430,998	695,711	10,501	-	10,501
Total	<u>\$ 1,504,505</u>	<u>\$ 163,015</u>	<u>\$ 597,033</u>	<u>\$ 2,264,553</u>	<u>\$ 2,589,086</u>	<u>\$ 50,250</u>	<u>\$ 2,639,336</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 313,218	\$ -
Ambulance revenue receivable (General Fund)	315,528	-
Municipal court fines receivable (General Fund)	88,719	-
Membership dues (Recreation/Aquatic Center Fund)	718,606	718,606
Delinquent property taxes receivable (Debt Service Fund)	148,254	-
Delinquent TIF taxes (Town Center TIF I&S Fund)	136,728	-
Assessments receivable not yet due (Roadway Impact Fee Fund)	293,337	-
Assessments receivable not yet due (Street/Sidewalk Improvements Fund)	<u>19,526</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 2,033,916</u>	<u>\$ 718,606</u>

CITY OF KELLER, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2007

C. Restricted assets

Business-type activities:

Restricted for debt service	\$ 452,205
Restricted for water and wastewater system improvements	<u>13,633,528</u>
	<u>\$ 14,085,733</u>

D. Capital assets

Capital asset activity for the year ended September 30, 2007:

Primary Government

	Balance 9/30/2006	Additions	Deletions & Transfers Out	Transfers & Completed Construction	Balance 9/30/2007
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$ 18,871,355	\$ 396,825	\$ -	\$ -	\$ 19,268,180
Construction in progress	<u>799,972</u>	<u>989,524</u>	<u>(11,876)</u>	<u>(324,287)</u>	<u>1,453,333</u>
Total capital assets not being depreciated	<u>19,671,327</u>	<u>1,386,349</u>	<u>(11,876)</u>	<u>(324,287)</u>	<u>20,721,513</u>
Capital assets, being depreciated					
Buildings	48,075,475	14,553	-	-	48,090,028
Improvements other than buildings	152,421,878	2,162,532	-	241,871	154,826,281
Machinery and equipment	<u>8,978,122</u>	<u>766,646</u>	<u>(143,980)</u>	<u>82,416</u>	<u>9,683,204</u>
Total capital assets being depreciated	<u>209,475,475</u>	<u>2,943,731</u>	<u>(143,980)</u>	<u>324,287</u>	<u>212,599,513</u>
Less accumulated depreciation for:					
Buildings	(6,876,880)	(1,606,129)	-	-	(8,483,009)
Improvements other than buildings	(63,091,882)	(6,082,530)	-	-	(69,174,412)
Machinery and equipment	<u>(5,127,517)</u>	<u>(1,010,917)</u>	<u>-</u>	<u>-</u>	<u>(6,138,434)</u>
Total accumulated depreciation	<u>(75,096,279)</u>	<u>(8,699,576)</u>	<u>-</u>	<u>-</u>	<u>(83,795,855)</u>
Total capital assets being depreciated, net	<u>134,379,196</u>	<u>(5,755,845)</u>	<u>(143,980)</u>	<u>324,287</u>	<u>128,803,658</u>
Governmental activities capital assets, net	<u>\$154,050,523</u>	<u>\$ (4,369,496)</u>	<u>\$ (155,856)</u>	<u>\$ -</u>	<u>\$149,525,171</u>

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

General government	\$ 783,472
Planning & community development	23,141
Public safety	814,856
Public works	5,185,159
Recreation and leisure	<u>1,892,948</u>
	<u>\$ 8,699,576</u>

CITY OF KELLER, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2007

	Balance 9/30/2006	Additions	Deletions & Transfers Out	Transfers and Completed Construction	Balance 9/30/2007
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$ 1,122,730	\$ 30,910	\$ -	\$ -	\$ 1,153,640
Construction in progress	124,561	1,334,048	-	-	1,458,609
Total capital assets not being depreciated	<u>1,247,291</u>	<u>1,364,958</u>	<u>-</u>	<u>-</u>	<u>2,612,249</u>
Capital assets, being depreciated					
Improvements other than buildings	93,251,181	2,954,257	(27,000)	-	96,178,438
Machinery and equipment	2,079,958	141,625	-	-	2,221,583
Capacity rights	6,281,781	-	-	-	6,281,781
Total capital assets being depreciated	<u>101,612,920</u>	<u>3,095,882</u>	<u>(27,000)</u>	<u>-</u>	<u>104,681,802</u>
Less accumulated depreciation for:					
Improvements other than buildings	(23,529,662)	(3,369,974)	-	-	(26,899,636)
Machinery and equipment	(1,270,061)	(285,845)	-	-	(1,555,906)
Capacity rights	(2,427,432)	(157,045)	-	-	(2,584,477)
Total accumulated depreciation	<u>(27,227,155)</u>	<u>(3,812,864)</u>	<u>-</u>	<u>-</u>	<u>(31,040,019)</u>
Total capital assets being depreciated, net	<u>74,385,765</u>	<u>(716,982)</u>	<u>(27,000)</u>	<u>-</u>	<u>73,641,783</u>
Business-type activities capital assets, net	<u>\$75,633,056</u>	<u>\$ 647,976</u>	<u>\$ (27,000)</u>	<u>\$ -</u>	<u>\$ 76,254,032</u>

Construction commitments

The City has active construction projects as of September 30, 2007. The projects include land acquisition, street construction, park improvements, water system improvements, and sewer system improvements.

Land acquisition, building construction, street and park improvements are being financed by bond proceeds, park development fees, combination tax and revenue certificates of obligation (general purposes) and self supporting combination tax and revenue certificates of obligation (KDC, and KCCPD). The commitment for water system improvements and sewer system improvements are being financed by self supporting bonds, combination tax and revenue certificates of obligation, and water and sewer impact fees.

	Spent to Date	Remaining Commitment
Fire Department facilities expansion (Station No. 4)	\$ 37,038	\$ 919,609
Keller/Southlake/Fort Worth water system improvements	2,333,971	79,529
Pearson/Southlake/Fort Worth water improvements	116,527	7,574
Lower pressure plane water improvements	901,852	939,038
Miscellaneous drainage system improvements	39,496	138,654
Highland Oaks channel improvements (design)	-	258,950
Daryll and Garden Lane drainage improvements (design)	-	232,940
Miscellaneous water system improvements	185,050	212,629
Big Bear East Branch sewer system improvements	47,612	370,486
Miscellaneous sewer system improvements	104,752	2,648
Miscellaneous street improvements - general purpose	506,463	363,821
Traffic signalization improvements	9,914	140,303
Miscellaneous park improvements	57,502	90,484
North Tarrant Parkway road improvements	132,800	229,700
Total	<u>\$ 4,472,977</u>	<u>\$ 3,986,365</u>

CITY OF KELLER, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2007

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2007, is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 32,178	\$ -
Debt Service Fund	-	57,729
Nonmajor governmental funds	49,501	120,415
Water & Wastewater Operations	165,897	-
Drainage Utility	2,653	72,085
	<u>\$ 250,229</u>	<u>\$ 250,229</u>

The interfund balances above represent unsettled overdrafts of pooled cash which will be removed by rebalancing the funds share of pooled cash and investments.

	Advances Receivable	Advances Payable
Debt Service Fund	\$ -	\$ 56,229
Nonmajor governmental funds	14,432	14,432
Water and Wastewater Operations	56,229	-
	<u>\$ 70,661</u>	<u>\$ 70,661</u>

\$56,229 is due on an original loan for \$162,348 payable over two years, to the Water and Wastewater fund from the Debt Service fund for a loan passed through to the Equipment Replacement fund and used for acquisition of City vehicles and equipment. \$14,432 is due on an original loan for \$28,513 payable over three years, to the KDC fund from the Recreation/Aquatic Center fund for start-up costs.

Interfund transfers:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 1,203,053	\$ 2,110,308
Debt Service Fund	648,970	-
Nonmajor governmental funds	2,921,073	770,382
Water & Wastewater Operations	51,459	2,134,805
Drainage Utility	224,000	33,060
	<u>\$ 5,048,555</u>	<u>\$ 5,048,555</u>

Interfund transfers are used to pay an allocation of general and administrative services, provide funds for debt service, contribute toward the cost of capital projects, and for other operational purposes.

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

F. Long-term debt

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

General Debt Currently Outstanding:

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance 9/30/2007
GOVERNMENTAL ACTIVITIES DEBT						
General Obligation Bonds:						
City						
Improvements	\$ 1,150,000	1981	2020	\$ 72,365	5.00%	\$ 690,000
Refunding	2,297,976	1999	2020	143,075	3.75% - 5.00%	1,517,410
Refunding	700,000	2002	2014	76,493	3.00% - 4.00%	410,000
Refunding	11,125,000	2004	2017	807,019	3.00% - 4.00%	7,120,000
Refunding	9,980,000	2005	2014	985,237	3.00% - 4.20%	9,840,000
						<u>19,577,410</u>
Certificates of Obligation:						
City						
Improvements	2,150,000	1998	2018	170,585	4.60% - 5.85%	100,000
Improvements	3,000,000	1998	2019	239,847	4.00% - 6.00%	945,000
Improvements	8,100,000	2000	2220	360,865	5.20% - 6.00%	680,000
Improvements	8,615,000	2002	2022	670,494	4.00% - 5.00%	7,250,000
Improvements	1,690,000	2003	2023	106,986	2.50% - 4.25%	1,200,000
Improvements	6,540,000	2004	2024	532,459	4.00% - 5.00%	6,290,000
Improvements	270,000	2006	2026	60,141	4.25% - 5.37%	220,000
Keller TIRZ (TIF)						
Improvements	6,825,000	1999	2018	447,642	5.10% - 6.10%	1,205,000
Improvements	17,095,000	2000	2018	1,228,794	5.00% - 5.75%	4,295,000
Improvements	8,735,000	2001	2018	957,863	4.25% - 5.25%	7,955,000
Refunding	17,400,000	2005	2018	2,252,929	3.50% - 5.00%	17,400,000
Keller Development Corp.						
Improvements	18,120,000	2003	2023	1,386,964	2.50% - 4.25%	16,545,000
Improvements	755,000	2004	2024	111,650	4.00% - 5.00%	505,000
						<u>64,590,000</u>
						<u>84,167,410</u>
Revenue Bonds:						
Keller Development Corp.						
Refunding	890,000	2006	2013	146,599	4.20%	775,000
						<u>84,942,410</u>
Less: bond issue discount/(premium)						490,370
Less: deferred loss on refunding						<u>(1,211,771)</u>
Total Governmental Activities Debt						<u>84,221,009</u>

CITY OF KELLER, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2007

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance 9/30/2007
BUSINESS-TYPE ACTIVITIES DEBT						
General Obligation Bonds:						
City						
Refunding	\$ 3,222,024	1999	2020	\$ 200,608	3.75% - 5.00%	\$ 2,127,587
Refunding	5,360,000	2002	2013	493,326	3.00% - 4.00%	3,080,000
Refunding	440,000	2004	2017	36,095	3.00% - 4.00%	235,000
Refunding	3,390,000	2004	2020	338,888	3.00% - 4.20%	3,340,000
						<u>8,782,587</u>
Less: bond issue discount/(premium)						(15,892)
Less: deferred loss on refunding						<u>(373,348)</u>
						<u>8,393,347</u>
Certificates of Obligation:						
City						
Improvements	4,575,000	2000	2020	375,843	5.00% - 6.50%	385,000
Improvements	11,310,000	2004	2024	891,217	4.00% - 5.00%	10,325,000
Improvements	4,255,000	2006	2026	320,935	4.25% - 5.37%	4,140,000
						<u>14,850,000</u>
Contractual Obligations:						
City						
Improvements	3,679,920	1996	2011	345,495	3.60% - 5.20%	1,277,077
Refunding	697,116	2005	2013	103,297	2.50% - 3.50%	493,308
						<u>1,770,385</u>
Less: deferred loss on refunding						(86,192)
Less: TRA accrued interest and cash reserves						<u>(480,877)</u>
						<u>1,203,316</u>
Total Business Type Activities Debt						<u>24,446,663</u>
Total Long-Term Debt						<u>\$ 108,667,672</u>

Annual debt service requirements to maturity for general debt:

Due Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2008	\$ 5,484,395	\$ 3,661,875	\$ 1,740,605	\$ 1,178,611	\$ 12,065,486
2009	6,189,416	3,351,829	1,540,584	1,107,318	12,189,147
2010	6,312,743	3,087,813	1,577,257	871,367	11,849,180
2011	6,116,068	2,827,725	1,623,932	807,365	11,375,090
2012	6,379,395	2,576,690	1,695,606	740,797	11,392,488
2013 - 2017	32,940,573	8,784,038	6,364,427	2,834,555	50,923,593
2018 - 2022	18,239,824	2,274,523	6,170,176	1,388,549	28,073,072
2023 - 2024	2,505,000	84,187	2,920,000	195,266	5,704,453
	<u>\$ 84,167,414</u>	<u>\$ 26,648,680</u>	<u>\$ 23,632,587</u>	<u>\$ 9,123,827</u>	<u>\$ 143,572,508</u>

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

Revenue bond debt service requirements to maturity are as follows:

Due Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2008	\$ 115,000	\$ 30,207	\$ 457,139	\$ 86,672	\$ 689,018
2009	125,000	25,155	483,963	62,291	696,409
2010	130,000	19,787	510,787	36,292	696,866
2011	130,000	14,314	140,165	18,770	303,249
2012	135,000	8,736	90,324	11,912	245,972
2013 - 2017	140,000	2,947	88,007	6,177	237,131
	<u>\$ 775,000</u>	<u>\$ 101,146</u>	<u>\$ 1,770,385</u>	<u>\$ 222,114</u>	<u>\$ 2,868,645</u>

Capital Lease Obligation

The City acquired fire apparatus with a cost of \$825,000 subject to a capital lease obligation. The scheduled remaining payments are shown below:

Due Fiscal Year Ending September 30,	Scheduled Annual Payment
2008	\$ 105,048
2009	105,048
2010	105,048
2011	105,048
2012	105,048
2013	169,422
	<u>694,662</u>
Less Interest	<u>(108,680)</u>
	<u>\$ 585,982</u>

Changes In Long-Term Liabilities

During the year ended September 30, 2007, the following changes occurred in general government long-term debt:

Description	September 30, 2006	Additions	Retirements	September 30, 2007	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 21,226,400	\$ -	\$ (1,648,990)	\$ 19,577,410	\$ 1,694,395
Certificates of obligation	69,425,000	-	(4,835,000)	64,590,000	3,765,000
Revenue bonds	890,000	-	(115,000)	775,000	115,000
Deferred loss on refunding	(1,341,518)	-	129,747	(1,211,771)	(129,747)
Bond premiums/discounts	614,283	-	(123,913)	490,370	38,930
Total bonds payable	90,814,165	-	(6,593,156)	84,221,009	5,483,578
Capital lease obligation	668,814	-	(82,832)	585,982	77,783
Compensated absences	906,075	1,039,389	(1,017,556)	927,908	484,400
	<u>\$ 92,389,054</u>	<u>\$ 1,039,389</u>	<u>\$ (7,693,544)</u>	<u>\$ 85,734,899</u>	<u>\$ 6,045,761</u>

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

Description	September 30, 2006	Additions	Retirements	September 30, 2007	Due Within One Year
Business-type activities					
General obligation bonds	\$ 9,768,600	\$ -	\$ (986,013)	\$ 8,782,587	\$ 1,020,606
Certificates of obligation	15,515,000	-	(665,000)	14,850,000	720,000
Deferred loss on refunding	(414,023)	-	40,675	(373,348)	(40,675)
Bond premiums/discounts	(15,551)	-	(341)	(15,892)	341
Total bonds payable	24,854,026	-	(1,610,679)	23,243,347	1,700,272
Contractual Obligations	1,621,410	-	(418,094)	1,203,316	440,585
Compensated absences	73,853	159,282	(141,267)	91,868	35,709
	<u>\$ 26,549,289</u>	<u>\$ 159,282</u>	<u>\$ (2,170,040)</u>	<u>\$ 24,538,531</u>	<u>\$ 2,176,566</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Advance and Current Refunding of Debt

In previous years, the City has issued refunding bonds to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in irrevocable trusts for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements. At year end, the City had \$28,280,000 of defeased debt outstanding.

Conduit Debt Obligations

Certain revenue bonds have been issued in the past to provide financial assistance to nonprofit and public entities for the acquisition and construction of educational and student housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the bonds. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2007, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$32,850,000.

III. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the City's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's general purpose financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

B. Contingent Liabilities and Commitments

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

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2007

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

C. Employee retirement systems and pension plans

The City participates in the Texas Municipal Retirement System

Plan Description - The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 821 currently administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 811 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas, 78714-9153, or by accessing the CAFR online at www.tmr.org.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Deposit Rate:	7%
Matching Ratio (Employer to Employee):	2-1
A Member is Vested After:	5 years
Members can retire at certain ages, based on the years of service with the Employer.	
The Service Retirement Eligibility for the Employer is:	5 years/age 60 20 years/any age

Contributions - Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2006 valuation is effective for rates beginning January 2008.

CITY OF KELLER, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2007

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2006	12/31/2005	12/31/2004
Actuarial Value of Assets (A)	\$ 21,488,831	\$ 18,778,912	\$ 16,105,331
Actuarial Accrued Liability (B)	\$ 28,054,723	\$ 23,965,739	\$ 20,883,936
Percentage Funded (C) = (A)/(B)	76.6%	78.4%	77.1%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) (D)=(B)-(A)	\$ 6,565,892	\$ 5,186,827	\$ 4,778,605
Annual Covered Payroll (E)	\$ 13,401,562	\$ 12,094,482	\$ 11,556,285
UAAL as a Percentage of Covered Payroll (D)/(E)	49.0%	42.9%	41.4%
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC) (F)	\$ 1,751,919	\$ 1,553,639	\$ 1,495,114
Contributions Made (F)	\$ 1,751,919	\$ 1,553,639	\$ 1,495,114
NPO at the End of the Period	\$ -	\$ -	\$ -

Actuarial Assumptions

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
	(to Accurately reflect the requirements of GASB statement No. 25 paragraphs 36e and 138)
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

D. Subsequent Event

On November 6, 2007, Keller voters authorized the sale of \$4,000,000 in general obligation bonds for the renovation and expansion of the Keller Public Library located at 640 Johnson Road.

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES

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CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Ad valorem tax, penalty & interest</i>	\$ 9,686,280	\$ 9,794,200	\$ 9,807,896	\$ 13,696
<i>Sales tax</i>	3,923,000	3,904,500	4,148,974	244,474
<i>Mixed beverage tax</i>	59,180	60,660	53,482	(7,178)
<i>Franchise tax</i>	3,303,490	3,372,090	3,182,681	(189,409)
<i>Total taxes</i>	<u>16,971,950</u>	<u>17,131,450</u>	<u>17,193,033</u>	<u>61,583</u>
<i>Permits, licenses and fees</i>	2,431,200	2,022,325	1,914,637	(107,688)
<i>Intergovernmental</i>	962,500	1,437,520	1,452,871	15,351
<i>Charges for services</i>	581,000	702,700	738,684	35,984
<i>Fines</i>	930,500	1,086,000	1,076,532	(9,468)
<i>Donations</i>	--	11,350	11,353	3
<i>Interest income</i>	250,000	460,000	557,136	97,136
<i>Miscellaneous</i>	130,500	200,730	219,382	18,652
<i>Total revenues</i>	<u>22,257,650</u>	<u>23,052,075</u>	<u>23,163,628</u>	<u>111,553</u>
Expenditures:				
<i>Current:</i>				
<i>General Government</i>				
<i>Administration</i>				
<i>Personnel services</i>	671,270	776,510	741,492	35,018
<i>Operations and maintenance</i>	19,360	17,960	9,612	8,348
<i>Services and other</i>	345,600	339,450	419,018	(79,568)
<i>Total Administration</i>	<u>1,036,230</u>	<u>1,133,920</u>	<u>1,170,122</u>	<u>(36,202)</u>
<i>Old Town Keller</i>				
<i>Operations and maintenance</i>	12,750	10,750	3,800	6,950
<i>Services and other</i>	75,550	8,515	8,186	329
<i>Total Old Town Keller</i>	<u>88,300</u>	<u>19,265</u>	<u>11,986</u>	<u>7,279</u>
<i>Town Hall Operations and Maintenance</i>				
<i>Personnel services</i>	58,900	57,060	58,725	(1,665)
<i>Operations and maintenance</i>	41,170	43,670	36,643	7,027
<i>Services and other</i>	419,405	430,330	390,623	39,707
<i>Total Town Hall Operations and Maintenance</i>	<u>519,475</u>	<u>531,060</u>	<u>485,991</u>	<u>45,069</u>
<i>Mayor/Council</i>				
<i>Operations and maintenance</i>	5,300	4,000	3,806	194
<i>Services and other</i>	17,715	31,100	24,244	6,856
<i>Total Mayor/Council</i>	<u>23,015</u>	<u>35,100</u>	<u>28,050</u>	<u>7,050</u>
<i>Finance and Accounting</i>				
<i>Administration</i>				
<i>Personnel services</i>	598,750	593,910	590,411	3,499
<i>Operations and maintenance</i>	6,300	5,495	4,362	1,133
<i>Services and other</i>	109,675	110,975	75,780	35,195
<i>Total Administration</i>	<u>714,725</u>	<u>710,380</u>	<u>670,553</u>	<u>39,827</u>
<i>Tax</i>				
<i>Operations and maintenance</i>	240	240	239	1
<i>Services and other</i>	98,380	98,380	82,841	15,539
<i>Total Tax</i>	<u>98,620</u>	<u>98,620</u>	<u>83,080</u>	<u>15,540</u>
<i>Total Finance and Accounting</i>	<u>813,345</u>	<u>809,000</u>	<u>753,633</u>	<u>55,367</u>

CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Municipal Court</i>				
<i>Personnel services</i>	\$ 282,820	\$ 292,310	\$ 282,869	\$ 9,441
<i>Operations and maintenance</i>	16,870	20,695	15,829	4,866
<i>Services and other</i>	111,745	104,485	104,387	98
<i>Total Municipal Court</i>	<u>411,435</u>	<u>417,490</u>	<u>403,085</u>	<u>14,405</u>
<i>Human Resources</i>				
<i>Administration</i>				
<i>Personnel services</i>	475,330	445,720	446,277	(557)
<i>Operations and maintenance</i>	6,815	3,975	3,759	216
<i>Services and other</i>	8,965	8,750	6,643	2,107
<i>Total Administration</i>	<u>491,110</u>	<u>458,445</u>	<u>456,679</u>	<u>1,766</u>
<i>City-wide Employee Activities</i>				
<i>Personnel services</i>	13,000	20,110	17,007	3,103
<i>Operations and maintenance</i>	3,000	6,700	6,026	674
<i>Services and other</i>	149,385	158,660	148,458	10,202
<i>Total City-wide Employee Activities</i>	<u>165,385</u>	<u>185,470</u>	<u>171,491</u>	<u>13,979</u>
<i>Total Human Resources</i>	<u>656,495</u>	<u>643,915</u>	<u>628,170</u>	<u>15,745</u>
Total General Government	<u>3,548,295</u>	<u>3,589,750</u>	<u>3,481,037</u>	<u>108,713</u>
<i>Community Development</i>				
<i>Administration</i>				
<i>Personnel services</i>	546,210	530,650	521,635	9,015
<i>Operations and maintenance</i>	5,500	4,100	2,921	1,179
<i>Services and other</i>	68,555	67,270	15,502	51,768
<i>Total Administration</i>	<u>620,265</u>	<u>602,020</u>	<u>540,058</u>	<u>61,962</u>
<i>Building and Construction Services</i>				
<i>Personnel services</i>	469,520	460,080	459,737	343
<i>Operations and maintenance</i>	15,945	14,440	10,360	4,080
<i>Services and other</i>	262,500	260,870	198,710	62,160
<i>Total Building and Construction Services</i>	<u>747,965</u>	<u>735,390</u>	<u>668,807</u>	<u>66,583</u>
<i>Total Community Development</i>	<u>1,368,230</u>	<u>1,337,410</u>	<u>1,208,865</u>	<u>128,545</u>
<i>Public Safety</i>				
<i>Police Department</i>				
<i>Administration</i>				
<i>Personnel services</i>	456,240	470,320	472,135	(1,815)
<i>Operations and maintenance</i>	55,695	55,750	49,691	6,059
<i>Services and other</i>	210,230	185,715	158,644	27,071
<i>Total Administration</i>	<u>722,165</u>	<u>711,785</u>	<u>680,470</u>	<u>31,315</u>
<i>Operations</i>				
<i>Personnel services</i>	4,217,860	4,173,270	4,089,467	83,803
<i>Operations and maintenance</i>	257,875	229,170	223,906	5,264
<i>Services and other</i>	91,845	90,995	63,948	27,047
<i>Total Operations</i>	<u>4,567,580</u>	<u>4,493,435</u>	<u>4,377,321</u>	<u>116,114</u>

CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Public Safety Dispatch</i>				
<i>Personnel services</i>	\$ 668,460	\$ 896,140	\$ 906,503	\$ (10,363)
<i>Operations and maintenance</i>	32,490	40,410	32,443	7,967
<i>Services and other</i>	22,975	79,820	40,797	39,023
<i>Total Public Safety Dispatch</i>	<u>723,925</u>	<u>1,016,370</u>	<u>979,743</u>	<u>36,627</u>
<i>Animal Control</i>				
<i>Personnel services</i>	113,530	114,270	112,661	1,609
<i>Operations and maintenance</i>	11,420	11,300	8,609	2,691
<i>Services and other</i>	8,540	8,400	4,585	3,815
<i>Total Animal Control</i>	<u>133,490</u>	<u>133,970</u>	<u>125,855</u>	<u>8,115</u>
<i>Total Police Department</i>	<u>6,147,160</u>	<u>6,355,560</u>	<u>6,163,389</u>	<u>192,171</u>
<i>Fire Department</i>				
<i>Administration</i>				
<i>Personnel services</i>	755,710	736,380	732,226	4,154
<i>Operations and maintenance</i>	41,755	43,120	40,231	2,889
<i>Services and other</i>	65,605	66,105	51,499	14,606
<i>Total Administration</i>	<u>863,070</u>	<u>845,605</u>	<u>823,956</u>	<u>21,649</u>
<i>Operations</i>				
<i>Personnel services</i>	3,629,680	3,409,300	3,372,759	36,541
<i>Operations and maintenance</i>	363,600	345,875	309,296	36,579
<i>Services and other</i>	136,890	134,175	101,999	32,176
<i>Total Operations</i>	<u>4,130,170</u>	<u>3,889,350</u>	<u>3,784,054</u>	<u>105,296</u>
<i>Emergency Medical Services</i>				
<i>Operations and maintenance</i>	91,580	91,880	103,211	(11,331)
<i>Services and other</i>	81,075	81,305	61,978	19,327
<i>Total Emergency Medical Services</i>	<u>172,655</u>	<u>173,185</u>	<u>165,189</u>	<u>7,996</u>
<i>Emergency Management</i>				
<i>Operations and maintenance</i>	15,600	15,635	4,030	11,605
<i>Services and other</i>	50,315	50,025	37,278	12,747
<i>Total Emergency Management</i>	<u>65,915</u>	<u>65,660</u>	<u>41,308</u>	<u>24,352</u>
<i>Total Fire Department</i>	<u>5,231,810</u>	<u>4,973,800</u>	<u>4,814,507</u>	<u>159,293</u>
<i>Total Public Safety</i>	<u>11,378,970</u>	<u>11,329,360</u>	<u>10,977,896</u>	<u>351,464</u>
<i>Public Works</i>				
<i>Administration</i>				
<i>Personnel services</i>	212,860	208,310	206,406	1,904
<i>Operations and maintenance</i>	4,850	4,300	1,683	2,617
<i>Services and other</i>	4,070	4,270	3,944	326
<i>Total Administration</i>	<u>221,780</u>	<u>216,880</u>	<u>212,033</u>	<u>4,847</u>
<i>Engineering and Inspections</i>				
<i>Personnel services</i>	274,950	283,250	274,987	8,263
<i>Operations and maintenance</i>	7,770	7,340	6,346	994
<i>Services and other</i>	110,870	125,900	105,082	20,818
<i>Total Engineering and Inspections</i>	<u>393,590</u>	<u>416,490</u>	<u>386,415</u>	<u>30,075</u>

CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Street Maintenance</i>				
<i>Personnel services</i>	\$ 669,160	\$ 631,040	\$ 621,422	\$ 9,618
<i>Operations and maintenance</i>	213,400	256,915	206,453	50,462
<i>Services and other</i>	85,335	103,305	75,373	27,932
<i>Total Street Maintenance</i>	<u>967,895</u>	<u>991,260</u>	<u>903,248</u>	<u>88,012</u>
<i>Street Lighting</i>				
<i>Services and other</i>	345,000	360,000	386,679	(26,679)
<i>Total Street Lighting</i>	<u>345,000</u>	<u>360,000</u>	<u>386,679</u>	<u>(26,679)</u>
<i>Total Public Works</i>	<u>1,928,265</u>	<u>1,984,630</u>	<u>1,888,375</u>	<u>96,255</u>
<i>Recreation and Leisure</i>				
<i>Library</i>				
<i>Personnel services</i>	890,930	869,130	862,939	6,191
<i>Operations and maintenance</i>	161,395	160,000	137,960	22,040
<i>Services and other</i>	173,225	175,005	155,878	19,127
<i>Total Library</i>	<u>1,225,550</u>	<u>1,204,135</u>	<u>1,156,777</u>	<u>47,358</u>
<i>Parks and Recreation Administration</i>				
<i>Personnel services</i>	328,720	292,630	313,186	(20,556)
<i>Operations and maintenance</i>	3,695	4,865	3,088	1,777
<i>Services and other</i>	14,605	12,625	12,305	320
<i>Total Parks and Recreation Administration</i>	<u>347,020</u>	<u>310,120</u>	<u>328,579</u>	<u>(18,459)</u>
<i>Park Maintenance</i>				
<i>Personnel services</i>	744,140	688,670	692,217	(3,547)
<i>Operations and maintenance</i>	138,925	151,055	154,161	(3,106)
<i>Services and other</i>	237,840	230,065	210,935	19,130
<i>Total Park Maintenance</i>	<u>1,120,905</u>	<u>1,069,790</u>	<u>1,057,313</u>	<u>12,477</u>
<i>Recreation Programs</i>				
<i>Personnel services</i>	154,060	153,160	149,836	3,324
<i>Operations and maintenance</i>	7,820	10,530	5,652	4,878
<i>Services and other</i>	14,055	13,020	9,564	3,456
<i>Total Recreation Programs</i>	<u>175,935</u>	<u>176,710</u>	<u>165,052</u>	<u>11,658</u>
<i>Senior Citizen Center</i>				
<i>Personnel services</i>	129,120	116,770	116,930	(160)
<i>Operations and maintenance</i>	28,070	27,875	26,653	1,222
<i>Services and other</i>	49,170	49,235	42,556	6,679
<i>Total Senior Citizen Center</i>	<u>206,360</u>	<u>193,880</u>	<u>186,139</u>	<u>7,741</u>
<i>Sports Park Maintenance</i>				
<i>Personnel services</i>	173,910	169,800	172,616	(2,816)
<i>Operations and maintenance</i>	94,680	99,410	114,842	(15,432)
<i>Services and other</i>	134,670	119,440	91,476	27,964
<i>Total Sports Park Maintenance</i>	<u>403,260</u>	<u>388,650</u>	<u>378,934</u>	<u>9,716</u>

CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1
Page 5 of 5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Town Center Maintenance</i>				
<i>Operations and maintenance</i>	\$ 15,000	\$ 55,000	\$ 41,122	\$ 13,878
<i>Services and other</i>	147,065	156,575	136,214	20,361
<i>Total Town Center Maintenance</i>	<u>162,065</u>	<u>211,575</u>	<u>177,336</u>	<u>34,239</u>
Total Parks and Recreation	<u>2,415,545</u>	<u>2,350,725</u>	<u>2,293,353</u>	<u>57,372</u>
Total Recreation and Leisure	<u>3,641,095</u>	<u>3,554,860</u>	<u>3,450,130</u>	<u>104,730</u>
<i>Non-departmental</i>	<u>434,840</u>	<u>407,600</u>	<u>378,409</u>	<u>29,191</u>
Capital outlay	<u>936,200</u>	<u>1,087,770</u>	<u>851,337</u>	<u>236,433</u>
Total expenditures	<u>23,235,895</u>	<u>23,291,380</u>	<u>22,236,049</u>	<u>1,055,331</u>
Excess (deficiency) of revenues over (under) expenditures	(978,245)	(239,305)	927,579	1,166,884
Other financing sources (uses):				
<i>Transfers in</i>	1,150,000	1,188,500	1,203,053	14,553
<i>Transfers out</i>	(1,807,205)	(2,110,308)	(2,110,308)	--
Total other financing sources (uses)	<u>(657,205)</u>	<u>(921,808)</u>	<u>(907,255)</u>	<u>14,553</u>
Net change in fund balances	(1,635,450)	(1,161,113)	20,324	1,181,437
Fund balances, October 1	<u>5,516,319</u>	<u>7,076,865</u>	<u>7,076,866</u>	<u>1</u>
Fund balances, September 30	<u>\$ 3,880,869</u>	<u>\$ 5,915,752</u>	<u>\$ 7,097,190</u>	<u>\$ 1,181,438</u>

CITY OF KELLER, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2007

(Unaudited)

Budgets are adopted in accordance with GAAP for the General Fund, Special Revenue Funds (excepting the Public Safety fund), the Debt Service funds, and certain Capital Project funds (Park Development, Street/Sidewalk Improvements, and Equipment Replacement funds). The remaining capital projects funds are budgeted on individual project length which may occur over multiple years. Budget schedules for nonmajor special revenue funds, debt service funds, and annually budgeted capital projects funds are included in the "Other Supplementary Information" subsection of the City's CAFR.

Expenditures in excess of appropriations – The following governmental funds had expenditures in excess of appropriations:

Special Revenue Funds:	
Library	\$ 20,501
Capital Projects Funds	
Street/Sidewalks Improvements	4,146
Equipment Replacement	114,441

Fund Deficits – The Library special revenue fund had a deficit of \$1,746. The Recreation/Aquatic Center special revenue fund had a deficit of \$208,936 which will be removed by future net revenues.

COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

- Keller Development Corporation Fund - to account for the collection of sales and use taxes for the payment of bonds or other forms of indebtedness to finance the cost of Keller parks.
- Library Fund - to account for public donations and revenues designated for Library improvements.
- Recreation Fund - to account for resources derived from donations or user charges which are specifically designated for recreation programs or special events.
- Municipal Court Fund – to account for technology and building security fees collected from Municipal Court Citations. Expenditures from these fees are specifically designated by State law.
- Public Safety Fund - to account 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.
- Joint Teen Court Fund - to account for resources derived from grants and other governmental revenues which are specifically designated for the operation of a regional teen court program.
- Public Arts Fund – to account for resources specifically designated for the acquisition and promotion of public art.
- Crime Control Prevention District – 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.
- Information Services Fund – to account for resources transferred from the General Fund and Water and Sewer Fund and communication tower lease income used to operate a City-wide information systems and information technology program.
- Recreation/Aquatic Center – to account for resources derived from user fees and other revenues to be used to fund the operation of a recreation and aquatic facility.

DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources for, and payment of, general obligation principal and interest, except for those certificates of obligation serviced by the Enterprise Fund.

An ad valorem tax is levied and allocated annually to the debt service fund in an amount sufficient to service the debt payment.

- General Obligation Debt Service Fund – to account for accumulation of property tax revenue to pay principal and interest due on general obligation debt.
- Tax Increment Financing Zone I&S Fund – to account for accumulation of incremental property taxes from within the zone for payment of TIF debt.

CAPITAL PROJECTS FUNDS

The Capital Projects Fund accounts for all resources used for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

- Town Center TIF District Fund – to account for construction financed with proceeds from tax increment debt.
- Roadway Impact Fees Fund - to account for revenues that are restricted for roadway improvements. Authorized expenditures include improvements and engineering.
- Park Development Fund - to account for resources received primarily from park development fees and expenditures to specific park improvements.

- Street/Sidewalk Improvement Fund - to account for revenues that are restricted for street and sidewalk improvements. Authorized expenditures include improvements and engineering.
- Equipment Replacement Fund - to account for capital equipment acquisitions that are financed by either intragovernmental transfers, short-term debt (debt maturing in five years or less), or a combination of both.
- Parks Capital Project Fund – to account for acquisition or construction of capital assets.
- Capital Projects Fund – to account for acquisition or construction of capital assets.

CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	Special Revenue Funds	Debt Service Fund <u>Town Center TIF #1</u>	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS				
<i>Cash</i>	\$ 1,850	\$ --	\$ 35,796	\$ 37,646
<i>Investments</i>	2,750,733	241,939	10,801,369	13,794,041
Receivables (net of allowances for uncollectibles):				
<i>Accounts</i>	2,269	--	--	2,269
<i>Interest</i>	23,010	2,415	138,341	163,766
<i>Other</i>	933	136,728	293,337	430,998
<i>Special assessments</i>	--	--	19,865	19,865
<i>Intergovernmental</i>	660,700	--	95,199	755,899
<i>Due from other funds</i>	29,903	3,000	16,598	49,501
<i>Advance to other funds</i>	14,432	--	--	14,432
<i>Prepaid items</i>	21,231	--	--	21,231
	<u>3,505,061</u>	<u>384,082</u>	<u>11,400,505</u>	<u>15,289,648</u>
Total Assets	\$ 3,505,061	\$ 384,082	\$ 11,400,505	\$ 15,289,648
LIABILITIES AND FUND BALANCES				
Liabilities:				
<i>Accounts payable</i>	\$ 418,090	\$ --	\$ 675,620	\$ 1,093,710
<i>Accrued liabilities and other payables</i>	57,061	--	51,860	108,921
<i>Due to other funds</i>	91,657	--	28,758	120,415
<i>Advance from other funds</i>	14,432	--	--	14,432
<i>Customer deposits</i>	1,434	--	--	1,434
<i>Deferred revenue</i>	718,606	136,728	312,863	1,168,197
Total Liabilities	<u>1,301,280</u>	<u>136,728</u>	<u>1,069,101</u>	<u>2,507,109</u>
Fund Balances:				
Reserved Fund Balances				
<i>Reserved for encumbrances</i>	97,025	--	2,021,680	2,118,705
<i>Reserved for special uses</i>	53,820	--	3,981,250	4,035,070
<i>Reserved for interfund advances</i>	14,432	--	--	14,432
<i>Reserved for prepaid items</i>	21,231	--	--	21,231
<i>Reserved for debt service</i>	89,000	--	--	89,000
Unreserved, reported in:				
<i>Special Revenue Funds</i>	1,928,273	--	--	1,928,273
<i>Debt Service Funds</i>	--	247,354	--	247,354
<i>Capital Projects Funds</i>	--	--	4,328,474	4,328,474
Total Fund Balances	<u>2,203,781</u>	<u>247,354</u>	<u>10,331,404</u>	<u>12,782,539</u>
	<u>3,505,061</u>	<u>384,082</u>	<u>11,400,505</u>	<u>15,289,648</u>
Total Liabilities and Fund Balances	\$ 3,505,061	\$ 384,082	\$ 11,400,505	\$ 15,289,648

CITY OF KELLER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue Funds	Debt Service Fund Town Center TIF #1	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
<i>Taxes</i>	\$ 3,627,529	\$ 1,959,633	\$ 538,018	\$ 6,125,180
<i>Permits, licenses and fees</i>	--	--	67,000	67,000
<i>Intergovernmental</i>	2,765	--	128,756	131,521
<i>Charges for services</i>	2,904,111	--	--	2,904,111
<i>Fines</i>	101,119	--	--	101,119
<i>Special assessments and impact fees</i>	--	--	865,963	865,963
<i>Donations</i>	116,749	--	369,000	485,749
<i>Interest income</i>	131,641	24,699	471,928	628,268
<i>Miscellaneous</i>	230,584	--	452,087	682,671
Total revenues	<u>7,114,498</u>	<u>1,984,332</u>	<u>2,892,752</u>	<u>11,991,582</u>
Expenditures:				
Current:				
<i>General government</i>	1,230,728	--	7,172	1,237,900
<i>Public safety</i>	133,486	--	--	133,486
<i>Public works</i>	--	--	55,775	55,775
<i>Recreation and leisure</i>	2,984,249	--	78,013	3,062,262
<i>Capital outlay</i>	523,602	--	1,491,548	2,015,150
Debt service:				
<i>Principal</i>	2,475,000	1,220,000	--	3,695,000
<i>Interest and fiscal charges</i>	693,016	1,404,283	--	2,097,299
Total expenditures	<u>8,040,081</u>	<u>2,624,283</u>	<u>1,632,508</u>	<u>12,296,872</u>
Excess (deficiency) of revenues over (under) expenditures	(925,583)	(639,951)	1,260,244	(305,290)
Other financing sources (uses):				
<i>Transfers in</i>	1,228,555	331,408	1,361,110	2,921,073
<i>Transfers out</i>	(220,420)	--	(549,962)	(770,382)
Total other financing sources (uses)	<u>1,008,135</u>	<u>331,408</u>	<u>811,148</u>	<u>2,150,691</u>
Net change in fund balances	82,552	(308,543)	2,071,392	1,845,401
Fund balances, October 1	<u>2,121,229</u>	<u>555,897</u>	<u>8,260,012</u>	<u>10,937,138</u>
Fund balances, September 30	<u>\$ 2,203,781</u>	<u>\$ 247,354</u>	<u>\$ 10,331,404</u>	<u>\$ 12,782,539</u>

CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2007

	Keller Development Corporation	Library	Recreation
ASSETS			
<i>Cash</i>	\$ --	\$ --	\$ --
<i>Investments</i>	219,720	858	156,135
Receivables (net of allowances for uncollectibles):			
<i>Accounts</i>	--	--	--
<i>Interest</i>	515	230	1,622
<i>Other</i>	933	--	--
<i>Intergovernmental</i>	380,797	--	--
<i>Due from other funds</i>	1,243	2,941	2,980
<i>Advance to other funds</i>	14,432	--	--
<i>Prepaid items</i>	12	--	--
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 617,652</u>	<u>\$ 4,029</u>	<u>\$ 160,737</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 15,307	\$ 5,775	\$ 21,993
<i>Accrued liabilities and other payables</i>	4,406	--	76
<i>Due to other funds</i>	--	--	--
<i>Advance from other funds</i>	--	--	--
<i>Customer deposits</i>	--	--	1,434
<i>Deferred revenue</i>	--	--	--
Total Liabilities	<u>19,713</u>	<u>5,775</u>	<u>23,503</u>
Fund Balances:			
Reserved Fund Balances			
<i>Reserved for encumbrances</i>	--	--	24,495
<i>Reserved for special uses</i>	--	--	53,820
<i>Reserved for interfund advances</i>	14,432	--	--
<i>Reserved for prepaid items</i>	12	--	--
<i>Reserved for debt service</i>	89,000	--	--
<i>Unreserved Fund Balances</i>	494,495	(1,746)	58,919
Total Fund Balances (Deficit)	<u>597,939</u>	<u>(1,746)</u>	<u>137,234</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 617,652</u>	<u>\$ 4,029</u>	<u>\$ 160,737</u>

Municipal Court	Public Safety	Joint Teen Court	Public Arts	Crime Control Prevention District
\$ -- 230,022	\$ -- 63,900	\$ 50 36,580	\$ -- 181,072	\$ -- 744,361
-- 2,550	-- 846	-- 831	-- 2,138	-- --
-- 1,682	-- 6,656	-- 3,184	-- 3,648	-- 279,903
-- --	-- --	-- 6	-- --	-- --
<u>\$ 234,254</u>	<u>\$ 71,402</u>	<u>\$ 40,651</u>	<u>\$ 186,858</u>	<u>\$ 1,024,264</u>
\$ -- 1,219	\$ 1,667 290	\$ 145 1,848	\$ 3,185 --	\$ 221,101 --
-- --	-- --	-- --	-- --	91,657 --
-- --	-- --	-- --	-- --	-- --
<u>1,219</u>	<u>1,957</u>	<u>1,993</u>	<u>3,185</u>	<u>312,758</u>
-- --	-- --	-- --	-- --	55,922 --
-- --	-- --	6 --	-- --	-- --
233,035	69,445	38,652	183,673	655,584
<u>233,035</u>	<u>69,445</u>	<u>38,658</u>	<u>183,673</u>	<u>711,506</u>
<u>\$ 234,254</u>	<u>\$ 71,402</u>	<u>\$ 40,651</u>	<u>\$ 186,858</u>	<u>\$ 1,024,264</u>

CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2007

	Information Services	Recreation/ Aquatic Center	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS			
<i>Cash</i>	\$ --	\$ 1,800	\$ 1,850
<i>Investments</i>	484,628	633,457	2,750,733
Receivables (net of allowances for uncollectibles):			
<i>Accounts</i>	--	2,269	2,269
<i>Interest</i>	6,476	7,802	23,010
<i>Other</i>	--	--	933
<i>Intergovernmental</i>	--	--	660,700
<i>Due from other funds</i>	3,054	4,515	29,903
<i>Advance to other funds</i>	--	--	14,432
<i>Prepaid items</i>	43	21,170	21,231
	<u>494,201</u>	<u>671,013</u>	<u>3,505,061</u>
Total Assets	\$ <u>494,201</u>	\$ <u>671,013</u>	\$ <u>3,505,061</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 35,978	\$ 112,939	\$ 418,090
<i>Accrued liabilities and other payables</i>	15,250	33,972	57,061
<i>Due to other funds</i>	--	--	91,657
<i>Advance from other funds</i>	--	14,432	14,432
<i>Customer deposits</i>	--	--	1,434
<i>Deferred revenue</i>	--	718,606	718,606
Total Liabilities	<u>51,228</u>	<u>879,949</u>	<u>1,301,280</u>
Fund Balances:			
Reserved Fund Balances			
<i>Reserved for encumbrances</i>	16,608	--	97,025
<i>Reserved for special uses</i>	--	--	53,820
<i>Reserved for interfund advances</i>	--	--	14,432
<i>Reserved for prepaid items</i>	43	21,170	21,231
<i>Reserved for debt service</i>	--	--	89,000
<i>Unreserved Fund Balances</i>	426,322	(230,106)	1,928,273
Total Fund Balances (Deficit)	<u>442,973</u>	<u>(208,936)</u>	<u>2,203,781</u>
	<u>494,201</u>	<u>671,013</u>	<u>3,505,061</u>
Total Liabilities and Fund Balances	\$ <u>494,201</u>	\$ <u>671,013</u>	\$ <u>3,505,061</u>

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CITY OF KELLER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Keller Development Corporation	Library	Recreation
Revenues:			
<i>Taxes</i>	\$ 2,073,910	\$ --	\$ --
<i>Intergovernmental</i>	--	--	--
<i>Charges for services</i>	--	3,176	76,708
<i>Fines</i>	--	--	--
<i>Donations</i>	--	17,097	14,304
<i>Interest income</i>	9,015	2,286	6,096
<i>Miscellaneous</i>	6,733	--	39,490
Total revenues	<u>2,089,658</u>	<u>22,559</u>	<u>136,598</u>
Expenditures:			
Current:			
<i>General government</i>	--	--	--
<i>Public safety</i>	--	--	--
<i>Recreation and leisure</i>	131,209	69,396	111,535
<i>Capital outlay</i>	66,033	--	--
Debt service:			
<i>Principal</i>	980,000	--	--
<i>Interest and fiscal charges</i>	670,591	--	--
Total expenditures	<u>1,847,833</u>	<u>69,396</u>	<u>111,535</u>
Excess (deficiency) of revenues over (under) expenditures	241,825	(46,837)	25,063
Other financing sources (uses):			
<i>Transfers in</i>	--	--	--
<i>Transfers out</i>	(202,260)	--	--
Total other financing sources (uses)	<u>(202,260)</u>	<u>--</u>	<u>--</u>
Net change in fund balances	39,565	(46,837)	25,063
Fund balances (deficit), October 1	<u>558,374</u>	<u>45,091</u>	<u>112,171</u>
Fund balances (deficit), September 30	<u>\$ 597,939</u>	<u>\$ (1,746)</u>	<u>\$ 137,234</u>

Municipal Court	Public Safety	Joint Teen Court	Public Arts	Crime Control Prevention District
\$ --	\$ --	\$ --	\$ --	\$ 1,553,619
--	953	1,812	--	--
--	--	--	--	--
95,204	--	5,915	--	--
--	42,662	--	36,619	--
13,236	2,901	4,763	8,964	30,136
--	11,826	12	87,997	--
<u>108,440</u>	<u>58,342</u>	<u>12,502</u>	<u>133,580</u>	<u>1,583,755</u>
50,838	--	71,074	52,690	--
--	14,884	--	--	118,602
--	--	--	--	--
--	8,075	--	6,422	290,111
--	--	--	--	1,495,000
--	--	--	--	22,425
<u>50,838</u>	<u>22,959</u>	<u>71,074</u>	<u>59,112</u>	<u>1,926,138</u>
57,602	35,383	(58,572)	74,468	(342,383)
--	--	--	--	--
--	--	(160)	--	--
--	--	(160)	--	--
57,602	35,383	(58,732)	74,468	(342,383)
175,433	34,062	97,390	109,205	1,053,889
<u>\$ 233,035</u>	<u>\$ 69,445</u>	<u>\$ 38,658</u>	<u>\$ 183,673</u>	<u>\$ 711,506</u>

CITY OF KELLER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Information Services	Recreation/ Aquatic Center	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
<i>Taxes</i>	\$ --	\$ --	\$ 3,627,529
<i>Intergovernmental</i>	--	--	2,765
<i>Charges for services</i>	--	2,824,227	2,904,111
<i>Fines</i>	--	--	101,119
<i>Donations</i>	--	6,067	116,749
<i>Interest income</i>	27,043	27,201	131,641
<i>Miscellaneous</i>	75,670	8,856	230,584
Total revenues	<u>102,713</u>	<u>2,866,351</u>	<u>7,114,498</u>
Expenditures:			
Current:			
<i>General government</i>	1,056,126	--	1,230,728
<i>Public safety</i>	--	--	133,486
<i>Recreation and leisure</i>	--	2,672,109	2,984,249
<i>Capital outlay</i>	152,961	--	523,602
Debt service:			
<i>Principal</i>	--	--	2,475,000
<i>Interest and fiscal charges</i>	--	--	693,016
Total expenditures	<u>1,209,087</u>	<u>2,672,109</u>	<u>8,040,081</u>
Excess (deficiency) of revenues over (under) expenditures	(1,106,374)	194,242	(925,583)
Other financing sources (uses):			
<i>Transfers in</i>	1,228,555	--	1,228,555
<i>Transfers out</i>	--	(18,000)	(220,420)
Total other financing sources (uses)	<u>1,228,555</u>	<u>(18,000)</u>	<u>1,008,135</u>
Net change in fund balances	122,181	176,242	82,552
Fund balances (deficit), October 1	<u>320,792</u>	<u>(385,178)</u>	<u>2,121,229</u>
Fund balances (deficit), September 30	<u>\$ 442,973</u>	<u>\$ (208,936)</u>	<u>\$ 2,203,781</u>

CITY OF KELLER, TEXAS
 KELLER DEVELOPMENT CORPORATION
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Sales tax</i>	\$ 2,017,150	\$ 1,952,300	\$ 2,073,910	\$ 121,610
<i>Interest income</i>	8,500	8,500	9,015	515
<i>Miscellaneous</i>	12,000	10,665	6,733	(3,932)
Total revenues	<u>2,037,650</u>	<u>1,971,465</u>	<u>2,089,658</u>	<u>118,193</u>
Expenditures:				
Current:				
<i>Recreation and Leisure</i>				
<i>Parks and Recreation</i>				
<i>Parks and Recreation Administration</i>				
<i>Personnel services</i>	125,200	120,830	117,854	2,976
<i>Operations and maintenance</i>	15,950	14,850	12,918	1,932
<i>Services and other</i>	42,510	39,700	437	39,263
Total Parks and Recreation Administration	<u>183,660</u>	<u>175,380</u>	<u>131,209</u>	<u>44,171</u>
Total Parks and Recreation	<u>183,660</u>	<u>175,380</u>	<u>131,209</u>	<u>44,171</u>
Total Recreation and Leisure	<u>183,660</u>	<u>175,380</u>	<u>131,209</u>	<u>44,171</u>
Capital outlay	<u>135,000</u>	<u>111,000</u>	<u>66,033</u>	<u>44,967</u>
Debt service:				
<i>Principal</i>	980,000	980,000	980,000	--
<i>Interest and fiscal charges</i>	671,560	671,455	670,591	864
Total Debt Service	<u>1,651,560</u>	<u>1,651,455</u>	<u>1,650,591</u>	<u>864</u>
Total expenditures	<u>1,970,220</u>	<u>1,937,835</u>	<u>1,847,833</u>	<u>90,002</u>
Excess (deficiency) of revenues over (under) expenditures	67,430	33,630	241,825	208,195
Other financing sources (uses):				
<i>Transfers out</i>	(163,760)	(163,760)	(202,260)	38,500
Total other financing sources (uses)	<u>(163,760)</u>	<u>(163,760)</u>	<u>(202,260)</u>	<u>38,500</u>
Net change in fund balances	(96,330)	(130,130)	39,565	169,695
Fund balances, October 1	<u>725,684</u>	<u>558,373</u>	<u>558,374</u>	<u>1</u>
Fund balances, September 30	<u>\$ 629,354</u>	<u>\$ 428,243</u>	<u>\$ 597,939</u>	<u>\$ 169,696</u>

CITY OF KELLER, TEXAS

EXHIBIT C-6

LIBRARY FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Charges for services</i>	\$ 5,000	\$ 3,000	\$ 3,176	\$ 176
<i>Donations</i>	19,000	20,100	17,097	(3,003)
<i>Interest income</i>	1,000	2,400	2,286	(114)
Total revenues	<u>25,000</u>	<u>25,500</u>	<u>22,559</u>	<u>(2,941)</u>
Expenditures:				
Current:				
<i>Recreation and Leisure</i>				
<i>Library</i>				
<i>Operations and maintenance</i>	10,030	11,750	5,531	6,219
<i>Services and other</i>	36,700	36,700	60,126	(23,426)
Total Library	<u>46,730</u>	<u>48,450</u>	<u>65,657</u>	<u>(17,207)</u>
<i>Library Grants</i>				
<i>Operations and maintenance</i>	--	445	3,739	(3,294)
Total Library Grants	<u>--</u>	<u>445</u>	<u>3,739</u>	<u>(3,294)</u>
Total Recreation and Leisure	<u>46,730</u>	<u>48,895</u>	<u>69,396</u>	<u>(20,501)</u>
Total expenditures	<u>46,730</u>	<u>48,895</u>	<u>69,396</u>	<u>(20,501)</u>
Net change in fund balances	(21,730)	(23,395)	(46,837)	(23,442)
Fund balances, October 1	<u>44,119</u>	<u>45,091</u>	<u>45,091</u>	<u>--</u>
Fund balances (deficit), September 30	<u>\$ 22,389</u>	<u>\$ 21,696</u>	<u>\$ (1,746)</u>	<u>\$ (23,442)</u>

CITY OF KELLER, TEXAS

EXHIBIT C-7

RECREATION FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Charges for services</i>	\$ 56,540	\$ 74,595	\$ 76,708	\$ 2,113
<i>Donations</i>	20,350	19,300	14,304	(4,996)
<i>Interest income</i>	2,000	4,900	6,096	1,196
<i>Miscellaneous</i>	30,300	30,300	39,490	9,190
Total revenues	<u>109,190</u>	<u>129,095</u>	<u>136,598</u>	<u>7,503</u>
Expenditures:				
Current:				
<i>Recreation and Leisure</i>				
<i>Recreation League/Programs</i>				
<i>Operations and maintenance</i>	73,594	68,350	48,321	20,029
<i>Services and other</i>	52,615	61,510	63,214	(1,704)
Total Recreation League/Programs	<u>126,209</u>	<u>129,860</u>	<u>111,535</u>	<u>18,325</u>
Total Recreation and Leisure	<u>126,209</u>	<u>129,860</u>	<u>111,535</u>	<u>18,325</u>
Total expenditures	<u>126,209</u>	<u>129,860</u>	<u>111,535</u>	<u>18,325</u>
Net change in fund balances	(17,019)	(765)	25,063	25,828
Fund balances, October 1	<u>74,777</u>	<u>112,171</u>	<u>112,171</u>	<u>--</u>
Fund balances, September 30	<u>\$ 57,758</u>	<u>\$ 111,406</u>	<u>\$ 137,234</u>	<u>\$ 25,828</u>

CITY OF KELLER, TEXAS
MUNICIPAL COURT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Fines</i>	\$ 85,290	\$ 101,390	\$ 95,204	\$ (6,186)
<i>Interest income</i>	7,000	10,000	13,236	3,236
Total revenues	<u>92,290</u>	<u>111,390</u>	<u>108,440</u>	<u>(2,950)</u>
Expenditures:				
Current:				
<i>General Government</i>				
<i>Municipal Court - Building Security</i>				
<i>Operations and maintenance</i>	3,500	3,350	--	3,350
<i>Services and other</i>	650	800	1,078	(278)
Total Municipal Court - Building Security	<u>4,150</u>	<u>4,150</u>	<u>1,078</u>	<u>3,072</u>
<i>Municipal Court - Technology</i>				
<i>Operations and maintenance</i>	16,550	11,075	10,100	975
<i>Services and other</i>	2,900	1,200	--	1,200
Total Municipal Court - Technology	<u>19,450</u>	<u>12,275</u>	<u>10,100</u>	<u>2,175</u>
Total General Government	<u>89,050</u>	<u>68,255</u>	<u>50,838</u>	<u>17,417</u>
Capital outlay	<u>38,600</u>	<u>38,600</u>	<u>--</u>	<u>38,600</u>
Total expenditures	<u>127,650</u>	<u>106,855</u>	<u>50,838</u>	<u>56,017</u>
Net change in fund balances	(35,360)	4,535	57,602	53,067
Fund balances, October 1	<u>180,893</u>	<u>175,433</u>	<u>175,433</u>	<u>--</u>
Fund balances, September 30	<u>\$ 145,533</u>	<u>\$ 179,968</u>	<u>\$ 233,035</u>	<u>\$ 53,067</u>

CITY OF KELLER, TEXAS

EXHIBIT C-9

JOINT TEEN COURT FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Intergovernmental</i>	\$ 51,610	\$ 1,815	\$ 1,812	\$ (3)
<i>Fines</i>	5,000	5,000	5,915	915
<i>Interest income</i>	100	6,000	4,763	(1,237)
<i>Miscellaneous</i>	--	100	12	(88)
Total revenues	<u>56,710</u>	<u>12,915</u>	<u>12,502</u>	<u>(413)</u>
Expenditures:				
Current:				
<i>General Government</i>				
<i>Municipal Court - Teen Court</i>				
<i>Personnel services</i>	69,300	66,000	65,286	714
<i>Operations and maintenance</i>	1,600	1,600	656	944
<i>Services and other</i>	6,800	5,925	5,132	793
Total Municipal Court - Teen Court	<u>77,700</u>	<u>73,525</u>	<u>71,074</u>	<u>2,451</u>
Total General Government	<u>77,700</u>	<u>73,525</u>	<u>71,074</u>	<u>2,451</u>
Total expenditures	<u>77,700</u>	<u>73,525</u>	<u>71,074</u>	<u>2,451</u>
Excess (deficiency) of revenues over (under) expenditures	(20,990)	(60,610)	(58,572)	2,038
Other financing sources (uses):				
<i>Transfers in</i>	27,790	--	--	--
<i>Transfers out</i>	(190)	(160)	(160)	--
Total other financing sources (uses)	<u>27,600</u>	<u>(160)</u>	<u>(160)</u>	<u>--</u>
Net change in fund balances	6,610	(60,770)	(58,732)	2,038
Fund balances, October 1	<u>42,866</u>	<u>97,390</u>	<u>97,390</u>	<u>--</u>
Fund balances, September 30	<u>\$ 49,476</u>	<u>\$ 36,620</u>	<u>\$ 38,658</u>	<u>\$ 2,038</u>

CITY OF KELLER, TEXAS

EXHIBIT C-10

*PUBLIC ARTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Donations</i>	\$ --	\$ 40,000	\$ 36,619	\$ (3,381)
<i>Interest income</i>	2,000	7,000	8,964	1,964
<i>Miscellaneous</i>	94,000	69,000	87,997	18,997
Total revenues	<u>96,000</u>	<u>116,000</u>	<u>133,580</u>	<u>17,580</u>
Expenditures:				
Current:				
<i>General Government</i>				
<i>Administration</i>				
<i>Operations and maintenance</i>	21,000	27,530	21,728	5,802
<i>Services and other</i>	10,000	26,320	30,962	(4,642)
Total Administration	<u>31,000</u>	<u>53,850</u>	<u>52,690</u>	<u>1,160</u>
Total General Government	<u>31,000</u>	<u>53,850</u>	<u>52,690</u>	<u>1,160</u>
Capital outlay	<u>55,000</u>	<u>25,500</u>	<u>6,422</u>	<u>19,078</u>
Total expenditures	<u>86,000</u>	<u>79,350</u>	<u>59,112</u>	<u>20,238</u>
Net change in fund balances	10,000	36,650	74,468	37,818
Fund balances, October 1	<u>142,938</u>	<u>109,205</u>	<u>109,205</u>	<u>--</u>
Fund balances, September 30	<u>\$ 152,938</u>	<u>\$ 145,855</u>	<u>\$ 183,673</u>	<u>\$ 37,818</u>

CITY OF KELLER, TEXAS
 CRIME CONTROL PREVENTION DISTRICT FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-11

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 1,492,600	\$ 1,435,300	\$ 1,553,619	\$ 118,319
Interest income	5,000	19,000	30,136	11,136
Total revenues	<u>1,497,600</u>	<u>1,454,300</u>	<u>1,583,755</u>	<u>129,455</u>
Expenditures:				
Current:				
Public Safety				
Police Department				
Administration				
Services and other	5,000	5,100	9,405	(4,305)
Total Administration	<u>5,000</u>	<u>5,100</u>	<u>9,405</u>	<u>(4,305)</u>
Technology				
Operations and maintenance	84,080	83,408	47,845	35,563
Services and other	14,150	14,150	4,141	10,009
Total Technology	<u>98,230</u>	<u>97,558</u>	<u>51,986</u>	<u>45,572</u>
Operations				
Operations and maintenance	34,300	34,300	45,211	(10,911)
Services and other	12,000	12,000	12,000	--
Total Operations	<u>46,300</u>	<u>46,300</u>	<u>57,211</u>	<u>(10,911)</u>
Total Police Department	<u>149,530</u>	<u>148,958</u>	<u>118,602</u>	<u>30,356</u>
Total Public Safety	<u>149,530</u>	<u>148,958</u>	<u>118,602</u>	<u>30,356</u>
Capital outlay	<u>305,790</u>	<u>285,790</u>	<u>290,111</u>	<u>(4,321)</u>
Debt service:				
Principal	1,450,000	1,495,000	1,495,000	--
Interest and fiscal charges	66,075	22,425	22,425	--
Total Debt Service	<u>1,516,075</u>	<u>1,517,425</u>	<u>1,517,425</u>	<u>--</u>
Total expenditures	<u>1,971,395</u>	<u>1,952,173</u>	<u>1,926,138</u>	<u>26,035</u>
Net change in fund balances	(473,795)	(497,873)	(342,383)	155,490
Fund balances, October 1	<u>1,011,255</u>	<u>1,053,889</u>	<u>1,053,889</u>	<u>--</u>
Fund balances, September 30	<u>\$ 537,460</u>	<u>\$ 556,016</u>	<u>\$ 711,506</u>	<u>\$ 155,490</u>

CITY OF KELLER, TEXAS
 INFORMATION SERVICES FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-12

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Intergovernmental</i>	\$ 13,500	\$ 13,500	\$ --	\$ (13,500)
<i>Interest income</i>	11,500	23,500	27,043	3,543
<i>Miscellaneous</i>	52,500	52,500	75,670	23,170
Total revenues	<u>77,500</u>	<u>89,500</u>	<u>102,713</u>	<u>13,213</u>
Expenditures:				
Current:				
<i>General Government</i>				
<i>Information Services</i>				
<i>Administration</i>				
<i>Personnel services</i>	449,550	438,500	427,586	10,914
<i>Operations and maintenance</i>	320,010	343,250	336,731	6,519
<i>Services and other</i>	196,790	200,210	176,098	24,112
Total Information Services	<u>966,350</u>	<u>981,960</u>	<u>940,415</u>	<u>41,545</u>
<i>Geographic Information Services</i>				
<i>Personnel services</i>	71,380	78,570	75,390	3,180
<i>Operations and maintenance</i>	15,200	15,270	15,321	(51)
<i>Services and other</i>	44,320	41,370	25,000	16,370
Total Geographic Information Services	<u>130,900</u>	<u>135,210</u>	<u>115,711</u>	<u>19,499</u>
Total General Government	<u>1,097,250</u>	<u>1,117,170</u>	<u>1,056,126</u>	<u>61,044</u>
Capital outlay	147,500	156,980	152,961	4,019
Total expenditures	<u>1,244,750</u>	<u>1,274,150</u>	<u>1,209,087</u>	<u>65,063</u>
Excess (deficiency) of revenues over (under) expenditures	(1,167,250)	(1,184,650)	(1,106,374)	78,276
Other financing sources (uses):				
<i>Transfers in</i>	1,293,110	1,228,555	1,228,555	--
Total other financing sources (uses)	<u>1,293,110</u>	<u>1,228,555</u>	<u>1,228,555</u>	<u>--</u>
Net change in fund balances	125,860	43,905	122,181	78,276
Fund balances, October 1	203,915	277,220	320,792	43,572
Fund balances, September 30	<u>\$ 329,775</u>	<u>\$ 321,125</u>	<u>\$ 442,973</u>	<u>\$ 121,848</u>

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CITY OF KELLER, TEXAS
 RECREATION/AQUATIC CENTER FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 3,608,360	\$ 2,846,500	\$ 2,824,227	\$ (22,273)
Donations	20,000	10,000	6,067	(3,933)
Interest income	1,400	15,200	27,201	12,001
Miscellaneous	1,400	1,400	8,856	7,456
Total revenues	<u>3,631,160</u>	<u>2,873,100</u>	<u>2,866,351</u>	<u>(6,749)</u>
Expenditures:				
Current:				
Recreation and Leisure				
Recreation Aquatic Center - Administration				
Personnel services	366,105	349,950	318,455	31,495
Operations and maintenance	56,000	50,000	51,542	(1,542)
Services and other	691,415	635,875	551,016	84,859
Total Recreation Aquatic Center - Administration	<u>1,113,520</u>	<u>1,035,825</u>	<u>921,013</u>	<u>114,812</u>
Recreation Aquatic Center - Aquatics				
Personnel services	435,075	421,735	409,368	12,367
Operations and maintenance	108,000	45,600	47,543	(1,943)
Services and other	21,810	23,615	18,768	4,847
Total Recreation Aquatic Center - Aquatics	<u>564,885</u>	<u>490,950</u>	<u>475,679</u>	<u>15,271</u>
Recreation Aquatic Center - Fitness Programs				
Personnel services	551,920	192,385	150,382	42,003
Operations and maintenance	21,000	21,000	21,693	(693)
Services and other	187,310	186,860	179,563	7,297
Total Recreation Aquatic Center - Fitness Programs	<u>760,230</u>	<u>400,245</u>	<u>351,638</u>	<u>48,607</u>
Recreation Aquatic Center - Recreation Programs				
Personnel services	172,870	190,170	189,876	294
Operations and maintenance	8,000	3,025	900	2,125
Services and other	152,675	137,675	103,147	34,528
Total Recreation Aquatic Center - Recreation Programs	<u>333,545</u>	<u>330,870</u>	<u>293,923</u>	<u>36,947</u>
Recreation Aquatic Center - Facility Operations				
Personnel services	68,810	67,995	68,326	(331)
Operations and maintenance	70,580	59,080	60,393	(1,313)
Services and other	209,725	207,725	196,966	10,759
Total Recreation Aquatic Center - Facility Operations	<u>349,115</u>	<u>334,800</u>	<u>325,685</u>	<u>9,115</u>
Recreation Aquatic Center - Customer Service/Concessions				
Personnel services	252,205	238,790	231,348	7,442
Operations and maintenance	65,750	59,300	68,707	(9,407)
Services and other	2,460	2,460	4,116	(1,656)
Total Recreation Aquatic Center - Customer Svc./Concessions	<u>320,415</u>	<u>300,550</u>	<u>304,171</u>	<u>(3,621)</u>
Total Recreation and Leisure	<u>3,441,710</u>	<u>2,893,240</u>	<u>2,672,109</u>	<u>221,131</u>
Capital outlay	91,650	--	--	--
Total expenditures	<u>3,533,360</u>	<u>2,893,240</u>	<u>2,672,109</u>	<u>221,131</u>
Excess (deficiency) of revenues over (under) expenditures	97,800	(20,140)	194,242	214,382

CITY OF KELLER, TEXAS
 RECREATION/AQUATIC CENTER FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
<i>Transfers out</i>	\$ (21,470)	\$ (18,000)	\$ (18,000)	\$ --
Total other financing sources (uses)	<u>(21,470)</u>	<u>(18,000)</u>	<u>(18,000)</u>	<u>--</u>
Net change in fund balances	76,330	(38,140)	176,242	214,382
Fund balances, October 1	<u>345,030</u>	<u>310,107</u>	<u>(385,178)</u>	<u>(695,285)</u>
Fund balances (deficit), September 30	<u>\$ 421,360</u>	<u>\$ 271,967</u>	<u>\$ (208,936)</u>	<u>\$ (480,903)</u>

CITY OF KELLER, TEXAS

G.O. DEBT SERVICE FUND
 DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Ad valorem tax, penalty & interest</i>	\$ 4,077,180	\$ 4,121,680	\$ 4,118,098	\$ (3,582)
<i>Interest income</i>	40,000	75,000	67,997	(7,003)
<i>Miscellaneous</i>	--	--	9	9
Total revenues	<u>4,117,180</u>	<u>4,196,680</u>	<u>4,186,104</u>	<u>(10,576)</u>
Expenditures:				
Debt service:				
<i>Principal</i>	2,977,000	2,979,300	2,986,820	(7,520)
<i>Interest and fiscal charges</i>	1,795,895	1,793,515	1,735,135	58,380
Total Debt Service	<u>4,772,895</u>	<u>4,772,815</u>	<u>4,721,955</u>	<u>50,860</u>
Total expenditures	<u>4,772,895</u>	<u>4,772,815</u>	<u>4,721,955</u>	<u>50,860</u>
Excess (deficiency) of revenues over (under) expenditures	(655,715)	(576,135)	(535,851)	40,284
Other financing sources (uses):				
<i>Transfers in</i>	648,970	633,970	648,970	15,000
Total other financing sources (uses)	<u>648,970</u>	<u>633,970</u>	<u>648,970</u>	<u>15,000</u>
Net change in fund balances	(6,745)	57,835	113,119	55,284
Fund balances, October 1	<u>735,360</u>	<u>670,971</u>	<u>508,623</u>	<u>(162,348)</u>
Fund balances, September 30	<u>\$ 728,615</u>	<u>\$ 728,806</u>	<u>\$ 621,742</u>	<u>\$ (107,064)</u>

CITY OF KELLER, TEXAS

TOWN CENTER TIF #1 I&S FUND

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-15

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Ad valorem tax, penalty & interest</i>	\$ 1,915,885	\$ 2,096,351	\$ 1,959,633	\$ (136,718)
<i>Interest income</i>	20,000	25,000	24,699	(301)
Total revenues	<u>1,935,885</u>	<u>2,121,351</u>	<u>1,984,332</u>	<u>(137,019)</u>
Expenditures:				
Debt service:				
<i>Principal</i>	1,220,000	1,220,000	1,220,000	--
<i>Interest and fiscal charges</i>	1,405,190	1,405,190	1,404,283	907
Total Debt Service	<u>2,625,190</u>	<u>2,625,190</u>	<u>2,624,283</u>	<u>907</u>
Total expenditures	<u>2,625,190</u>	<u>2,625,190</u>	<u>2,624,283</u>	<u>907</u>
Excess (deficiency) of revenues over (under) expenditures	(689,305)	(503,839)	(639,951)	(136,112)
Other financing sources (uses):				
<i>Transfers in</i>	329,595	331,408	331,408	--
Total other financing sources (uses)	<u>329,595</u>	<u>331,408</u>	<u>331,408</u>	<u>--</u>
Net change in fund balances	(359,710)	(172,431)	(308,543)	(136,112)
Fund balances, October 1	<u>762,491</u>	<u>555,896</u>	<u>555,897</u>	<u>1</u>
Fund balances, September 30	<u>\$ 402,781</u>	<u>\$ 383,465</u>	<u>\$ 247,354</u>	<u>\$ (136,111)</u>

CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2007

	<u>Capital Projects</u>	<u>TIF #1 Capital Projects</u>	<u>Roadway Impact Fee</u>
ASSETS			
<i>Cash</i>	\$ --	\$ --	\$ --
<i>Investments</i>	3,300,783	26,044	4,193,892
Receivables (net of allowances for uncollectibles):			
<i>Interest</i>	33,022	288	71,630
<i>Other</i>	--	--	293,337
<i>Special assessments</i>	--	--	--
<i>Intergovernmental</i>	--	--	--
<i>Due from other funds</i>	<u>2,352</u>	<u>1,016</u>	<u>1,497</u>
Total Assets	<u>\$ 3,336,157</u>	<u>\$ 27,348</u>	<u>\$ 4,560,356</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 7,327	\$ --	\$ 12,217
<i>Accrued liabilities and other payables</i>	300	26,840	--
<i>Due to other funds</i>	--	--	--
<i>Deferred revenue</i>	--	--	293,337
Total Liabilities	<u>7,627</u>	<u>26,840</u>	<u>305,554</u>
Fund Balances:			
Reserved Fund Balances			
<i>Reserved for encumbrances</i>	1,512,802	--	273,552
<i>Reserved for special uses</i>	--	--	3,981,250
Unreserved fund Balances	<u>1,815,728</u>	<u>508</u>	<u>--</u>
Total Fund Balances	<u>3,328,530</u>	<u>508</u>	<u>4,254,802</u>
Total Liabilities and Fund Balances	<u>\$ 3,336,157</u>	<u>\$ 27,348</u>	<u>\$ 4,560,356</u>

Park Development Fee	Street/ Sidewalk Improvements	Equipment Replacement	Parks Capital Improvements	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ --	\$ 35,796	\$ --	\$ 35,796
857,433	1,489,379	617,670	316,168	10,801,369
9,865	14,082	5,611	3,843	138,341
--	--	--	--	293,337
--	19,865	--	--	19,865
--	95,199	--	--	95,199
--	4,628	1,522	5,583	16,598
<u>\$ 867,298</u>	<u>\$ 1,623,153</u>	<u>\$ 660,599</u>	<u>\$ 325,594</u>	<u>\$ 11,400,505</u>
\$ 13,290	\$ 642,786	\$ --	\$ --	\$ 675,620
--	24,720	--	--	51,860
28,758	--	--	--	28,758
--	19,526	--	--	312,863
<u>42,048</u>	<u>687,032</u>	<u>--</u>	<u>--</u>	<u>1,069,101</u>
71,871	163,455	--	--	2,021,680
--	--	--	--	3,981,250
753,379	772,666	660,599	325,594	4,328,474
<u>825,250</u>	<u>936,121</u>	<u>660,599</u>	<u>325,594</u>	<u>10,331,404</u>
<u>\$ 867,298</u>	<u>\$ 1,623,153</u>	<u>\$ 660,599</u>	<u>\$ 325,594</u>	<u>\$ 11,400,505</u>

CITY OF KELLER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Capital Projects	TIF #1 Capital Projects	Roadway Impact Fee
Revenues:			
<i>Taxes</i>	\$ --	\$ --	\$ --
<i>Permits, licenses and fees</i>	--	--	--
<i>Intergovernmental</i>	--	--	--
<i>Special assessments and impact fees</i>	--	--	711,933
<i>Donations</i>	--	--	--
<i>Interest income</i>	133,839	538	194,877
<i>Miscellaneous</i>	--	--	--
Total revenues	<u>133,839</u>	<u>538</u>	<u>906,810</u>
Expenditures:			
Current:			
<i>General government</i>	--	--	--
<i>Public works</i>	--	--	--
<i>Recreation and leisure</i>	--	--	--
<i>Capital outlay</i>	65,379	--	51,811
Total expenditures	<u>65,379</u>	<u>--</u>	<u>51,811</u>
Excess (deficiency) of revenues over (under) expenditures	68,460	538	854,999
Other financing sources (uses):			
<i>Transfers in</i>	900,000	--	--
<i>Transfers out</i>	(444,000)	(9,950)	--
Total other financing sources (uses)	<u>456,000</u>	<u>(9,950)</u>	<u>--</u>
Net change in fund balances	524,460	(9,412)	854,999
Fund balances (deficit), October 1	<u>2,804,070</u>	<u>9,920</u>	<u>3,399,803</u>
Fund balances, September 30	<u>\$ 3,328,530</u>	<u>\$ 508</u>	<u>\$ 4,254,802</u>

Park Development Fee	Street/ Sidewalk Improvements	Equipment Replacement	Parks Capital Improvements	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ 538,018	\$ --	\$ --	\$ 538,018
67,000	--	--	--	67,000
--	--	128,756	--	128,756
--	154,030	--	--	865,963
369,000	--	--	--	369,000
43,236	63,714	28,403	7,321	471,928
18,336	--	101,741	332,010	452,087
<u>497,572</u>	<u>755,762</u>	<u>258,900</u>	<u>339,331</u>	<u>2,892,752</u>
--	7,172	--	--	7,172
--	55,775	--	--	55,775
78,013	--	--	--	78,013
254,388	939,324	129,391	51,255	1,491,548
<u>332,401</u>	<u>1,002,271</u>	<u>129,391</u>	<u>51,255</u>	<u>1,632,508</u>
165,171	(246,509)	129,509	288,076	1,260,244
--	210,000	31,110	220,000	1,361,110
--	(30,000)	(66,012)	--	(549,962)
<u>--</u>	<u>180,000</u>	<u>(34,902)</u>	<u>220,000</u>	<u>811,148</u>
165,171	(66,509)	94,607	508,076	2,071,392
660,079	1,002,630	565,992	(182,482)	8,260,012
<u>\$ 825,250</u>	<u>\$ 936,121</u>	<u>\$ 660,599</u>	<u>\$ 325,594</u>	<u>\$ 10,331,404</u>

CITY OF KELLER, TEXAS
 PARK DEVELOPMENT FEE FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-18

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Permits, licenses and fees</i>	\$ 200,000	\$ 41,000	\$ 67,000	\$ 26,000
<i>Donations</i>	--	369,000	369,000	--
<i>Interest income</i>	12,000	39,000	43,236	4,236
<i>Miscellaneous</i>	--	--	18,336	18,336
Total revenues	<u>212,000</u>	<u>449,000</u>	<u>497,572</u>	<u>48,572</u>
Expenditures:				
Current:				
<i>Recreation and Leisure</i>				
<i>Parks and Recreation</i>				
<i>Parks and Recreation Administration</i>				
<i>Services and other</i>	--	83,895	78,013	5,882
Total Parks and Recreation Administration	--	83,895	78,013	5,882
Total Parks and Recreation	--	83,895	78,013	5,882
Total Recreation and Leisure	--	83,895	78,013	5,882
Capital outlay	<u>724,280</u>	<u>484,205</u>	<u>254,388</u>	<u>229,817</u>
Total expenditures	<u>724,280</u>	<u>568,100</u>	<u>332,401</u>	<u>235,699</u>
Net change in fund balances	(512,280)	(119,100)	165,171	284,271
Fund balances, October 1	<u>595,279</u>	<u>660,079</u>	<u>660,079</u>	--
Fund balances, September 30	<u>\$ 82,999</u>	<u>\$ 540,979</u>	<u>\$ 825,250</u>	<u>\$ 284,271</u>

CITY OF KELLER, TEXAS
STREET/SIDEWALK IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-19

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes				
<i>Ad valorem tax, penalty & interest</i>	\$ 29,000	\$ 15,000	\$ 19,541	\$ 4,541
<i>Sales tax</i>	490,400	488,065	518,477	30,412
<i>Total taxes</i>	519,400	503,065	538,018	34,953
<i>Special assessments and impact fees</i>	30,000	150,000	154,030	4,030
<i>Interest income</i>	22,000	52,200	63,714	11,514
Total revenues	571,400	705,265	755,762	50,497
Expenditures:				
Current:				
Public Works				
Street Curb/Gutter Maintenance				
Operations and maintenance	40,000	100,000	55,775	44,225
Services and other	--	--	7,172	(7,172)
Total Street Curb/Gutter Maintenance	40,000	100,000	62,947	37,053
Total Public Works	40,000	100,000	62,947	37,053
Capital outlay	580,000	898,125	939,324	(41,199)
Total expenditures	620,000	998,125	1,002,271	(4,146)
Excess (deficiency) of revenues over (under) expenditures	(48,600)	(292,860)	(246,509)	46,351
Other financing sources (uses):				
Transfers in	--	210,000	210,000	--
Transfers out	(30,000)	(15,000)	(30,000)	(15,000)
Total other financing sources (uses)	(30,000)	195,000	180,000	(15,000)
Net change in fund balances	(78,600)	(97,860)	(66,509)	31,351
Fund balances, October 1	398,784	1,002,630	1,002,630	--
Fund balances, September 30	\$ 320,184	\$ 904,770	\$ 936,121	\$ 31,351

CITY OF KELLER, TEXAS
EQUIPMENT REPLACEMENT FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-20

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Intergovernmental</i>	\$ --	\$ --	\$ 128,756	\$ 128,756
<i>Interest income</i>	8,500	30,060	28,403	(1,657)
<i>Miscellaneous</i>	97,570	97,570	101,741	4,171
Total revenues	<u>106,070</u>	<u>127,630</u>	<u>258,900</u>	<u>131,270</u>
Expenditures:				
Capital outlay	<u>--</u>	<u>14,950</u>	<u>129,391</u>	<u>(114,441)</u>
Total expenditures	<u>--</u>	<u>14,950</u>	<u>129,391</u>	<u>(114,441)</u>
Excess (deficiency) of revenues over (under) expenditures	106,070	112,680	129,509	16,829
Other financing sources (uses):				
<i>Transfers in</i>	31,110	31,110	31,110	--
<i>Transfers out</i>	<u>(79,000)</u>	<u>(66,015)</u>	<u>(66,012)</u>	<u>3</u>
Total other financing sources (uses)	<u>(47,890)</u>	<u>(34,905)</u>	<u>(34,902)</u>	<u>3</u>
Net change in fund balances	58,180	77,775	94,607	16,832
Fund balances, October 1	<u>564,929</u>	<u>565,993</u>	<u>565,992</u>	<u>(1)</u>
Fund balances, September 30	<u>\$ 623,109</u>	<u>\$ 643,768</u>	<u>\$ 660,599</u>	<u>\$ 16,831</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Keller's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The tables herein, are Unaudited.

Contents	Page
Financial Trends	93
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	100
These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	110
These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	115
The schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments	
Operating Information	117
The schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from comprehensive annual financial reports for the relevant year. The City began implementing Statement 34 in fiscal year 2003. The City completed infrastructure transition in 2005; schedules presenting government-wide information include information beginning that year.

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CITY OF KELLER, TEXAS
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 13,219,283	\$ 10,564,021	\$ 62,602,173	\$ 63,207,052	\$ 64,573,383
Restricted	5,506,781	6,988,971	8,444,642	9,909,962	11,798,349
Unrestricted	4,727,354	7,046,685	5,683,596	8,009,253	9,624,564
Total Governmental Activities Net Assets	\$ 23,453,418	\$ 24,599,677	\$ 76,730,411	\$ 81,126,267	\$ 85,996,296
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 58,669,647	\$ 57,249,543	\$ 45,059,859	\$ 52,467,582	\$ 53,805,294
Restricted	468,036	471,846	481,855	496,892	518,135
Unrestricted	1,898,377	2,700,286	17,894,997	16,596,805	16,403,823
Total Business-type Activities Net Assets	\$ 61,036,060	\$ 60,421,675	\$ 63,436,711	\$ 69,561,279	\$ 70,727,252
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 71,888,930	\$ 67,813,564	\$ 107,662,032	\$ 115,674,634	\$ 118,378,677
Restricted	5,974,817	7,460,817	8,926,497	10,406,854	12,316,484
Unrestricted	6,625,731	9,746,971	23,578,593	24,606,058	26,028,387
Total Primary Government Net Assets	\$ 84,489,478	\$ 85,021,352	\$ 140,167,122	\$ 150,687,546	\$ 156,723,548

Note:

The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.
This information is presented using the accrual basis of accounting.

CITY OF KELLER, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE

LAST FIVE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental Activities:			
General government	\$ 3,884,074	\$ 3,357,345	\$ 4,103,531
Planning & community development	1,539,855	984,186	1,128,547
Public safety	8,376,754	8,625,240	9,889,821
Public works	4,721,525	4,621,754	7,402,595
Recreation and leisure	3,768,994	5,332,567	7,322,427
Non-departmental	717,155	745,630	1,140,907
Amortization	66,058	--	--
Interest on Long-Term Debt	3,883,471	4,555,553	4,458,890
Total Governmental Activities Expenses	<u>26,957,886</u>	<u>28,222,275</u>	<u>35,446,718</u>
Business-type Activities			
Water & wastewater	11,702,639	11,400,743	13,267,173
Drainage utility	1,523,516	1,435,397	1,717,054
Total Business-type Activities Expenses	<u>13,226,155</u>	<u>12,836,140</u>	<u>14,984,227</u>
Total Primary Government Expenses	<u>\$ 40,184,041</u>	<u>\$ 41,058,415</u>	<u>\$ 50,430,945</u>
Program Revenues			
Governmental Activities:			
Charges for Services:			
Other public works	\$ 310,608	\$ 439,972	\$ 1,131,099
Parks and recreation	333,446	1,523,299	3,018,331
Other activities	3,943,153	4,023,930	5,102,583
Operating Grants and Contributions	8,321	218,851	379,393
Capital Grants and Contributions	46,497	402,644	5,278,123
Total Governmental Activities Program Revenues	<u>\$ 4,642,025</u>	<u>\$ 6,608,696</u>	<u>\$ 14,909,529</u>
Business-type Activities:			
Charges for Services:			
Water and wastewater	\$ 12,122,526	\$ 12,180,322	\$ 14,720,857
Drainage	652,065	739,953	775,288
Operating Grants and Contributions	--	--	2,906,293
Capital Grants and Contributions	3,347,187	1,266,880	1,203,652
Total Business-type Activities Program Revenues	<u>16,121,778</u>	<u>14,187,155</u>	<u>19,606,090</u>
Total Primary Government Program Revenues	<u>\$ 20,763,803</u>	<u>\$ 20,795,851</u>	<u>\$ 34,515,619</u>
Net (Expense)/Revenue			
Governmental Activities	\$ (22,315,861)	\$ (21,613,579)	\$ (20,537,189)
Business-type Activities	2,895,623	1,351,015	4,621,863
Total Primary Government Net Expense	<u>\$ (19,420,238)</u>	<u>\$ (20,262,564)</u>	<u>\$ (15,915,326)</u>

Note:

The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

TABLE D-2

	2006		2007
\$	4,814,291	\$	5,380,332
	1,251,056		1,231,365
	10,627,205		12,162,131
	7,735,718		7,800,979
	8,089,054		8,449,576
	231,915		115,375
	--		--
	4,303,912		3,909,308
	<u>37,053,151</u>		<u>39,049,066</u>
	14,859,712		14,664,225
	1,641,685		1,819,672
	<u>16,501,397</u>		<u>16,483,897</u>
\$	<u>53,554,548</u>	\$	<u>55,532,963</u>
\$	1,437,910	\$	920,400
	2,879,647		3,484,293
	5,725,963		5,717,426
	241,527		241,636
	2,904,694		2,640,281
\$	<u>13,189,741</u>	\$	<u>13,004,036</u>
\$	18,725,239	\$	15,100,194
	819,233		855,817
	--		--
	4,555,755		2,579,605
	<u>24,100,227</u>		<u>18,535,616</u>
\$	<u>37,289,968</u>	\$	<u>31,539,652</u>
\$	(23,863,410)	\$	(26,045,030)
	7,598,830		2,051,719
\$	<u>(16,264,580)</u>	\$	<u>(23,993,311)</u>

CITY OF KELLER, TEXAS

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS

LAST FIVE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

	2003	2004	Fiscal Year 2005
Net (Expense)/Revenue			
Governmental Activities	\$ (22,315,861)	\$ (21,613,579)	\$ (20,537,189)
Business-type Activities	2,895,623	1,351,015	4,621,863
Total Primary Government Net Expense	<u>(19,420,238)</u>	<u>(20,262,564)</u>	<u>(15,915,326)</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes			
Property taxes	10,865,819	12,217,245	13,570,085
Sales taxes	4,940,179	5,590,869	6,467,898
Franchise taxes	2,205,786	2,347,256	2,616,898
Other taxes	--	28,510	37,802
Investment earnings	357,284	412,998	534,625
Miscellaneous	--	--	(27,869)
Loss on sale of capital assets	--	--	--
Litigation settlement	--	--	--
Transfers	1,745,055	2,162,960	2,243,800
Total Governmental Activities	<u>20,114,123</u>	<u>22,759,838</u>	<u>25,443,239</u>
Business-type Activities:			
Investment Earnings	167,251	137,199	422,389
Miscellaneous revenue (expense)	282,604	216,102	232,453
Loss on sale of capital assets	--	--	--
Transfers	(1,745,055)	(2,162,960)	(2,243,800)
Total Business-type Activities	<u>(1,295,200)</u>	<u>(1,809,659)</u>	<u>(1,588,958)</u>
Total Primary Government	<u>18,818,923</u>	<u>20,950,179</u>	<u>23,854,281</u>
Change in Net Assets			
Governmental Activities	(2,201,738)	1,146,259	4,906,050
Business-type Activities	1,600,423	(458,644)	3,032,905
Total Primary Government	<u>\$ (601,315)</u>	<u>\$ 687,615</u>	<u>\$ 7,938,955</u>

Note:

The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Infrastructure assets were recorded in fiscal year 2005.

TABLE D-3

2006	2007
\$ (23,863,410)	\$ (26,045,030)
7,598,830	2,051,719
<u>(16,264,580)</u>	<u>(23,993,311)</u>
14,459,067	16,079,035
7,534,423	8,294,981
3,089,399	3,182,681
49,460	53,482
930,146	1,253,401
4,660	16,680
--	(155,856)
--	298,249
2,192,110	1,892,406
<u>28,259,265</u>	<u>30,915,059</u>
715,250	947,920
2,599	66,392
--	(7,652)
(2,192,110)	(1,892,406)
<u>(1,474,261)</u>	<u>(885,746)</u>
<u>26,785,004</u>	<u>30,029,313</u>
4,395,855	4,870,029
6,124,569	1,165,973
<u>\$ 10,520,424</u>	<u>\$ 6,036,002</u>

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 88,993	\$ 105,147	\$ 395,188	\$ 273,653	\$ 271,483	\$ 145,641	\$ 396,948	\$ 233,919	\$ 366,151	\$ 477,043
Unreserved	2,024,171	2,761,458	3,048,297	3,431,035	2,451,017	2,190,290	3,343,099	4,971,522	6,710,715	6,620,147
Total General Fund	\$ 2,113,164	\$ 2,866,605	\$ 3,443,485	\$ 3,704,688	\$ 2,722,500	\$ 2,335,931	\$ 3,740,047	\$ 5,205,441	\$ 7,076,866	\$ 7,097,190
All Other Governmental Funds										
Reserved	\$ 669,979	\$ 3,305,253	\$ 5,192,125	\$ 5,192,126	\$ 3,037,386	\$ 16,214,013	\$ 7,654,181	\$ 3,967,972	\$ 4,003,778	\$ 6,278,438
Unreserved, Reported In:										
Special Revenue Funds	562,351	620,349	213,134	213,134	382,768	5,277,916	4,061,253	1,782,152	1,835,923	1,928,273
Debt Service Funds	410,780	1,014,500	703,466	703,467	1,102,526	--	--	--	1,064,520	869,096
Capital Projects Funds	6,238,123	8,360,982	8,971,581	8,971,579	12,467,939	5,086,428	4,721,951	6,223,728	4,541,543	4,328,474
Total All Other Governmental Funds	\$ 7,881,233	\$ 13,301,084	\$ 15,080,306	\$ 15,080,306	\$ 16,990,619	\$ 26,578,357	\$ 16,437,385	\$ 11,973,852	\$ 11,445,764	\$ 13,404,281

CITY OF KELLER, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 7,315,796	\$ 8,008,143	\$ 10,380,004	\$ 12,519,407	\$ 15,296,115	\$ 18,131,266	\$ 20,363,179	\$ 22,623,468	\$ 25,280,908	\$ 27,436,311
Permits, licenses and fees	2,168,809	3,182,243	3,251,554	2,590,412	2,393,831	2,066,866	2,460,221	3,018,740	2,687,921	1,981,637
Intergovernmental	82,326	144,294	122,591	111,246	326,339	865,385	1,090,325	1,528,075	885,493	1,584,392
Charges for Services	92,580	79,820	115,207	134,751	198,466	201,433	1,265,531	2,057,189	3,298,315	3,642,795
Fines	475,188	632,688	657,998	719,222	657,896	790,939	911,339	1,019,732	1,174,530	1,177,651
Special assessments & impact fees	1,732,153	989,560	1,000,213	370,549	1,099,060	298,593	450,850	1,180,079	1,220,663	865,963
Donations					--	--	--	--	151,921	497,102
Interest income	652,734	752,315	1,285,816	1,852,084	773,817	401,121	445,107	535,806	930,146	1,253,401
Miscellaneous	420,062	569,414	615,128	790,163	501,359	430,817	464,405	1,637,881	556,088	902,062
Total Revenues	12,939,648	14,358,477	17,428,511	19,087,834	21,246,883	23,186,420	27,450,957	33,600,970	36,185,985	39,341,314
Expenditures										
General government	1,358,011	1,580,489	1,820,443	3,511,568	7,658,719	2,875,817	3,078,198	3,371,055	4,007,903	4,718,937
Planning & development	445,942	574,774	662,488	783,835	937,924	938,107	957,446	1,094,295	1,216,936	1,208,865
Public safety	3,365,294	4,032,408	4,674,084	5,771,356	7,015,652	7,789,210	8,100,549	8,997,806	9,630,205	11,111,382
Public works	907,771	1,044,038	1,118,933	1,384,803	1,747,382	1,768,989	1,736,995	1,703,692	1,915,734	1,944,150
Recreation & leisure	1,162,890	1,346,136	1,629,181	2,086,096	2,521,710	2,895,724	3,782,756	5,384,346	6,245,698	6,512,392
Non-departmental	207,474	185,584	181,353	155,468	447,495	898,764	707,248	676,049	166,707	378,409
Capital Outlay	5,398,773	6,863,587	9,063,472	13,959,013	15,961,541	16,901,399	19,405,364	7,637,001	4,041,731	2,866,487
Debt Service	2,780,001	3,217,035	--	--	--	--	--	--	--	--
Interest	--	--	4,287,085	3,062,736	3,733,953	3,840,127	4,632,332	4,462,190	5,938,927	3,832,434
Principal	--	--	--	2,112,037	2,236,261	2,658,739	3,921,781	5,097,337	4,044,830	6,681,820
Bond issue costs	--	(151,969)	--	--	--	149,603	170,031	293,135	30,638	--
Total Expenditures	15,626,156	18,692,082	23,437,039	32,826,912	42,260,637	40,716,479	46,492,700	38,716,906	37,239,309	39,254,876
Excess of Revenues										
Over (Under) Expenditures	(2,686,508)	(4,333,605)	(6,008,528)	(13,739,078)	(21,013,754)	(17,530,059)	(19,041,743)	(5,115,936)	(1,053,324)	86,438
Other Financing Sources (Uses)										
Transfers in	2,622,649	2,605,113	1,624,590	3,920,843	1,542,335	2,767,786	6,253,996	3,518,575	4,230,611	4,773,096
Transfers out	(1,914,777)	(2,029,178)	(1,109,955)	(3,314,983)	(906,255)	(1,022,731)	(4,091,036)	(1,274,775)	(2,038,501)	(2,880,690)
Bonds issued	--	--	--	25,886,600	8,383,110	25,024,001	18,420,000	9,980,000	1,160,000	--
Refunding bonds issued	--	--	--	--	--	705,990	--	17,400,000	--	--
Bond premium	--	--	--	--	--	--	292,474	707,108	--	--
Bond discount	--	--	--	--	--	--	(59,838)	(175,114)	--	--
Payments to escrow agent	--	(2,275,784)	--	--	--	(694,504)	(11,359,207)	(27,597,225)	(937,743)	--
Capital lease	--	--	--	--	--	--	848,500	--	--	--
Total Other Financing Sources (Uses)	707,872	(1,699,849)	514,635	26,492,460	9,019,190	26,780,542	10,304,889	2,558,569	2,414,367	1,892,406
Net Change in Fund Balances	\$ (1,978,636)	\$ (6,033,454)	\$ (5,493,893)	\$ 12,753,382	\$ (11,994,564)	\$ 9,250,483	\$ (8,736,854)	\$ (2,557,367)	\$ 1,361,043	\$ 1,978,844
Debt Service As A Percentage Of Noncapital Expenditures	--	-1.3%	29.8%	27.4%	22.7%	27.9%	32.2%	31.7%	30.2%	28.9%

CITY OF KELLER, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Mixed Beverage Tax	Total
1998	\$ 5,336,046	\$ 1,042,712	\$ 937,038	\$ --	\$ 7,315,796
1999	5,781,882	1,217,336	1,008,925	--	8,008,143
2000	7,083,264	1,753,766	1,542,974	--	10,380,004
2001	7,587,198	3,106,863	1,825,346	--	12,519,407
2002	9,164,660	4,133,959	1,997,496	--	15,296,115
2003	10,985,301	4,940,179	2,205,786	--	18,131,266
2004	12,396,544	5,590,869	2,347,256	28,510	20,363,179
2005	13,500,870	6,467,898	2,616,898	37,802	22,623,468
2006	14,607,625	7,534,422	3,089,400	49,461	25,280,908
2007	15,905,168	8,294,980	3,182,681	53,482	27,436,311
Percent Change 1998-2007	198.1%	695.5%	239.7%	87.6% (1)	275.0%

(1) Percent Change 2004-2007

CITY OF KELLER, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (UNAUDITED)

TABLE D-7

Fiscal Year	Residential Property	Commercial & Industrial Property	Undeveloped Vacant Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1998	\$ (1)	\$ (1)	\$ (1)	(1)	\$ 970,546,033	\$ 0.47998	\$ 970,546,033	100.00%
1999	971,622,710	134,630,126	163,955,274	152,684,252	1,117,523,858	0.45800	1,117,523,858	100.00%
2000	1,146,360,478	115,494,420	194,024,809	108,087,840	1,347,791,867	0.45300	1,347,791,867	100.00%
2001	1,370,596,075	237,346,979	207,923,106	193,798,051	1,622,068,109	0.44300	1,622,068,109	100.00%
2002	1,603,024,460	333,544,637	244,986,793	237,563,048	1,943,992,842	0.43800	1,943,992,842	100.00%
2003	1,906,127,078	381,268,466	252,355,261	247,579,462	2,292,171,343	0.43800	2,292,171,343	100.00%
2004	2,113,733,584	427,532,120	226,348,500	266,697,966	2,500,916,238	0.43800	2,500,916,238	100.00%
2005	2,277,216,550	449,816,289	211,683,100	277,352,367	2,661,363,572	0.44413	2,661,363,572	100.00%
2006	2,503,947,102	472,408,098	211,613,983	293,198,655	2,894,770,528	0.44413	2,894,770,545	100.00%
2007	2,725,521,606	556,935,766	216,651,329	289,881,845	3,209,226,856	0.43219	3,209,226,856	100.00%

(1) Not available

Sources:

1998 - City documents. 1999 - 2007 - Tarrant Appraisal District.

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

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

TABLE D-8

CITY OF KELLER, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year	City Direct Rates			Overlapping Rates				Total Direct & Overlapping Tax Rates
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Keller School District	Tarrant County Hospital District	Tarrant County College District	Tarrant County	
1998	\$ 0.30679	\$ 0.17319	\$ 0.47998	\$ 1.50000	\$ 0.23407	\$ 0.05769	\$ 0.26484	\$ 2.53658
1999	0.31019	0.14781	0.45800	1.51000	0.23407	0.10640	0.26484	2.57331
2000	0.29282	0.16018	0.45300	1.47500	0.23407	0.10641	0.26484	2.53332
2001	0.29095	0.15205	0.44300	1.52270	0.23407	0.10641	0.27479	2.58097
2002	0.28065	0.15735	0.43800	1.52890	0.23240	0.10641	0.27479	2.58050
2003	0.28249	0.15551	0.43800	1.65190	0.23240	0.13938	0.27250	2.73418
2004	0.29912	0.13888	0.43800	1.67620	0.23540	0.13938	0.27250	2.76148
2005	0.29765	0.14648	0.44413	1.69750	0.23540	0.13938	0.27250	2.78891
2006	0.30570	0.13843	0.44413	1.71580	0.23540	0.13938	0.27250	2.80721
2007	0.30447	0.12772	0.43219	1.60800	0.23540	0.13938	0.27150	2.68647

Note: Rates are per \$100 valuation.

Source: Respective taxing entities.

CITY OF KELLER, TEXAS

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Capri W Dtc	\$ 25,600,000	1	0.67%			
KTC Seniors Ltd	17,465,424	2	0.46%			
Regency Centers LP	17,337,000	3	0.45%			
PR Keller Partners LP	15,900,000	4	0.41%			
Grand Estates at Keller LP	13,301,405	5	0.35%			
Winkler Keller Place Shop	10,870,738	6	0.28%			
Lowe's Home Center	7,500,000	7	0.20%			
Home Depot USA	6,736,896	8	0.18%			
GTE Southwest Inc	647,800	9	0.02%			
TXU Electric Delivery	198,612	10	0.01%			
Hidden Lake Partners				\$ 10,837,257	1	0.97%
Sunnybrook Homes, Inc.				7,040,004	2	0.63%
Texas Utilities				6,032,550	3	0.54%
US Rentals				5,900,191	4	0.53%
General Telephone				4,965,830	5	0.44%
The Kroger Company				4,724,069	6	0.42%
Tri-County Electric				3,144,225	7	0.28%
Perry Homes JV				3,043,340	8	0.27%
Styg. L. C.				2,607,924	9	0.23%
Centex Real Estate				2,425,320	10	0.22%
Remaining Taxpayers	<u>3,718,156,960</u>		<u>97.0%</u>	<u>1,066,803,148</u>		<u>95.46%</u>
Total	<u>\$ 3,833,714,835</u>		<u>100.00%</u>	<u>\$ 1,117,523,858</u>		<u>100.00%</u>

Source: Tarrant County Appraisal District

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 4,658,427	\$ 4,624,605	99.27%	\$ 30,662	\$ 4,655,267	99.93%
1999	5,118,259	5,103,036	99.70%	12,943	5,115,979	99.96%
2000	6,105,497	6,027,340	98.72%	74,633	6,101,973	99.94%
2001	7,172,665	7,077,938	98.68%	85,107	7,163,045	99.87%
2002	8,514,689	8,412,717	98.80%	94,145	8,506,862	99.91%
2003	10,039,710	9,926,842	98.88%	65,865	9,992,707	99.53%
2004	10,954,013	10,870,031	99.23%	35,868	10,905,899	99.56%
2005	11,819,914	11,734,243	99.28%	33,074	11,767,317	99.56%
2006	12,856,544	12,744,905	99.13%	49,132	12,794,037	99.51%
2007	13,827,290	13,707,407	99.13%	--	13,707,407	99.13%

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CITY OF KELLER, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS

(UNAUDITED)

	Calendar Year					
	1998	1999	2000	2001	2002	2003
Agriculture	\$ 2,558,885	\$ 3,117,778	\$ 4,190,766	\$ 4,331,517	\$ 4,195,455	\$ 4,235,299
Construction	2,297,651	2,587,583	2,131,688	3,132,180	1,962,745	2,264,394
Utilities	--	--	--	--	--	--
Transportation, Communications	24,870	158,675	520,770	1,836,531	4,532,884	4,379,448
Wholesale Trade	4,422,282	1,619,625	1,608,817	1,652,971	2,128,269	2,138,230
Retail Trade	48,731,309	49,739,634	67,481,342	104,372,013	141,020,365	156,488,660
Administrative and Support Services	18,625,203	27,168,095	30,627,360	26,214,838	24,287,680	24,155,406
Finance & Insurance	--	--	11,740	179,867	170,082	173,731
Professional, Scientific & Tech. Svcs.	--	--	--	--	--	--
Accommodation & Food Services	--	--	--	--	--	--
Educational Services	--	--	--	--	--	--
Arts, Entertainment & Recreation	--	--	--	--	--	--
Real Estate, Rental & Leasing	--	--	--	--	--	--
Information	--	--	--	--	--	--
Manufacturing	652,339	799,080	1,204,357	1,755,817	2,733,797	3,966,331
Other	--	--	--	--	--	--
Non-Classified Trade	--	--	--	--	--	--
Total	\$ 77,312,539	\$ 85,190,470	\$ 107,776,840	\$ 143,475,734	\$ 181,031,277	\$ 197,801,499
Direct Sales Tax Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.875%

Source: Information provided by State Comptroller's Office. Retail sales information is not available on a fiscal-year basis.

TABLE D-11

2004	2005	2006	2007
4,871,436 \$	5,468,880 \$	-- \$	-- \$
4,212,895	5,749,764	5,248,032	7,013,295
--	--	20,503,791	26,447,297
624,378	503,008	696,935	13,270,529
2,999,989	2,714,901	12,306,490	7,213,880
158,398,693	169,407,587	87,195,184	95,563,198
24,417,992	26,594,896	15,605,492	6,569,325
132,753	--	566,094	1,021,182
--	--	5,053,089	17,275,861
--	--	26,001,060	21,821,352
--	--	36,003	37,249
--	--	3,365,641	3,539,286
--	--	1,421,852	1,408,433
--	--	29,277,212	17,947,316
3,938,867	4,241,081	7,935,347	8,904,880
93,368	5,721,496	4,618,231	5,296,379
--	--	85,632,350	105,762,350
<u>199,690,371 \$</u>	<u>220,401,613 \$</u>	<u>305,462,803 \$</u>	<u>339,091,812 \$</u>
2.00%	2.00%	2.00%	2.00%

CITY OF KELLER, TEXAS

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS

(UNAUDITED)

Fiscal Year	State of Texas	Keller Direct Rate	Keller Development Corporation (1)	Keller Crime Control District (2)	Keller Street Maintenance (3)	Totals
1998	6.25%	1.00%	0.50%	--	--	7.75%
1999	6.25%	1.00%	0.50%	--	--	7.75%
2000	6.25%	1.00%	0.50%	--	--	7.75%
2001	6.25%	1.00%	0.50%	--	--	7.75%
2002	6.25%	1.00%	0.50%	--	--	7.75%
2003	6.25%	1.00%	0.50%	0.375%	--	8.13%
2004	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2005	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2006	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2007	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%

Notes: (1) Effective 1992
(2) Effective 2002
(3) Effective 2004

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

Industry	2007				1998			
	Number of Filers	% of Total	Tax (1)	% of Total	Number of Filers	% of Total	Tax (2)	% of Total
Construction	158	5.18%	\$ 140,266	2.07%	86	3.83%	\$ 24,458	1.53%
Transportation, Communications & Warehousing	62	2.03%	265,411	3.91%				
Utilities	18	0.59%	528,946	7.80%				
Manufacturing	107	3.51%	178,098	2.63%	68	3.03%	14,241	0.89%
Wholesale Trade	262	8.59%	144,278	2.13%	205	9.12%	72,587	4.53%
Retail Trade	845	27.70%	1,911,264	28.18%	659	29.33%	453,622	28.29%
Information	136	4.46%	358,946	5.29%	209	9.30%	197,996	12.35%
Finance & Insurance	55	1.80%	20,424	0.30%	6	0.27%	1,223	0.08%
Real Estate, Rental & Leasing	47	1.54%	28,169	0.42%	22	0.98%	1,290	0.08%
Professional, Scientific, and Technical Svcs.	313	10.26%	345,517	5.09%	77	3.43%	32,116	2.00%
Admin & Support Svcs	201	6.59%	131,386	1.94%	164	7.30%	38,484	2.40%
Educational Services	7	0.23%	745	0.01%	35	1.56%	18,655	1.16%
Arts, Entertainment & Recreation	9	0.30%	70,786	1.04%				
Accommodation & Food Services	52	1.70%	436,427	6.44%	8	0.36%	29,285	1.83%
Other Services except PA	90	2.95%	105,928	1.56%	133	5.92%	72,654	4.53%
Other	688	22.56%	2,115,247	31.19%	575	25.59%	646,640	40.33%
Total	\$ 3,050	100.00%	\$ 6,781,838	100.00%	2,247	100.00%	\$ 1,603,251	100.00%

Notes: Due to confidentiality issues, the names of the ten largest revenue payors are not available. The categories presented are intended to provide alternative information regarding the sources of revenue. Calendar year information is provided by State Comptroller's Office.

(1) Direct Sales Tax Rate 1%, Keller Development Corporation .5%, Street Maintenance .125%, Crime Control District .375%

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

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

General Bonded Debt							
Fiscal Year	General Obligation Bonds	Certificates of Obligation	KDC Revenue Bonds	Other			
1998	\$ 12,053,644	\$ 16,037,800	\$ 1,585,000	\$ 858,002			
1999	13,270,464	23,531,000	1,520,000	794,289			
2000	12,618,312	30,665,300	1,450,000	677,250			
2001	37,639,009	29,455,900	1,380,000	743,152			
2002	10,990,832	62,680,700	1,305,000	1,046,810			
2003	10,092,884	86,214,700	1,220,000	1,138,128			
2004	14,606,478	85,305,000	1,130,000	1,197,541			
2005	22,927,061	73,210,000	1,035,000	779,269			
2006	21,226,401	69,425,000	890,000	668,814			
2007	19,577,410	64,590,000	775,000	585,982			
Business-type Activities							
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	Other	Total Primary Government	Percentage of Personal Income	Per Capita
1998	\$ 7,371,064	\$ 4,027,200	\$ 685,000	\$ 3,370,662	\$ 45,988,372	\$ 10.11%	\$ 2,046
1999	7,345,403	3,712,100	420,000	3,026,992	53,620,248	7.59%	2,189
2000	9,882,993	584,700	330,000	7,247,302	63,455,857	7.25%	2,321
2001	9,511,709	4,924,100	230,000	3,421,663	87,305,533	9.73%	3,111
2002	8,900,877	4,654,300	115,000	2,899,628	92,593,147	9.68%	3,095
2003	8,462,074	4,365,300	--	2,771,724	114,264,810	11.23%	3,592
2004	7,840,279	15,370,000	--	2,428,348	127,877,646	12.07%	3,862
2005	10,198,030	11,785,000	--	2,082,011	122,016,371	11.15%	3,565
2006	9,768,600	15,515,000	--	1,621,409	119,115,223	9.24%	3,279
2007	8,782,587	14,850,000	--	1,203,316	110,364,295	8.55%	2,929

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

CITY OF KELLER, TEXAS

*RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)*

Fiscal Year	General Bonded Debt Outstanding				Less Self Supporting Debt	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Less: Amounts Available in Debt Service Fund	Total				
1998	\$ 12,053,644	\$ 16,037,800	\$ 450,990	\$ 27,640,454	\$ 410,780	\$ 27,229,674	2.81%	\$ 1,212
1999	13,270,464	23,531,000	418,963	36,382,501	1,014,500	35,368,001	3.16%	1,444
2000	12,618,312	30,665,300	373,777	42,909,835	7,581,276	35,328,559	2.62%	1,292
2001	37,639,009	29,455,900	241,925	66,852,984	32,359,705	34,493,279	2.13%	1,229
2002	10,990,832	62,680,700	326,498	73,345,034	32,844,191	40,500,843	2.08%	1,354
2003	10,092,884	86,214,700	551,651	95,755,933	56,516,651	39,239,282	1.71%	1,233
2004	14,606,478	85,305,000	551,651	99,359,827	59,568,894	39,790,933	1.59%	1,202
2005	22,927,061	73,210,000	777,658	95,359,403	55,248,202	40,111,201	1.51%	1,172
2006	21,226,401	69,425,000	508,623	90,142,778	51,485,000	38,657,778	1.34%	1,064
2007	19,577,410	64,590,000	621,742	83,545,668	47,905,000	35,640,668	1.11%	946

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Keller Independent School District	\$ 612,851,650	36.230%	\$ 222,036,153
Tarrant County General Obligation Debt	263,806,031	2.050%	5,408,024
Other Debt			
Tarrant County Hospital District	66,490,000	2.050%	1,363,045
Tarrant County Junior College District	51,943,961	2.050%	<u>1,064,851</u>
Subtotal, Overlapping Debt			229,872,073
City of Keller Direct Debt			<u>36,262,414</u>
Total Direct and Overlapping Debt			<u>\$ 266,134,487</u>

Source: Debt outstanding data provided by each governmental unit.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Maximum allowable tax rate	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000
Adopted tax rate	0.47998	0.45800	0.45300	0.44300	0.43800	0.43800	0.43800	0.44413	0.44413	0.43219
Additional rate available	2.02002	2.04200	2.04700	2.05700	2.06200	2.06200	2.06200	2.05587	2.05587	2.06781
Additional tax levy available (debt margin)	19,605,224	22,944,592	27,334,586	31,968,923	38,403,588	45,372,135	46,718,343	52,623,315	57,579,506	66,156,570
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	19.20%	18.32%	18.12%	17.72%	17.52%	17.52%	17.52%	17.77%	17.77%	17.29%

As a home rule city, the City of Keller is not legally limited by law in the amount of debt it may issue. The City's Charter Section 8.16., states:

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

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

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

Legal Debt Margin Calculation for the Current Fiscal Year

Maximum Allowable Tax Rate	\$ 2.50000
Adopted Tax Rate	0.43219
Additional Rate Available	<u>2.06781</u>
Total Taxable Value	\$ 3,199,354,367
Additional Tax Levy Available (Debt Margin)	66,156,570
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>621,742</u>
Legal Debt Margin	<u>\$ 65,534,828</u>

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

Fiscal Year	Water Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
1998	\$ 8,445,152	\$ 8,468,486	\$ (23,334)	\$ 255,000	\$ 63,968	-0.07%	
1999	9,150,824	8,586,090	564,734	265,000	36,706	1.87%	
2000	10,580,905	9,606,196	974,709	90,000	26,223	8.39%	
2001	12,056,510	9,377,999	2,678,511	100,000	21,345	22.07%	
2002	11,954,662	10,301,365	1,653,297	115,000	13,225	12.89%	
2003	12,122,526	11,702,639	419,887	115,000	4,428	3.52%	
2004	12,180,322	11,400,743	779,579	--	--	n/a	
2005	14,720,857	13,267,173	1,453,684	--	--	n/a	
2006	18,725,239	11,509,760	7,215,479	--	--	n/a	
2007	15,071,034	10,878,806	4,192,228	--	--	n/a	

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

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	(2) School Enrollment (KISD)	(4) Unemployment Rate
1998	22,475	454,691,725	20,231 (3)	30	13,072	1.6%
1999	24,500	706,825,000	28,850 (3)	30	14,094	1.4%
2000	27,345 (3)	874,657,170	31,986 (3)	30	16,300	1.6%
2001	28,066	897,719,076	31,986 (3)	30	18,429	2.1%
2002	29,915	956,861,190	31,986 (3)	30	20,097	2.9%
2003	31,814	1,017,602,604	31,986 (3)	35	20,032	2.7%
2004	33,112	1,059,120,432	31,986 (3)	35	23,663	4.1%
2005	34,224	1,094,688,864	31,986 (3)	35	25,644	3.4%
2006	36,328 (1)	1,289,716,656	35,502 (3)	35	25,873	3.2%
2007	37,685	1,291,488,900	34,257 (4)	35 (5)	27,905	3.6%

Sources:

- (1) North Central Texas Council of Governments (NCTCOG)
- (2) Keller Independent School District (KISD)
- (3) Bureau of Census
- (4) Texas Workforce Commission
- (5) www.idcide.com , (c) 2008

CITY OF KELLER, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

(UNAUDITED)

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sabre Corporation	3,345	1	20.46%	--	--	--
AMR Corporation	2,381	2	14.56%	--	--	--
Fidelity Investments	2,132	3	13.04%	--	--	--
Keller ISD	2,103	4	12.86%	--	--	--
Nokia/Alliance Airport	1,500	5	9.17%	--	--	--
Motorola	1,300	6	7.95%	--	--	--
Daimler Chrysler	1,000	7	6.12%	--	--	--
Southwestern Bell	750	8	4.59%	--	--	--
Advanced PCS Systems	515	9	3.15%	--	--	--
JC Penney	500	10	3.06%	--	--	--
Corning Cable Systems	340	11	2.13%	--	--	--
Southstar Logistics	311	12	1.90%	--	--	--
Total	<u>16,177</u>		<u>98.99%</u>	<u>--</u>		<u>--</u>

Sources: Economic Development office. 1998 information is unavailable.

CITY OF KELLER, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Function/Program	Full-Time-Equivalent Employees as of Year End									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Management Services	5.00	5.00	5.00	5.00	5.75	6.00	6.25	6.25	7.00	7.00
Finance	5.50	5.98	6.75	6.00	6.50	7.00	7.00	7.00	7.00	7.00
Planning	9.98	11.00	12.75	13.75	13.25	14.98	14.98	13.11	14.25	14.25
Building	--	--	--	--	0.80	1.00	1.00	1.00	1.00	1.00
Other	8.40	9.90	10.65	11.40	13.83	16.25	17.25	19.16	17.73	17.73
Police										
Officers	36.00	39.50	41.75	51.00	57.67	66.00	66.00	66.50	67.00	71.00
Civilians	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Fire										
Firefighters and Officers	29.00	30.50	33.75	39.00	40.88	41.75	42.50	44.50	44.50	44.50
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public Works										
Engineering	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Other	7.50	7.50	9.38	11.28	13.76	13.83	11.83	10.83	11.33	11.33
Parks and Recreation										
Library	17.01	18.04	20.35	22.45	24.85	28.90	53.07	71.32	87.24	87.24
Water	10.33	10.38	11.53	12.53	13.83	14.83	14.97	14.97	15.97	15.97
Wastewater	23.00	21.09	22.88	23.78	27.21	33.67	34.92	34.92	34.92	35.92
Drainage	5.50	5.50	8.50	6.00	6.50	7.25	7.25	7.50	7.50	9.50
	6.78	7.53	8.53	8.78	8.78	7.50	7.75	7.75	7.75	8.75
Total	<u>176.00</u>	<u>183.92</u>	<u>203.82</u>	<u>222.97</u>	<u>245.61</u>	<u>270.96</u>	<u>296.77</u>	<u>316.81</u>	<u>335.19</u>	<u>343.19</u>

Source: Information provided by city staff

CITY OF KELLER, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Council & work sessions held	55	47	35	52	42	42	41	35	32	51
Cable broadcasts	200	210	300	375	554	565	594	594	594	658
Birth/death certificates issued	335	437	638	640	797	847	962	1,113	1,308	1,058
Building Permits Issued	601	816	608	56	411	394	363	390	473	285
New construction plan review	559	876	682	712	505	487	446	450	480	380
Police										
Physical Arrests	692	692	617	793	972	1,121	1,297	1,396	1,754	1,540
Total Citations Issued	5,808	8,702	8,636	8,361	11,277	10,044	11,123	12,274	15,517	14,000
Total emergency '911' calls	7,167	7,540	10,000	11,000	11,500	11,673	12,978	13,160	13,160	14,452
Calls for Service	11,956	12,552	13,179	38,376	46,746	57,484	72,588	75,217	76,103	77,928
Animal Control										
Animal adoptions	238	202	98	234	461	376	436	631	834	950
Stray animal complaints	1,047	945	1,466	1,771	2,235	1,966	2,424	7,250	10,462	13,960
Animals impounded	551	492	721	902	1,120	1,162	1,190	1,251	1,504	1,510
Nuisance wildlife trapped	170	145	514	518	620	546	449	397	336	187
Dog bite investigations	36	28	59	69	71	56	75	72	61	72
Fire										
Emergency Responses	1,304	1,154	1,479	1,678	1,838	1,917	1,863	2,204	2,500	1,580
Calls for Service, excludes EMS	555	644	708	608	744	805	735	763	928	970
Fire Hydrants Maintained	731	1,520	1,035	439	n/a	1,734	1,785	1,844	1,824	1,875
Inspections	323	335	175	389	293	474	346	384	420	460
Finance										
Accounts payable checks processed	6,286	6,968	6,924	6,764	5,567	4,299	4,544	4,443	5,819	5,107
Payroll checks processed	4,516	4,982	5,838	5,659	4,681	7,195	8,411	9,107	4,986	10,442
Journal entries posted	1,752	1,483	1,450	2,309	2,890	2,854	3,140	2,972	4,499	5,160
Purchase orders processed	2,858	2,695	2,581	2,537	800	244	319	274	316	346
Human Resources										
Applications processed	600	487	282	896	2,115	1,293	1,328	3,530	1,704	2,200
Vacancies filled	54	45	34	70	43	35	160	154	42	44
Turnover rate	19.0%	21.0%	30.0%	15.5%	11.0%	10.0%	9.4%	9.6%	13.2%	12.5%
Safety classes conducted	20	14	24	24	12	12	17	8	9	9
Worker compensation claims	44	52	29	37	41	45	50	53	53	60

TABLE D-22
(CONTINUED)

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Municipal Court										
Citations processed	8,285	10,231	8,862	9,068	9,023	9,023	11,123	12,766	15,613	12,930
Warrants processed	2,542	2,278	1,972	1,410	1,946	1,946	2,517	2,744	2,370	2,336
Court sessions	280	238	195	218	224	224	204	240	204	251
Defendant requests for court date	8,100	6,300	5,393	4,650	3,996	3,996	3,862	3,548	7,809	3,907
Public Works										
Review CIP designed by others	5	4	7	8	9	10	14	14	14	6
Street Resurfacing (miles)	--	4	6	9	3	8	2	13	7	12
Sidewalks repaired (linear feet)	600	351	300	400	1,000	500	500	80	620	525
Parks and Recreation										
Park acreage	205	304	328	362	402	412	433	436	442	442
Facility reservations	505	331	312	372	508	304	450	518	495	520
Sr Citizen center participations	12,447	14,296	21,456	22,345	27,300	28,590	28,890	30,604	27,308	33,051
Athletic Field Permits Issued	1,513	1,584	2,048	2,050	2,464	2,623	3,750	3,750	n/a	n/a
Recreation programs provided	187	225	247	280	295	304	90	359	367	986
Library										
Library customer visits	131,167	144,283	133,246	136,389	156,352	216,671	229,830	234,474	249,455	264,500
Total volumes borrowed	171,133	187,711	211,158	242,469	278,676	353,431	368,376	411,783	412,000	372,000
Volumes in collection	48,601	45,974	50,000	57,000	81,625	81,625	81,625	108,108	110,000	120,000
Water										
New Customers (net)	761	766	859	641	410	333	213	452	(265)	350
Water Main Breaks	n/a	n/a	28	74	86	59	101	84	101	44
Average Daily Consumption (000 gal.)	5,075	5,261	7,014	6,700	6,000	6,900	6,700	8,039	9,595	6,962
Peak Daily Consumption (000 gal.)	13,200	14,400	16,000	16,000	17,000	19,000	13,200	17,858	19,300	17,500
Wastewater										
Average Daily Sewage Treatment (000 gals)	1,599	1,726	1,857	2,214	2,427	2,217	2,466	2,620	2,877	3,248

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

CITY OF KELLER, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	12	15	15	15	18	18	28	25 (1)
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Engines/Trucks	2	2	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	180	210	215	240	240	243	275	250	182	397 (2)
Street lights	1,187	1,298	1,350	1,350	1,530	1,710	1,710	1,710	2,055	2,075 (4)
Traffic Signals	--	--	--	--	--	1	4	4	4	4
Parks and Recreation										
Acreage	217	334	420	362	402	412	415	433	442	442
Playgrounds	1	1	1	1	1	1	1	8	8	9
Baseball/Softball Fields	2	3	3	4	4	4	4	8	8	11
Soccer/Football Fields	2	2	2	7	7	7	7	8	8	9
Community Centers	1	1	1	1	1	1	1	1	1	1
Water										
Water Mains (miles)	312	312	330	330	352	370	440	440	238	235 (3)
Storage Capacity (gallons)	6,200,000	7,500,000	4,500,000	4,500,000	6,000,000	6,000,000	6,000,000	6,000,000	9,000,000	9,000,000
Wastewater										
Sanitary Sewers (miles)	92	92	100	106	130	150	220	280	286	286
Storm Sewers (miles)	30	30	35	37	43	43	43	43	45	47
Treatment Capacity (gallons)	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	9,000,000	9,000,000	10,000,000	10,000,000

Notes:

- (1) Increase includes purchases as well as 3 leased motorcycle units.
- (2) City staff correction to prior year estimates due to GIS technology
- (3) Water System transfer from City of Keller to City of Ft. Worth.
- (4) TXU & Tri County Electric erect city street lights, therefore provider supplies count. The City of Keller remits the cost of electricity to the provider.