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Comprehensive Annual Financial Reports are produced to provide the Mayor, City Council, City staff, citizens, bondholders and the general public with useful information about the City's operations and financial position.

The City prepares financial reports to promote accountability. This annual report provides one way of assessing whether elected and appointed officials in the City are faithfully carrying out their role of good stewards of City resources.

These reports are prepared by the Finance Department in accordance with standards prescribed by the Governmental Accounting Standards (GASB), the Government Finance Officer Association of the United States and Canada (GFOA) and other rule-making bodies. The City is responsible for the accuracy, completeness and fairness of the data presented.

The [Table of Contents](#) has been designed as a navigational tool for your assistance. You can go directly to any page within the document by clicking its listing in the Table of Contents.

If you would like to obtain a bound copy or CD of this document, please [click here](#) to access the request form.

Thank you for viewing the City of Keller's Comprehensive Annual Financial Report on the Web.

Sincerely,

A handwritten signature in black ink, appearing to read "Lyle H. Dresher".

Lyle H. Dresher  
City Manager



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**[Back to Comprehensive Annual Financial Report](#)**

# City of Keller, Texas

## Comprehensive Annual Financial Report

For Fiscal Year Ended  
September 30, 2006



### Mayor and City Council

Julie A. Tandy, Mayor

Steve Trine, City Council - Place 1

Mark Harness, City Council - Place 2

Bob Kirk, City Council - Place 3

Jim Carson, City Council - Place 4

Mitch Holmes, City Council - Place 5

and Mayor Pro Tem

### Administrative Officials

Lyle H. Dresher, City Manager

Johnny Phifer, Director of Finance



**CITY OF KELLER, TEXAS**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*YEAR ENDED SEPTEMBER 30, 2006*

Prepared by the  
CITY OF KELLER  
FINANCE DEPARTMENT

CITY COUNCIL  
Julie A. Tandy, Mayor  
Mitch Holmes, Mayor Pro-Tem

Steve Trine  
Mark Harness  
Bob Kirk  
Jim Carson

CITY MANAGER  
Lyle H. Dresher

DIRECTOR OF FINANCE  
Johnny L. Phifer, CGFO



**City of Keller, Texas**

*Comprehensive Annual Financial Report  
For The Year Ended September 30, 2006*

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# INTRODUCTORY SECTION



March 14, 2007

Citizens of Keller, Honorable Mayor Julie Tandy, 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, 2006, 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 VII, 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*. The *introductory* section includes this transmittal letter, a list of principal officials, an organization chart, and other general information useful in assessing the City's financial condition.

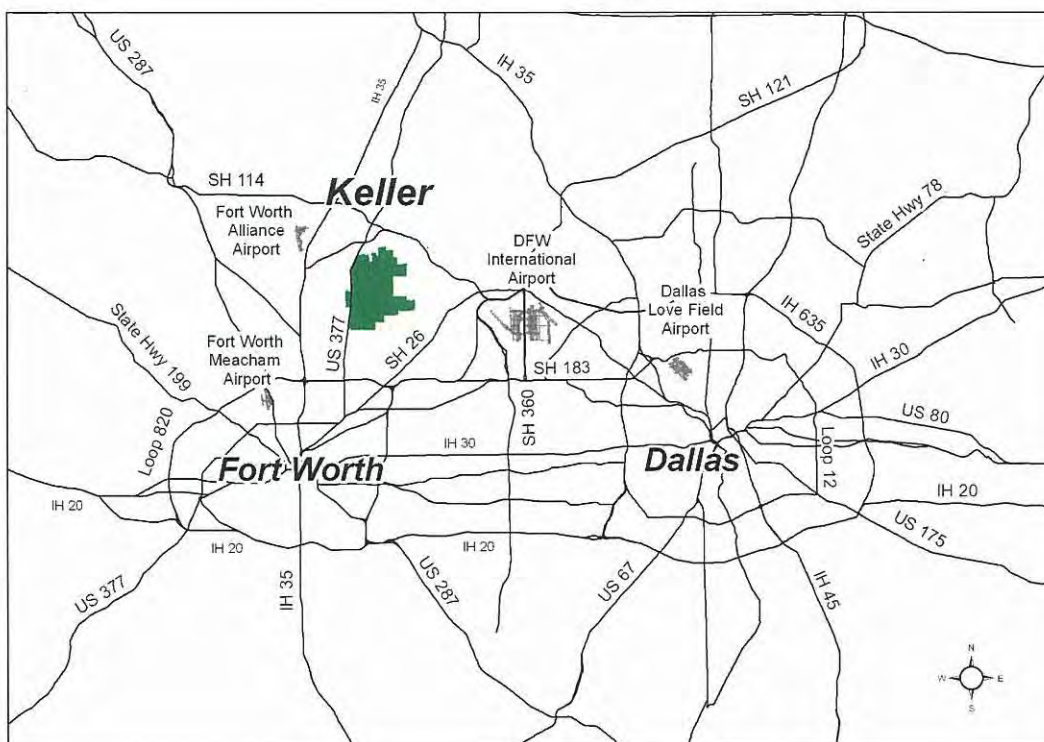
The *financial* section contains the opinion of the City's independent auditors, Rutledge Crain & Company, PC, Certified Public Accountants, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended September 30, 2006, and that the financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Also included in the *financial* section is 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. The basic financial statements, including the accompanying notes, represent the core of the financial section. These financial statements present the financial condition of the City as a single entity, as well as the individual funds that account for the City's various governmental and business-type activities. This transmittal letter is designed to complement the MD&A, and should be read in conjunction with it.

The *statistical* section includes a variety of financial, economic, and demographic information generally presented in a table format, on a multi-year basis, with comparative information, to give users of the report a perspective on the City's performance over a number of years.

## 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 is a home-rule city and 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 as to what budget recommendations are submitted to the City Council. The City Charter requires that the City Manager's proposed budget be filed with the City Secretary no later than August 15<sup>th</sup>. 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. 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, 2006, a revised budget was approved by the City Council on September 19, 2006. 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.

### **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 has been a hotbed of commercial activity over the past year. Among other developments the 101,792 square-foot Bear Creek Plaza was built along this commercial corridor. Two major medical offices were completed with the openings of the 39,000 square-foot Baylor Medical Plaza and 11,000 square-foot Lone Star Endoscopy center. The 43,000 square-foot Blue Sky Sports Center also opened their doors in 2006, just West of U.S. Highway 377 on Golden Triangle Boulevard. All of these new developments continue to add commercial property value to our tax base, reducing the tax burden on the average homeowner.

Development is also booming in Town Center, with the construction of the estimated \$24 million mixed-use Arthouse at Keller Town Center development, which is well underway. The \$36 million Uptown Keller project has received approval and is anticipated to begin construction in February 2007. These new developments are adding significant value to several recently completed projects which include The Conservatory at Town Center, a 188-unit over-55 adult living center and the 10,500 square-foot Bestawrous Professional Pyramid.

In the area of sales tax growth, Keller businesses collected a record level of sales tax during the month of November 2006 reflecting strong commercial and retail growth in the city. City sales tax revenue reached a high of \$669,000 for the month, a 13.3 percent increase in revenue compared to November of last year.

Residential growth remains strong both in terms of quantity and value of new development. The city issued 398 residential building permits having an average construction permit value in excess of \$349,000. In addition, the continued increase in population as depicted below combined with over 12,000 households has stimulated significant commercial and retail growth. The permit value of new commercial/retail business completions (certificates of occupancy) increased by 17.5% from 2005 to 2006 totaling over \$55.1 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 19,458 in September 2006, compared to a total civilian labor force for Tarrant County of 874,206. Keller's unemployment rate in September 2006 was 3.2%, compared to the Tarrant County rate of 4.6%, and a statewide rate of 4.7%.

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 2006 population estimate was 36,328, representing an increase of 22,645 (165%) over 1990, and 8,983 (32.9%) 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%
2006 Estimate	36,328	8,983	32.9%

Since 1970, the total population increase is over 34,850. This increasing population trend is anticipated to continue for several years, although at a more reasonable pace. The City's estimated population by 2010 will be 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.

Fiscal Year Ended September 30	Total 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

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 8.5% for fiscal year 2005-06. 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 40% 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 2005 (fiscal year 2006) increased 8.8% over calendar year 2004 (fiscal year 2005), compared to the prior year's increase of 6.4%. The growth in revenue produced the funding necessary to meet most of the significant 2006 goals of the City Council, such as holding the line on the tax rate at \$0.44413 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 1/8<sup>th</sup> of one percent local option sales tax for maintenance and rehabilitation of existing streets was approved by voters in November 2003. Tax collections commenced in mid fiscal year 2004 and generated \$185,789 that enabled the City to begin its rehabilitation of over \$5,000,000 needed for street rehabilitation or reconstruction. For fiscal years 2005 and 2006, \$402,351 & \$469,856 was collected, respectively. The use of this non-property tax revenue has enabled the city to shift a portion of general fund revenue (previously dedicated to street maintenance) to other priorities.

All of the fifteen General Fund employee full-time positions frozen during 2003 had been filled at the end of fiscal year 2006 in a gradual replacement of frozen positions over a 3-year period. While the unfilled positions created minor operational hardships, the operating departments continued to maintain a high and responsive level of service delivery.

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.

The most recently updated plan is the 2006 plan that identified over \$82.7 million of capital improvements during the next five years (through 2011). These recommended improvements are identified by the following activities:

Streets and drainage improvements	\$37.2 million (45%)
Fire and emergency medical services	20.8 million (25%)
Water and sewer improvements	19.0 million (23%)
Police department improvements	2.7 million (3%)
Parks and recreation	1.6 million (2%)
Municipal facilities and other	1.4 million (2%)

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 (57%) are 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 Fund, Debt Service Fund, and the Keller Development Corporation. 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 is currently in the fourth year of the depository contract, with an additional one year renewal option remaining. Should the City exercise the renewal option for the fifth year, the existing depository contract will expire on June 30, 2007. The City has a services only contract, where a minimum amount of cash is held in checking accounts to meet the City's operational needs.

The remaining idle cash is invested by City officials 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 expired in November 2005, and was renewed for another two year term, through November 2007.

The average balance of the City's investment portfolio for fiscal year 2006 was approximately \$36.92 million, and the overall portfolio provided \$1,645,396 in unrestricted investment income, compared to \$957,014 in 2005, an increase of almost 72%. The average return on the portfolio for fiscal year 2006 was 4.4155%, compared to the City's



targeted return of 4.5528%. The average return on the portfolio for the previous fiscal year was 2.5836%, compared to the targeted return of 2.7317%

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 12.68% for calendar year 2005, and 11.6% for calendar year 2006. The 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 the Internal Revenue Code Section 457. The plan, which is available to all employees, permits them 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, 2005; a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for seventeen consecutive fiscal years (FY1989 through FY2005). 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 2006 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 10 consecutive years (1997 – 2006). 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 and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Johnny Phifer". The signature is written in a cursive, slightly slanted style.

Johnny Phifer  
Director of Finance

# 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, 2005

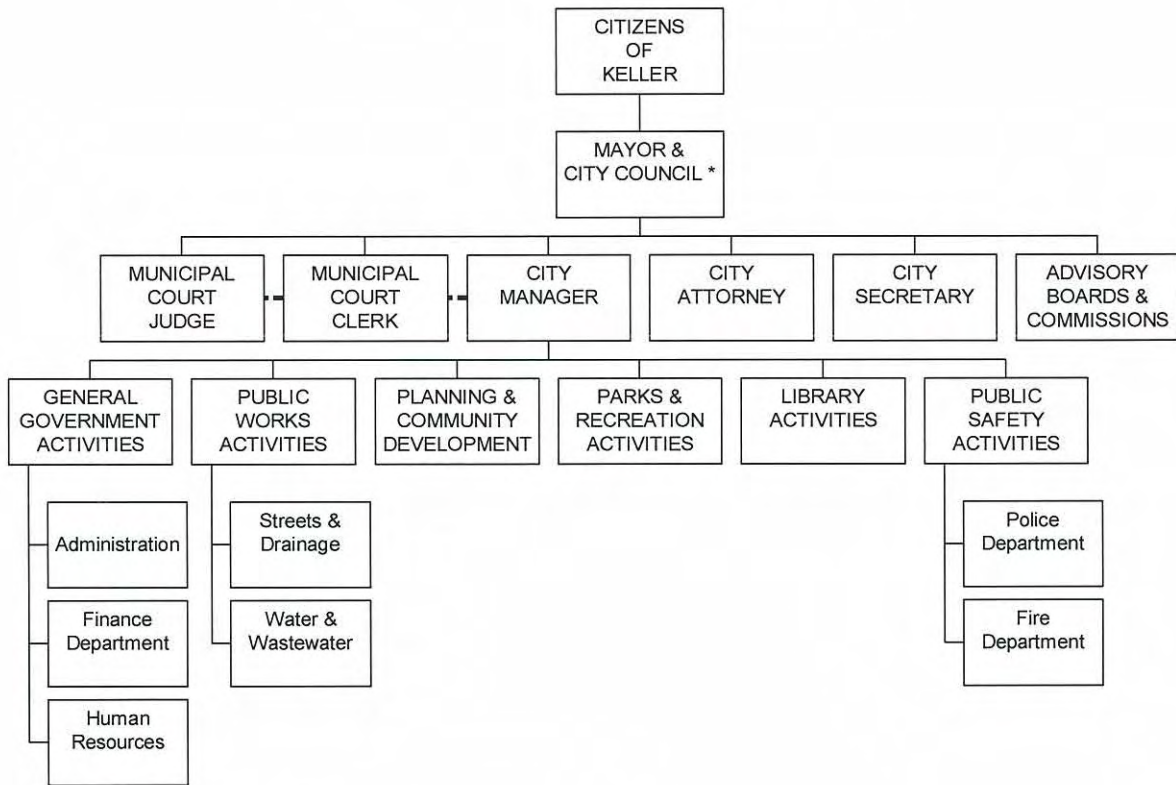
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# CITY OF KELLER, TEXAS ORGANIZATION CHART



\* Denotes elected positions.

**PRINCIPAL OFFICIALS**

<u>Name</u>	<u>Title</u>
<b><u>ELECTED OFFICIALS:</u></b>	
Julie A. Tandy	Mayor
Steve Trine	Council Member, Place 1
Mark Harness	Council Member, Place 2
Bob Kirk	Council Member, Place 3
Jim Carson	Council Member, Place 4
Mitch Holmes	Council Member, Place 5 and Mayor Pro Tem
<b><u>APPOINTED OFFICIALS</u></b>	
Lyle H. Dresher	City Manager
Pauline Drewry	Director of Human Resources
Mark Hafner	Police Chief
Greg Dickens	Director of Public Works
Kelly B. King	Fire Chief
Matthew A. King	Municipal Court Judge
Dona Roth Kinney	Director of Parks and Recreation
Kevin Lahner	Assistant City Manager
Johnny L. Phifer	Director of Finance
Jeanie Roumell	Municipal Court Clerk
Shelia Stephens	City Secretary
Lisa H. Wood	Library Director
Nika Reinecke	Director of Community Development
<b><u>OTHER APPOINTED OFFICIALS:</u></b>	
Boyle and Lowry, L.L.P.	City Attorney
First Southwest Company	Financial Advisors
First Southwest Asset Management, Inc.	Investment Advisors
Fisher & Newsom, 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, 2006, 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, 2006, 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.

*Rutledge Crain & Company, PC*

December 9, 2006

## **CITY OF KELLER, TEXAS**

### *Management's Discussion and Analysis For Year Ended September 30, 2006 (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, 2006. 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 2006 fiscal year by \$150,687,546 (net assets). Of this amount, \$24,621,094 (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 \$10,520,424, or 7.5%. The net assets of governmental activities increased \$4,395,855, or approximately 5.7%. This increase in net assets resulted in part from slight increases in ad valorem (property) taxes, sales, and franchise taxes, and development-related revenues. The assets of business-type activities increased by \$6,124,569, or 9.7%. The increase was due in part to dry weather conditions, resulting in increased water usage and related water and wastewater revenues, combined with a water and wastewater rate increase.
- As of September 30, 2006, the City's governmental funds reported combined ending fund balances of \$18,522,630. Approximately 76% of this total amount, \$14,021,445, is unreserved and available for use within the City's designation and policies. Reservations for (1) encumbrances \$848,559; (2) special uses \$3,257,194; (3) interfund advances \$28,513; (4) prepaid items \$170,563; (5) inventory \$28,675; and (6) debt service \$167,681; total \$4,501,185, and approximately 24% of the total fund balance.
- Total cost of all the City's programs was \$53,554,548 in 2006, compared to \$50,430,945 in 2005.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$6,710,715, or 34.8% of total expenditures. This represents an increase of \$1,893,315, or 39.3% from the prior fiscal year due mainly to slight increases in property, sales, and franchise taxes, combined with cost savings throughout all general fund departments (actual expenditures less than budgeted expenditures).
- The City's total debt outstanding (excluding bond premiums and discounts) decreased by \$2,810,977 (2.3%) during the current fiscal year, primarily the result of retirement of existing debt. During the year, the City issued \$4.5 million in certificates of obligation: \$4.2 million for water improvements, and \$0.27 million for vehicle and equipment replacements.

#### **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.



## **CITY OF KELLER, TEXAS**

### *Management's Discussion and Analysis For Year Ended September 30, 2006 (Unaudited)*

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 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.

## **CITY OF KELLER, TEXAS**

*Management's Discussion and Analysis  
For Year Ended September 30, 2006  
(Unaudited)*

**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.

**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 \$150,687,546 as of September 30, 2006.

The largest portion of the City's net assets, \$115.7 million (76.8%), 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, \$10.4 million (6.9%), represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$24.6 million (16.3%), may be used to meet the City's ongoing obligations to citizens and creditors.

Total assets of governmental activities decreased by \$1,704,967, or 1.0% in fiscal year 2006. The decrease in total assets of governmental activities results primarily from a decrease in net capital assets. The decrease in net capital assets of \$2,566,965 (1.6%) 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 \$4,395,855, or 5.7%. Total liabilities of governmental activities decreased \$6,100,823, or 6%. Non-current liabilities of governmental activities decreased by \$5,562,276 or 5.7%. The reduction in liabilities of governmental activities is primarily due to the retirement of outstanding debt service.

Total assets of business-type activities increased by \$8,471,882, or 9.3%. Total current assets increased \$3,341,349 (13.9%), while total capital assets increased \$5,130,533 (7.7%), respectively. Net assets of business-type activities increased \$6,124,568, or 9.7%. The increase in current and other assets is due primarily to proceeds of new debt issued in 2006 for water improvements, combined with dry weather conditions that contributed to increases in water and wastewater revenues. 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 increased \$2,347,314, or 8.6% mainly due to the previously mentioned new debt issued during the year.

## CITY OF KELLER, TEXAS

Management's Discussion and Analysis  
For Year Ended September 30, 2006  
(Unaudited)

### CITY OF KELLER'S CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$22,977,798	\$22,115,800	\$27,430,471	\$24,089,122	\$ 50,408,269	\$ 46,204,922
Capital assets	154,050,523	156,617,488	71,778,708	66,648,175	225,829,231	223,265,663
Total Assets	177,028,321	178,733,288	99,209,179	90,737,297	276,237,500	269,470,585
Long term liabilities	92,389,054	97,951,330	26,549,289	24,065,041	118,938,343	122,016,371
Other liabilities	3,513,000	4,051,547	3,098,611	3,235,545	6,611,611	7,287,092
Total Liabilities	95,902,054	102,002,877	29,647,900	27,300,586	125,549,954	129,303,463
Net Assets:						
Invested in capital assets, net of related debt	63,207,052	62,602,173	52,467,582	45,059,859	115,674,634	107,662,032
Restricted	9,909,962	8,444,642	481,856	481,855	10,391,818	8,926,497
Unrestricted	8,009,253	5,683,597	16,611,841	17,894,996	24,621,094	23,578,593
Total Net Assets	\$81,126,267	\$76,730,412	\$69,561,279	\$63,436,710	\$ 150,687,546	\$ 140,167,122

**Analysis of the City's Operations** – The following table provides a summary of the City's operations for the year ended September 30, 2006. Overall the City had an increase in net assets of \$10,520,424.

#### Government Activities

Government activities increased the City's net assets by \$4,395,855, or 5.7% from the prior year. Total governmental revenues increased \$1,147,928 (3%). Major increases in revenues were sales tax revenues (\$1,066,524); fines, fees, and charges for services (\$773,163), and ad valorem taxes (\$888,982). Sales taxes increased due to an increase in retail establishments and related taxable sales, resulting from continued strong economic development activity. Fines, fees, and charges for services increased primarily because of the user fees for The Keller Pointe Recreation and Aquatic Center, and building/development fees. Charges for services for the Keller Pointe increased \$905,441. Ad valorem taxes increased because of the increase in taxable values from the prior year by approximately 9.7%. Capital grants and contributions decreased \$2,373,429 (45%), resulting primarily from a decrease in capital contributions from developers for infrastructure assets (streets), and completion of grant-funded capital projects in fiscal year 2005 (e.g., The Parks at Town Center).

Total governmental expenses increased by \$1,606,433 (4.5%). The largest change in expenses was an increase of \$766,627, or 10.5% in recreation and leisure expenses. This increase is primarily due to the growth in programs and related operations of The Keller Pointe Recreation and Aquatic Center. Public safety expenses increased \$737,384, or 7.5% primarily due to filling previously vacant (frozen) positions. Interest expense decreased \$154,978, or 3.5%, primarily due to retirement of long-term debt.

#### Business-type Activities

Net assets from business-type activities increased by \$6,124,569, or 9.6%. Total expenses increased by \$1,517,170, or 10.1% primarily because of an increase of \$900,767, or 19.7%, in wholesale water purchases because of dry weather conditions, and increases in electrical costs for system operations. Total revenues increased \$4,557,143 (22.5%), with an increase of \$4,048,327 (26.1%) in charges for services. Charges for service increased due to increased water usage as a result of the aforementioned dry weather conditions, combined with water and sewer rate increases of approximately 9.5% and 8.5% that were implemented in April 2005 and April 2006 respectively.

**CITY OF KELLER, TEXAS**

Management's Discussion and Analysis  
For Year Ended September 30, 2006  
(Unaudited)

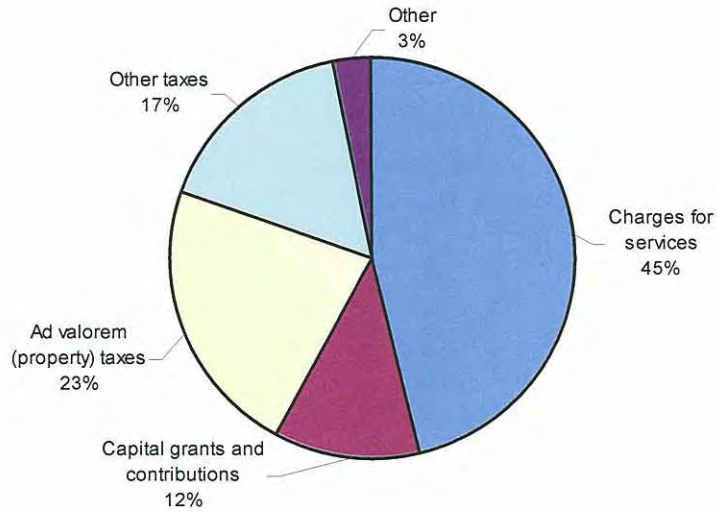
**CITY OF KELLER'S CHANGES IN NET ASSETS**

	Government Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 10,025,176	\$ 9,252,013	\$ 19,544,472	\$ 15,496,145	\$ 29,569,648	\$ 24,748,158
Operating grants and contributions	259,871	379,393	—	—	259,871	379,393
Capital grants & contributions	2,904,694	5,278,123	4,555,755	4,109,945	7,460,449	9,388,068
General revenues:						
Ad valorem (property) taxes	14,459,067	13,570,085	—	—	14,459,067	13,570,085
Sales taxes	7,534,422	6,467,898	—	—	7,534,422	6,467,898
Other taxes	3,138,860	2,654,700	—	—	3,138,860	2,654,700
Investment earnings	930,146	534,625	715,250	422,389	1,645,396	957,014
Miscellaneous	4,660	(27,869)	(5,051)	232,453	(391)	204,584
Gain (loss) on sale/retirement of capital assets	—	—	7,650	—	7,650	—
Total revenues	<u>39,256,896</u>	<u>38,108,968</u>	<u>24,818,076</u>	<u>20,260,932</u>	<u>64,074,972</u>	<u>58,369,900</u>
Expenses:						
General government	4,814,291	4,542,497	—	—	4,814,291	4,542,497
Community development	1,251,056	1,128,547	—	—	1,251,056	1,128,547
Public safety	10,627,205	9,889,821	—	—	10,627,205	9,889,821
Public works	7,735,718	7,402,595	—	—	7,735,718	7,402,595
Recreation & leisure	8,089,054	7,322,427	—	—	8,089,054	7,322,427
Non-departmental	231,915	701,941	—	—	231,915	701,941
Interest on long-term debt	4,303,912	4,458,890	—	—	4,303,912	4,458,890
Water and sewer operations	—	—	14,859,712	13,267,173	14,859,712	13,267,173
Drainage utility	—	—	1,641,685	1,717,054	1,641,685	1,717,054
Total expenses	<u>37,053,151</u>	<u>35,446,718</u>	<u>16,501,397</u>	<u>14,984,227</u>	<u>53,554,548</u>	<u>50,430,945</u>
Increase (decrease) in net assets before transfers	2,203,745	2,662,250	8,316,679	5,276,705	10,520,424	7,938,955
Transfers in (out)	2,192,110	2,243,800	(2,192,110)	(2,243,800)	—	—
Increase (decrease) in net assets	<u>4,395,855</u>	<u>4,906,050</u>	<u>6,124,569</u>	<u>3,032,905</u>	<u>10,520,424</u>	<u>7,938,955</u>
Net assets – October 1	76,730,412	71,824,362	63,436,710	60,403,805	140,167,122	132,228,167
Net assets – September 30	<u>\$ 81,126,267</u>	<u>\$ 76,730,412</u>	<u>\$ 69,561,279</u>	<u>\$ 63,436,710</u>	<u>\$ 150,687,546</u>	<u>\$ 140,167,122</u>

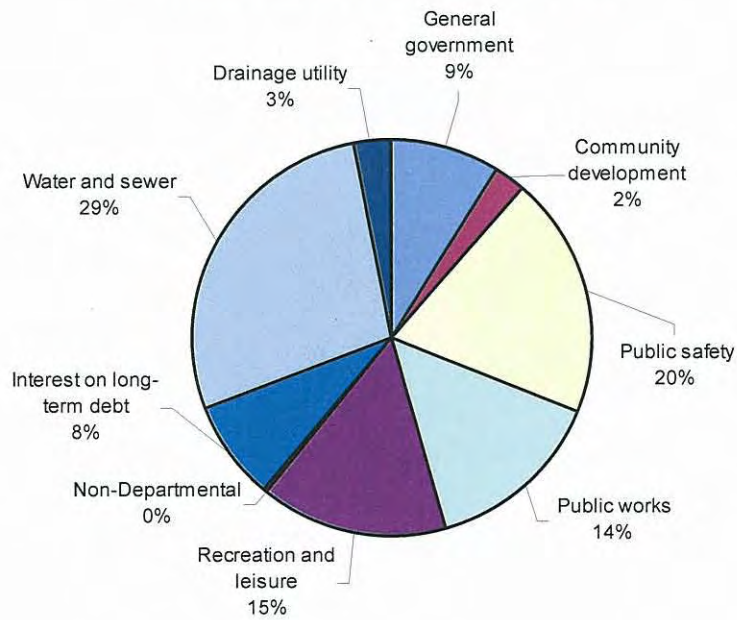
**CITY OF KELLER, TEXAS**

Management's Discussion and Analysis  
For Year Ended September 30, 2006  
(Unaudited)

**Total Sources of Revenue – \$64,074,971**



**Total Expenses by Activity – \$53,554,548**



## **CITY OF KELLER, TEXAS**

*Management's Discussion and Analysis  
For Year Ended September 30, 2006  
(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 \$18,522,630, an increase of \$1,361,043 (7.9%) in comparison with the prior year. Approximately 24%, or \$4,501,185 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 (\$848,559); 2) for special uses (\$3,257,194); 3) for interfund loans (\$28,513); 4) for prepaid items (\$170,563); 5) for inventories (\$28,675); and 6) to pay for debt service (\$167,681). Approximately 76% of the total amount (\$14,021,445) 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 \$16,611,841. Unrestricted net assets of the respective funds are: Water and Wastewater-\$16,347,659, and Drainage Utility-\$264,182. The Water and Wastewater operations had an increase in net assets of \$5,680,735, while the Drainage Utility had an increase in net assets of \$443,834. The increase in the net assets of the Drainage Utility resulted from an increase in capital contributions from developers over the previous year of \$104,468, combined with increases in service charges, and a decrease in operating expenses. The increase in water and wastewater net assets is due primarily to increased water and wastewater revenues billed to customers because of increased water usage resulting from dry weather conditions, combined with water and wastewater rate increases implemented in April 2005 and April 2006, as well as an increase in developer capital contributions of approximately \$464,282.

**General Fund Budgetary Highlights** – In fiscal year 2006, 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 budget reflected a net decrease of \$648,490 in the unreserved fund balance, while the final budget reflected an increase of \$465,000 in the unreserved fund balance, a difference of \$1,113,490. The original budget included a total ending fund balance of \$3,415,766, while the final budget total ending fund balance was \$5,516,319. 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 increased \$1,713,225 from the original budget, with significant increases occurring in sales tax revenue (\$481,000), franchise and other taxes (\$420,070), and building and development fees (\$387,200). Total final budgeted expenditures and transfers out increased by \$599,735 over the original budget. The most significant increase in expenditures was a transfer to the capital projects fund of \$900,000, to be set aside for future capital improvements. The increase in transfers out was combined with other decreases in expenditures throughout all the departments of the City.

## CITY OF KELLER, TEXAS

Management's Discussion and Analysis  
For Year Ended September 30, 2006  
(Unaudited)

### Significant budget variances:

Total actual revenues and transfers in exceeded the final budgeted amounts by \$577,707, or 2.6%. The most significant variance was interest income (\$132,162, a 55% increase over the final budget amount), resulting primarily from increased market rates, combined with additional funds available for investment. Actual revenues for all revenue categories, with the exception of intergovernmental revenues, exceeded the final budgeted amounts. Permits, licenses and fees exceeded the final budget by \$98,079 (3.9%) due to an increase in building and construction activity; charges for services exceeded the final budget by \$95,499 (18.3%) primarily due to an increase in ambulance fee revenue; fines exceeded the final budget amount by \$93,237 (9.5%) due primarily to an increase in municipal court citations. Total actual expenditures and transfers out were less than final budgeted expenditures by \$828,718. 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 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 35.2% (financial policy target = 13%) of total fund expenditures, while the total fund balance represents 36.7% of that same amount. The actual total ending fund balance of \$7,076,866 at September 30, 2006 is an increase of \$1,560,547 (28.3%) 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, 2006, amounts to \$225,829,231 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, improvements other than buildings, and construction in progress. The total increase in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$2,563,568, or 1.2% (a 1.6% decrease in capital assets for governmental activities and 7.7% increase in capital assets for business-type activities, respectively).

Capital asset contributions, primarily from developers, for fiscal year 2006 were \$7,460,449, a decrease of \$1,927,619, or 20.5% from the prior year.

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

Keller-Smithfield Road street improvements	\$ 4,397
1 million gallon elevated water storage tank on Keller-Smithfield Road	1,717
Keller-Smithfield Road water distribution improvements	1,306
3 million gallon water ground storage tank on Pearson Road	1,763
Keller/Southlake 42-inch water supply/distribution improvements	1,874
Street improvements funded from the 1/8 <sup>th</sup> cent street maintenance sales tax	<u>483</u>
Total	<u>\$11,540</u>

Ongoing projects (000's):

Katy Road water improvement project	\$ 595
Land acquisition 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 2006-07 through 2010-11 identifies approximately \$82 million of capital projects, comprised primarily of streets and drainage improvements (45%), water and wastewater improvements (23%), and public safety (police and fire departments) improvements (28%). Currently, none of the \$82 million projects have been authorized or funded at this time.

**CITY OF KELLER, TEXAS**

Management's Discussion and Analysis  
For Year Ended September 30, 2006  
(Unaudited)

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

	Government Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 18,871,354	\$ 18,311,087	\$ 1,122,730	\$ 1,122,492	\$ 19,994,084	\$ 19,433,579
Buildings	41,198,595	42,828,641	—	—	41,198,595	42,828,641
Equipment	3,850,605	4,567,792	809,898	861,256	4,660,503	5,429,048
Improvements	89,329,996	87,985,163	69,721,519	59,409,373	159,051,515	147,394,536
Construction in Progress	799,973	2,924,805	124,561	5,257,155	924,534	8,181,960
<b>Total</b>	<b>\$154,050,523</b>	<b>\$156,617,488</b>	<b>\$71,778,708</b>	<b>\$66,650,276</b>	<b>\$225,829,231</b>	<b>\$223,267,764</b>

Additional information on the City's capital assets can be found in Note II.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 \$119,115,224. Of this amount, \$92,210,214 comprises debt backed by the full faith and credit of the City, and \$26,905,010 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues. Total outstanding debt of governmental activities decreased \$5,713,927 (5.8%), while total outstanding debt of business-type activities increased \$2,902,950 (12.1%).

**Outstanding Debt at Year End**

Type of Debt	Government Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation	\$21,226,400	\$ 22,927,061	\$ 9,768,600	\$10,198,030	\$ 30,995,000	\$ 33,125,091
Revenue bonds	890,000	1,035,000	—	—	890,000	1,035,000
Certificates of obligation	69,425,000	73,210,000	15,515,000	11,785,000	84,940,000	84,995,000
Contractual obligations	—	—	1,621,410	2,019,030	1,621,410	2,019,030
Capital leases	668,814	752,080	—	—	668,814	752,080
<b>Total</b>	<b>\$92,210,214</b>	<b>\$ 97,924,141</b>	<b>\$26,905,010</b>	<b>\$24,002,060</b>	<b>\$ 119,115,224</b>	<b>\$ 121,926,201</b>

As of September 30, 2006, of the \$92,210,214 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 57%, or \$52,375,000, is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1	\$32,075,000
Keller Development Corporation	18,805,000
Keller Crime Control Prevention District	1,495,000

Therefore 43%, or \$39,835,214, 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 \$2,810,977, or 2.3%. The decrease was primarily due to current year debt payments, combined with \$4.5 million in new debt issued during the year. The debt issued by the City during 2006 was for the following:



**CITY OF KELLER, TEXAS**

*Management's Discussion and Analysis  
For Year Ended September 30, 2006  
(Unaudited)*

- The City issued \$4,525,000 in Certificates of Obligation, Series 2006 for the following projects:

Water & Wastewater improvements (self-supporting):	
Keller-Smithfield Road water distribution improvements	\$1,520,000
Pearson Lane Pump Station improvements	1,060,000
Keller Parkway water distribution improvements	<u>1,625,000</u>
Subtotal	4,205,000
Vehicle/equipment replacements (tax-supported):	
Police vehicles and associated equipment	150,000
Street maintenance equipment	<u>120,500</u>
Subtotal	270,500
Issuance/legal costs	<u>49,500</u>
Total	<u>\$4,525,000</u>

- In addition, the City issued \$890,000 in Keller Development Corporation Series 2005 Sales Tax Revenue Refunding Bonds in January 2006, refunding outstanding Keller Development Corporation Series 1992 Sales Tax Revenue Bonds. The Series 2005 Sales Tax Revenue Refunding Bonds had a net interest rate of 4.21%, and resulted in a present value benefit of \$52,100. The net debt of the Corporation increased \$45,000 as a result of the refunding. These revenue bonds are supported by the sales tax revenues generated from the half-cent local option sales tax. The original amortization period was not extended as a result of the refunding.

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 &amp; Poor's</u>
General obligation bonds (tax supported)	A1	A+
Certificates of obligation (tax supported)	A1	A+

Revenue bonds: As of September 30, 2006, the only remaining revenue bond debt outstanding is \$890,000 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 II.F. to the basic financial statements.

**Economic Factors and Next Year's Budgets and Rates**

In the fiscal year 2006-07 budget, general fund revenues and transfers in were budgeted to increase by \$1,209,220 (5.4%) from the 2005-06 budget year with general property taxes comprising about 41% of General Fund budgeted revenues and transfers in. Certified taxable assessed valuations increased 10.4% over the prior year, compared to an increase of 9.7% last year. Projected increases in sales tax receipts (6%) continue in fiscal year 2006-07 because of new retail outlets being opened in Keller, and continued increases in historical growth trends. A slight increase in the amount of investment income is also projected due to the Federal Reserve Board's actions increasing short-term interest rates. Development-related budgeted revenues for the 2006-07 fiscal year were decreased by \$99,000, or 4% over fiscal year 2005-06, primarily due to a conservative budget approach; however, development activity is anticipated to continue at a strong pace.

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. Budgeted expenditures increased by 15%, primarily as a result of increases in capital outlay, maintaining the employee compensation plan, and the addition of approximately 7 full-time equivalent positions, primarily in public safety (2 full-time equivalent positions for

## **CITY OF KELLER, TEXAS**

### *Management's Discussion and Analysis For Year Ended September 30, 2006 (Unaudited)*

the Police Department, and 3.75 for the Fire Department, respectively). The adopted budget maintains the required ending fund balance at September 30, 2006 of 13% of operating expenditures (actual of 16.6%). 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 2006-07 are:

Incremental increase Fire Department staffing (3.75 full-time equivalents)	\$298,570
Increase in funding for street improvements	175,175
Replacement of Fire Department vehicles	145,000
Replacement of emergency services ambulance	142,000
Increase in Police Department employees by 2 full-time equivalents	90,070

Significant items in other funds:

The Keller Pointe Recreation and Aquatic Center Fund – implement a 16% increase in annual pass fees to address increases in operating costs, and initiate an equipment replacement fund

Information Services Fund – replace main router at Keller Town Hall, upgrade the storage area network, and provide for wireless Internet access capability at Keller Town Hall

Library Special Revenue Fund – funding for a library efficiency and space study

Keller Development Corporation – funding for soccer field fencing at Keller Sports Park and parking lot lighting improvements for The Keller Pointe Recreation and Aquatic Center

Street Improvements Fund – provide funding of \$550,000 from the 1/8<sup>th</sup> of one percent sales tax for street maintenance

Keller Crime Control Prevention District – provide funding for vehicle and related equipment replacements, national accreditation, mobile computer system improvements, upgrade the Fire/Police computer aided dispatch system, and other improvements from the 3/8<sup>th</sup> of one percent sales tax

The City's strong financial position continues with an expanding property tax base, a growing retail base, and a competitive tax rate (the City's property tax rate for 2006-07 ranks the 5<sup>th</sup> lowest among 16-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](mailto:finance@cityofkeller.com).

**CITY OF KELLER, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2006**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<i>Cash</i>	\$ 252,364	\$ 125,731	\$ 378,095
<i>Investments</i>	18,249,833	4,504,412	22,754,245
Receivables (net of allowances for uncollectibles):	1,980,892	2,601,869	4,582,761
<i>Special assessments</i>	55,200	--	55,200
<i>Internal balances</i>	(160,443)	160,444	1
<i>Due from other governments</i>	1,418,829	948,453	2,367,282
<i>Inventories</i>	28,675	290,538	319,213
<i>Prepaid items</i>	156,636	10,821	167,457
<i>Deferred charges</i>	995,812	348,079	1,343,891
Restricted assets:			
<i>Cash</i>	--	439,716	439,716
<i>Investments</i>	--	14,146,060	14,146,060
Capital assets (net of accumulated depreciation, where applicable):			
<i>Land</i>	18,871,354	1,122,730	19,994,084
<i>Construction in progress</i>	799,973	124,561	924,534
<i>Buildings</i>	41,198,595	--	41,198,595
<i>Improvements other than buildings</i>	89,329,996	69,721,519	159,051,515
<i>Machinery and equipment</i>	3,850,605	809,898	4,660,503
<i>Capacity rights (net of accumulated amortization)</i>	--	3,854,348	3,854,348
<b>Total Assets</b>	<u>177,028,321</u>	<u>99,209,179</u>	<u>276,237,500</u>
<b>LIABILITIES</b>			
<i>Accounts payable</i>	1,168,529	2,012,564	3,181,093
<i>Accrued liabilities and other payables</i>	583,083	78,897	661,980
<i>Unearned revenue</i>	591,728	121,981	713,709
<i>Customer deposits</i>	43,380	714,701	758,081
<i>Accrued interest payable</i>	535,532	170,468	706,000
<i>Provision for litigation settlement</i>	590,748	--	590,748
Noncurrent liabilities:			
<i>Due within one year</i>	7,581,961	2,102,626	9,684,587
<i>Due in more than one year</i>	84,807,093	24,446,663	109,253,756
<b>Total Liabilities</b>	<u>95,902,054</u>	<u>29,647,900</u>	<u>125,549,954</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	63,207,052	52,467,582	115,674,634
Restricted For:			
Debt Service	1,351,395	481,856	1,833,251
Capital Projects	8,558,567	--	8,558,567
Unrestricted	8,009,253	16,611,841	24,621,094
<b>Total Net Assets</b>	<u>\$ 81,126,267</u>	<u>\$ 69,561,279</u>	<u>\$ 150,687,546</u>

The accompanying notes are an integral part of this statement.

**CITY OF KELLER, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
General government	\$ 4,814,291	\$ 350,493	\$ --	\$ --
Community development	1,251,056	3,413,557	11,353	--
Public safety	10,627,205	1,943,569	112,500	9,222
Public works	7,735,718	1,437,910	--	2,895,472
Recreation and leisure	8,089,054	2,879,647	128,007	--
Non-departmental	231,915	--	--	--
Interest on long-term debt	4,303,912	--	8,011	--
Total Governmental Activities	<u>37,053,151</u>	<u>10,025,176</u>	<u>259,871</u>	<u>2,904,694</u>
Business-type Activities:				
Water and Wastewater Utility	14,859,712	18,725,239	--	3,250,635
Drainage Utility	1,641,685	819,233	--	1,305,120
Total Business-type Activities	<u>16,501,397</u>	<u>19,544,472</u>	<u>--</u>	<u>4,555,755</u>
Total Primary Government	<u>\$ 53,554,548</u>	<u>\$ 29,569,648</u>	<u>\$ 259,871</u>	<u>\$ 7,460,449</u>

General Revenues:

  Property Taxes  
  Sales Taxes  
  Franchise Taxes  
  Alcoholic Beverage Taxes  
  Unrestricted Investment Earnings  
  Miscellaneous Income (Expense)  
  Gain on Sale of Capital Assets

Transfers

  Total General Revenues and Transfers

  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>
\$ (4,463,798)		\$ (4,463,798)
2,173,854		2,173,854
(8,561,914)		(8,561,914)
(3,402,336)		(3,402,336)
(5,081,400)		(5,081,400)
(231,915)		(231,915)
(4,295,901)		(4,295,901)
<u>(23,863,410)</u>		<u>(23,863,410)</u>
--	\$ 7,116,162	7,116,162
--	482,668	482,668
--	<u>7,598,830</u>	<u>7,598,830</u>
<u>(23,863,410)</u>	<u>7,598,830</u>	<u>(16,264,580)</u>
14,459,067	--	14,459,067
7,534,422	--	7,534,422
3,089,399	--	3,089,399
49,461	--	49,461
930,146	715,250	1,645,396
4,660	(5,051)	(391)
--	7,650	7,650
2,192,110	(2,192,110)	--
<u>28,259,265</u>	<u>(1,474,261)</u>	<u>26,785,004</u>
4,395,855	6,124,569	10,520,424
<u>76,730,412</u>	<u>63,436,710</u>	<u>140,167,122</u>
<u>\$ 81,126,267</u>	<u>\$ 69,561,279</u>	<u>\$ 150,687,546</u>

## CITY OF KELLER, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006

	General Fund	G.O. Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ --	\$ --	\$ 252,362	\$ 252,362
Investments	7,337,997	562,279	10,349,560	18,249,836
Receivables (net of allowances for uncollectibles):				
Taxes	703,717	52,063	--	755,780
Accounts	358,437	--	15,194	373,631
Interest	88,051	7,827	141,606	237,484
Other	104,524	25,524	483,949	613,997
Special assessments	--	33	55,167	55,200
Intergovernmental	706,470	--	712,359	1,418,829
Due from other funds	251,124	--	837,006	1,088,130
Advance to other funds	--	--	28,513	28,513
Inventories	28,675	--	--	28,675
Prepaid items	35,583	105,048	16,005	156,636
<b>Total Assets</b>	<b>\$ 9,614,578</b>	<b>\$ 752,774</b>	<b>\$ 12,891,721</b>	<b>\$ 23,259,073</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 823,564	\$ --	\$ 344,964	\$ 1,168,528
Accrued liabilities and other payables	385,485	--	197,598	583,083
Due to other funds	798,074	16,232	271,919	1,086,225
Advance from other funds	--	162,348	28,513	190,861
Customer deposits	43,380	--	--	43,380
Deferred revenue	487,209	65,571	1,111,586	1,664,366
<b>Total Liabilities</b>	<b>2,537,712</b>	<b>244,151</b>	<b>1,954,580</b>	<b>4,736,443</b>
<b>Fund Balances:</b>				
<b>Reserved Fund Balances</b>				
Reserved for encumbrances	253,394	--	595,165	848,559
Reserved for special uses	34,475	--	3,222,719	3,257,194
Reserved for interfund advances	--	--	28,513	28,513
Reserved for prepaid items	49,607	105,048	15,908	170,563
Reserved for inventory	28,675	--	--	28,675
Reserved for debt service	--	--	167,681	167,681
<b>Unreserved, reported in:</b>				
General Fund	6,710,715	--	--	6,710,715
Special Revenue Funds	--	--	1,782,715	1,782,715
Debt Service Funds	--	403,575	555,897	959,472
Capital Projects Funds	--	--	4,568,543	4,568,543
<b>Total Fund Balances</b>	<b>7,076,866</b>	<b>508,623</b>	<b>10,937,141</b>	<b>18,522,630</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,614,578</b>	<b>\$ 752,774</b>	<b>\$ 12,891,721</b>	<b>\$ 23,259,073</b>

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, 2006

Total fund balances - governmental funds balance sheet	\$ 18,522,630
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.	154,050,522
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	424,334
Payables for bond principal which are not due in the current period are not reported in the funds.	(91,404,914)
Payables for capital leases which are not due in the current period are not reported in the funds.	(668,814)
Payables for bond interest which are not due in the current period are not reported in the funds.	(535,532)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(906,075)
Bond issue costs are deferred in the statement of activities.	995,813
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	64,888
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	284,863
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>298,552</u>
Net assets of governmental activities - statement of net assets	<u>\$ 81,126,267</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, 2006

	General Fund	G.O. Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
<i>Taxes</i>	\$ 15,791,040	\$ 4,030,764	\$ 5,459,104	\$ 25,280,908
<i>Permits, licenses and fees</i>	2,641,279	--	46,642	2,687,921
<i>Intergovernmental</i>	821,336	--	64,157	885,493
<i>Charges for services</i>	618,299	--	2,680,016	3,298,315
<i>Fines</i>	1,071,737	--	102,793	1,174,530
<i>Special assessments and impact fees</i>	--	8,011	1,212,652	1,220,663
<i>Donations</i>	11,353	--	140,568	151,921
<i>Interest income</i>	372,162	58,759	499,225	930,146
<i>Miscellaneous</i>	211,931	--	344,157	556,088
<b>Total revenues</b>	<u>21,539,137</u>	<u>4,097,534</u>	<u>10,549,314</u>	<u>36,185,985</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General government</i>	2,877,303	--	1,130,600	4,007,903
<i>Community development</i>	1,216,936	--	--	1,216,936
<i>Public safety</i>	9,561,101	--	69,104	9,630,205
<i>Public works</i>	1,889,684	--	26,050	1,915,734
<i>Recreation and leisure</i>	3,317,431	--	2,928,267	6,245,698
<i>Non-departmental</i>	166,707	--	--	166,707
<i>Capital outlay</i>	250,866	--	3,790,865	4,041,731
<b>Debt service:</b>				
<i>Principal</i>	--	3,203,927	2,735,000	5,938,927
<i>Interest and fiscal charges</i>	--	1,823,822	2,221,008	4,044,830
<i>Bond issuance costs</i>	--	--	30,638	30,638
<b>Total expenditures</b>	<u>19,280,028</u>	<u>5,027,749</u>	<u>12,931,532</u>	<u>37,239,309</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	2,259,109	(930,215)	(2,382,218)	(1,053,324)
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	1,237,000	661,180	2,332,431	4,230,611
<i>Transfers out</i>	(1,624,684)	--	(413,817)	(2,038,501)
<i>Debt issued</i>	--	--	270,000	270,000
<i>Refunding bonds issued</i>	--	--	890,000	890,000
<i>Payment to refunded bond escrow agent</i>	--	--	(937,743)	(937,743)
<b>Total other financing sources (uses)</b>	<u>(387,684)</u>	<u>661,180</u>	<u>2,140,871</u>	<u>2,414,367</u>
<b>Net change in fund balances</b>	1,871,425	(269,035)	(241,347)	1,361,043
<b>Fund balances, October 1</b>	<u>5,205,441</u>	<u>777,658</u>	<u>11,178,488</u>	<u>17,161,587</u>
<b>Fund balances, September 30</b>	<u>\$ 7,076,866</u>	<u>\$ 508,623</u>	<u>\$ 10,937,141</u>	<u>\$ 18,522,630</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, 2006

Net change in fund balances - total governmental funds	\$ 1,361,043
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,310,453
The depreciation of capital assets used in governmental activities is not reported in the funds.	(8,731,990)
Donations of capital assets increase net assets in the SOA but not in the funds.	2,895,782
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(148,557)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	5,938,927
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(161,491)
(Increase) decrease in accrued interest from beginning of period to end of period.	(97,597)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(102,785)
Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year.	70,288
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	213,349
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	40,052
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,160,000)
Payments to refunding bond escrow agent are not an expense in SOA.	937,743
Bond issuance costs payments are not an expense in SOA.	30,638
Change in net assets of governmental activities - statement of activities	<u>\$ 4,395,855</u>

The accompanying notes are an integral part of this statement.

## CITY OF KELLER, TEXAS

## STATEMENT OF NET ASSETS

## ENTERPRISE FUNDS

SEPTEMBER 30, 2006

	Enterprise Fund Water and Wastewater Utility	Enterprise Fund Drainage Utility	Total Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 119,338	\$ 6,393	\$ 125,731
Investments	4,114,947	389,465	4,504,412
Receivables (net of allowances for uncollectibles):			
Taxes	5,381	--	5,381
Accounts	2,363,025	43,018	2,406,043
Interest	159,814	4,857	164,671
Other	18,124	7,650	25,774
Intergovernmental	948,453	--	948,453
Due from other funds	107,415	--	107,415
Advance to other funds	162,348	--	162,348
Inventories	290,538	--	290,538
Prepaid items	10,778	43	10,821
Total Current Assets	<u>8,300,161</u>	<u>451,426</u>	<u>8,751,587</u>
Noncurrent Assets:			
Restricted assets:			
Cash	439,716	--	439,716
Investments	14,146,060	--	14,146,060
Total Restricted Assets	<u>14,585,776</u>	<u>--</u>	<u>14,585,776</u>
Property, Plant and Equipment			
Land	1,122,730	--	1,122,730
Improvements other than buildings	73,797,757	19,453,424	93,251,181
Machinery and equipment	1,552,797	527,161	2,079,958
Construction in progress	124,561	--	124,561
Accumulated Depreciation	(17,749,990)	(7,049,732)	(24,799,722)
Net Property, Plant and Equipment	58,847,855	12,930,853	71,778,708
Capacity rights (net of accumulated amortization)	3,854,348	--	3,854,348
Deferred charges	348,079	--	348,079
Total Noncurrent Assets	<u>77,636,058</u>	<u>12,930,853</u>	<u>90,566,911</u>
Total Assets	<u>85,936,219</u>	<u>13,382,279</u>	<u>99,318,498</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	1,991,428	21,136	2,012,564
Accrued liabilities and other payables	67,193	11,704	78,897
Compensated absences payable	66,521	7,332	73,853
Due to other funds	2,247	107,072	109,319
Accrued interest payable	170,468	--	170,468
Deferred revenue	121,981	--	121,981
Customer deposits	674,701	40,000	714,701
Current portion of certificates of obligation	665,000	--	665,000
Current portion of general obligation bonds	945,679	--	945,679
Current portion of contractual obligations	418,094	--	418,094
Total Current Liabilities	<u>5,123,312</u>	<u>187,244</u>	<u>5,310,556</u>
Noncurrent Liabilities:			
Certificates of obligation	14,850,000	--	14,850,000
Contractual obligations	1,203,316	--	1,203,316
General obligations	8,393,347	--	8,393,347
Total Noncurrent Liabilities	<u>24,446,663</u>	<u>--</u>	<u>24,446,663</u>
Total Liabilities	<u>29,569,975</u>	<u>187,244</u>	<u>29,757,219</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	39,536,729	12,930,853	52,467,582
Restricted	481,856	--	481,856
Unrestricted	16,347,659	264,182	16,611,841
Total Net Assets	<u>\$ 56,366,244</u>	<u>\$ 13,195,035</u>	<u>\$ 69,561,279</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, 2006

	Enterprise Fund	Enterprise Fund	Total Enterprise Funds
	Water & W/W Utility	Drainage Utility	
<b>OPERATING REVENUES:</b>			
<i>Charges for services - water</i>	\$ 14,598,191	\$ --	\$ 14,598,191
<i>Charges for services - sewer</i>	3,939,516	--	3,939,516
<i>Charges for services - drainage</i>	--	819,233	819,233
<i>Tap and connection fees</i>	170,023	--	170,023
<i>Intergovernmental</i>	17,509	--	17,509
<b>Total Operating Revenues</b>	<u>18,725,239</u>	<u>819,233</u>	<u>19,544,472</u>
<b>OPERATING EXPENSES:</b>			
<i>Personnel services</i>	2,270,943	413,625	2,684,568
<i>Supplies and maintenance</i>	616,923	79,958	696,881
<i>Services and other</i>	1,869,552	160,969	2,030,521
<i>Wholesale water purchases</i>	5,476,097	--	5,476,097
<i>Wastewater services contracted</i>	1,276,245	--	1,276,245
<i>Depreciation and amortization</i>	2,290,678	984,306	3,274,984
<b>Total Operating Expenses</b>	<u>13,800,438</u>	<u>1,638,858</u>	<u>15,439,296</u>
<b>Operating Income (Loss)</b>	<u>4,924,801</u>	<u>(819,625)</u>	<u>4,105,176</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
<i>Interest income</i>	698,030	17,220	715,250
<i>Gain from disposal of assets</i>	--	7,650	7,650
<i>Miscellaneous income (expense)</i>	(5,147)	96	(5,051)
<i>Interest and fiscal charges</i>	(1,059,274)	(2,827)	(1,062,101)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(366,391)</u>	<u>22,139</u>	<u>(344,252)</u>
<b>Net Income (Loss) before Capital Contributions and Transfers</b>	<u>4,558,410</u>	<u>(797,486)</u>	<u>3,760,924</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>			
<i>Capital Contributions</i>	3,250,635	1,305,120	4,555,755
<i>Transfers in</i>	30,000	--	30,000
<i>Transfers out</i>	(2,158,310)	(63,800)	(2,222,110)
<b>Total Capital Contributions and Transfers</b>	<u>1,122,325</u>	<u>1,241,320</u>	<u>2,363,645</u>
<b>Change in Net Assets</b>	<u>5,680,735</u>	<u>443,834</u>	<u>6,124,569</u>
<b>Total Net Assets, October 1</b>	<u>50,685,509</u>	<u>12,751,201</u>	<u>63,436,710</u>
<b>Total Net Assets, September 30</b>	<u>\$ 56,366,244</u>	<u>\$ 13,195,035</u>	<u>\$ 69,561,279</u>

The accompanying notes are an integral part of this statement.

## CITY OF KELLER, TEXAS

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Funds		
	Water & Wastewater Operations	Drainage Utility	Totals
<b>Cash Flows from Operating Activities:</b>			
<i>Cash received from customers and users</i>	\$ 19,497,297	\$ 822,776	\$ 20,320,073
<i>Cash payments to suppliers for goods and services</i>	(10,314,181)	(226,087)	(10,540,268)
<i>Cash payments to employees for services</i>	(2,249,630)	(411,921)	(2,661,551)
Net Cash Provided (Used) by Operating Activities	6,933,486	184,768	7,118,254
<b>Cash Flows from Non-capital Financing Activities:</b>			
<i>Transfers to other funds</i>	(2,128,310)	(63,800)	(2,192,110)
<i>Cash received from other funds</i>	330,622	133,605	464,227
<i>Cash paid to other funds</i>	(70,251)	(141,372)	(211,623)
Net Cash Provided (Used) by Non-capital Financing Activities	(1,867,939)	(71,567)	(1,939,506)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
<i>Proceeds received from debt issuance</i>	4,255,000	--	4,255,000
<i>Acquisition or construction of capital assets</i>	(3,657,884)	(34,833)	(3,692,717)
<i>Principal payments on debt</i>	(1,720,104)	--	(1,720,104)
<i>Interest paid</i>	(1,165,211)	4,823	(1,160,388)
Net Cash Provided (Used) for Capital & Related Financing Activities	(2,288,199)	(30,010)	(2,318,209)
<b>Cash Flows from Investing Activities:</b>			
<i>Purchase of investments</i>	(6,955,048)	(160,158)	(7,115,206)
<i>Investment interest received</i>	698,030	17,220	715,250
Net Cash Provided (Used) for Investing Activities	(6,257,018)	(142,938)	(6,399,956)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,479,670)	(59,747)	(3,539,417)
Cash and cash equivalents - beginning	2,105,301	270,999	2,376,300
Restricted cash and cash equivalents - beginning	11,538,713	--	11,538,713
	13,644,014	270,999	13,915,013
Cash and cash equivalents - ending	2,283,800	211,252	2,495,052
Restricted cash and cash equivalents - ending	7,880,544	--	7,880,544
	\$ 10,164,344	\$ 211,252	\$ 10,375,596
Cash	\$ 119,338	\$ 6,393	\$ 125,731
Investments classified as cash equivalents	2,164,462	204,859	2,369,321
	\$ 2,283,800	\$ 211,252	\$ 2,495,052
Restricted cash	\$ 439,716	\$ --	\$ 439,716
Restricted investments classified as cash equivalents	7,440,828	--	7,440,828
	\$ 7,880,544	\$ --	\$ 7,880,544

	Enterprise Funds		
	Water & Wastewater Operations	Drainage Utility	Totals
<b>Reconciliation of Operating Income to Net Cash</b>			
<b>Provided by Operating Activities:</b>			
Operating income (loss)	\$ 4,924,801	\$ (819,625)	\$ 4,105,176
Adjustments to reconcile operating income to net cash			
Provided by Operating Activities			
<i>Depreciation and amortization</i>	2,290,678	984,306	3,274,984
<i>Miscellaneous income (expense)</i>	(5,147)	96	(5,051)
(Increase) decrease in assets			
<i>Accounts receivable</i>	793,660	3,447	797,107
<i>Due from other governments</i>	(828,514)	--	(828,514)
<i>Prepaid items</i>	397	--	397
<i>Inventory</i>	(77,655)	--	(77,655)
Increase (decrease) in liabilities:			
<i>Accounts payable</i>	1,294,441	14,840	1,309,281
<i>Accrued liabilities and other payables</i>	(58,958)	2,483	(56,475)
<i>Due to other governments</i>	(1,395,413)	--	(1,395,413)
<i>Customer deposits</i>	(16,455)	--	(16,455)
<i>Compensated absences</i>	11,651	(779)	10,872
Total Adjustments	<u>2,008,685</u>	<u>1,004,393</u>	<u>3,013,078</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,933,486</u>	<u>\$ 184,768</u>	<u>\$ 7,118,254</u>

Noncash Investing, Capital, and Financing Activities

<i>Developer contributions of infrastructure</i>	<u>\$ 3,250,635</u>	<u>\$ 1,305,120</u>	<u>\$ 4,555,755</u>
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The accompanying notes are an integral part of this statement.

# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

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

# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

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.

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.

# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

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.

#### 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



# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

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.

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

# CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
Year Ended September 30, 2006

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 \$817,811 (including \$439,716 restricted) and the bank balance was \$1,100,830. \$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.

Under a contractual agreement with Trinity River Authority, depository accounts are maintained by TRA for interest sinking, debt and construction reserves totaling \$1,169,000 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, 2006, 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:

**CITY OF KELLER, TEXAS**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 Year Ended September 30, 2006

Description	Carrying Amount	Fair Value	% of Total (Cost)
U.S. Agency Discount/Callable Notes	\$ 21,112,768	\$ 21,358,012	57%
Money Market Mutual Funds	337,956	337,956	1%
Government Sponsored Investment Pools			
TexPool	12,520,970	12,520,970	34%
LOGIC	2,928,611	2,928,611	8%
	<u>\$ 36,900,305</u>	<u>\$ 37,145,549</u>	<u>100%</u>
Unrestricted	\$ 22,754,245		
Restricted	<u>14,146,060</u>		
	<u>\$ 36,900,305</u>		

Weighted Average Maturity - Par Value

3 - 30 days	42.2%
31 - 60 days	6.0%
61 - 90 days	8.0%
91 - 180days	10.7%
> 180 days	<u>33.1%</u>
	<u>100.0%</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.

**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.

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

**CITY OF KELLER, TEXAS**  
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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	\$ 723,149	\$ 60,917	\$ -	\$ 784,066	\$ 5,381	\$ -	\$ 5,381
Allowance for uncollectible taxes	(19,432)	(8,854)	-	(28,286)	-	-	-
	<u>703,717</u>	<u>52,063</u>	<u>-</u>	<u>755,780</u>	<u>5,381</u>	<u>-</u>	<u>5,381</u>
Accounts receivable	976,727	-	15,194	991,921	2,885,982	101,949	2,987,931
Allowance for uncollectible accounts	(618,290)	-	-	(618,290)	(522,957)	(58,931)	(581,888)
	<u>358,437</u>	<u>-</u>	<u>15,194</u>	<u>373,631</u>	<u>2,363,025</u>	<u>43,018</u>	<u>2,406,043</u>
Accrued interest	88,051	-	18,084	106,135	159,814	4,857	164,671
Other receivables	104,524	33,351	607,471	745,346	18,124	7,650	25,774
	<u>104,524</u>	<u>33,351</u>	<u>607,471</u>	<u>745,346</u>	<u>18,124</u>	<u>7,650</u>	<u>25,774</u>
Total	<u>\$ 1,254,729</u>	<u>\$ 85,414</u>	<u>\$ 640,749</u>	<u>\$ 1,980,892</u>	<u>\$ 2,546,344</u>	<u>\$ 55,525</u>	<u>\$ 2,601,869</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:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 137,457	\$ -
Ambulance revenue receivable (General Fund)	284,863	-
Municipal court fines receivable (General Fund)	64,889	-
Membership dues (Recreation/Aquatic Center Fund)	-	591,728
Delinquent property taxes receivable (Debt Service Fund)	65,571	-
Delinquent TIF taxes (Town Center TIF I&S Fund)	221,306	-
Assessments receivable not yet due (Roadway Impact Fee Fund)	250,000	-
Assessments receivable not yet due (Street/Sidewalk Improvements Fund)	48,552	-
Total deferred/unearned revenue for governmental funds	<u>\$ 1,072,638</u>	<u>\$ 591,728</u>

**CITY OF KELLER, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended September 30, 2006

C. Restricted assets

Business-type activities:

Restricted for debt service	\$ 481,856
Restricted for water and wastewater system improvements	<u>14,103,920</u>
	<u>\$ 14,585,776</u>

D. Capital assets

Capital asset activity for the year ended September 30, 2006:

Primary Government

	Reported Balance 9/30/2005	Prior Period Adjustments	Restated Balance 9/30/2005	Additions	Deletions & Transfers Out	Completed Construction	Balance 9/30/2006
<b>GOVERNMENTAL ACTIVITIES:</b>							
Capital assets, not being depreciated:							
Land	\$ 18,311,087	\$ -	\$ 18,311,087	\$ 560,267	\$ -	\$ -	\$ 18,871,354
Construction in progress	<u>2,924,805</u>	<u>-</u>	<u>2,924,805</u>	<u>789,254</u>	<u>(34,520)</u>	<u>(2,879,566)</u>	<u>799,973</u>
Total capital assets not being depreciated	<u>21,235,892</u>	<u>-</u>	<u>21,235,892</u>	<u>1,349,521</u>	<u>(34,520)</u>	<u>(2,879,566)</u>	<u>19,671,327</u>
Capital assets, being depreciated							
Buildings	48,054,707	-	48,054,707	20,768	-	-	48,075,475
Improvements other than buildings	145,211,896	-	145,211,896	4,330,616	-	2,879,566	152,421,878
Machinery and equipment	<u>8,604,815</u>	<u>95,345</u>	<u>8,700,160</u>	<u>505,333</u>	<u>(227,371)</u>	<u>-</u>	<u>8,978,122</u>
Total capital assets being depreciated	<u>201,871,218</u>	<u>95,345</u>	<u>201,966,563</u>	<u>4,856,717</u>	<u>(227,371)</u>	<u>2,879,566</u>	<u>209,475,475</u>
Less accumulated depreciation for:							
Buildings	(5,226,066)	-	(5,226,066)	(1,650,814)	-	-	(6,876,880)
Improvements other than buildings	(57,226,533)	-	(57,226,533)	(5,865,349)	-	-	(63,091,882)
Machinery and equipment	<u>(4,037,024)</u>	<u>(89,829)</u>	<u>(4,126,853)</u>	<u>(1,215,830)</u>	<u>215,168</u>	<u>-</u>	<u>(5,127,517)</u>
Total accumulated depreciation	<u>(66,489,623)</u>	<u>(89,829)</u>	<u>(66,579,452)</u>	<u>(8,731,993)</u>	<u>215,168</u>	<u>-</u>	<u>(75,096,279)</u>
Total capital assets being depreciated, net	<u>135,381,595</u>	<u>5,516</u>	<u>135,387,111</u>	<u>(3,875,276)</u>	<u>(12,205)</u>	<u>2,879,566</u>	<u>134,379,196</u>
Governmental activities capital assets, net	<u>\$156,617,487</u>	<u>\$ 5,516</u>	<u>\$156,623,003</u>	<u>\$ (2,525,755)</u>	<u>\$ (46,725)</u>	<u>\$ -</u>	<u>\$154,050,523</u>

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

General government	\$ 858,643
Planning & community development	27,786
Public safety	811,234
Public works	5,211,675
Recreation and leisure	<u>1,822,655</u>
	<u>\$ 8,731,993</u>

**CITY OF KELLER, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended September 30, 2006

	Balance 9/30/2005	Prior Period Adjustments	Restated Balance 9/30/2005	Additions	Deletions & Transfers Out	Transfers and Completed Construction	Balance 9/30/2006
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Capital assets, not being depreciated:							
Land	\$ 1,122,492	\$ -	\$ 1,122,492	\$ 238	\$ -	\$ -	\$ 1,122,730
Construction in progress	5,257,155	-	5,257,155	3,885,713	-	(9,018,307)	124,561
Total capital assets not being depreciated	6,379,647	-	6,379,647	3,885,951	-	(9,018,307)	1,247,291
Capital assets, being depreciated							
Improvements other than buildings	79,929,368	-	79,929,368	4,456,127	(152,621)	9,018,307	93,251,181
Machinery and equipment	1,863,899	45,716	1,909,615	314,645	(144,302)	-	2,079,958
Total capital assets being depreciated	81,793,267	45,716	81,838,983	4,770,772	(296,923)	9,018,307	95,331,139
Less accumulated depreciation for:							
Improvements other than buildings	(20,522,096)	2,101	(20,519,995)	(3,009,667)	-	-	(23,529,662)
Machinery and equipment	(1,002,643)	(45,716)	(1,048,359)	(267,417)	45,716	-	(1,270,060)
Total accumulated depreciation	(21,524,739)	(43,615)	(21,568,354)	(3,277,084)	45,716	-	(24,799,722)
Total capital assets being depreciated, net	60,268,528	2,101	60,270,629	1,493,688	(251,207)	9,018,307	70,531,417
Business-type activities capital assets, net	\$66,648,175	\$ 2,101	\$66,650,276	\$5,379,639	\$ (251,207)	\$ -	\$ 71,778,708

**Construction commitments**

The City has active construction projects as of September 30, 2006. 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
Sanitary sewer system improvements	\$ 61,260	\$ 7,084
Fire department facilities expansion	9,400	8,800
Keller-Smithfield Road playground activity node improvements	-	27,000
Keller/Southlake/Fort Worth water system improvements	2,386,354	79,529
Pearson Lane 3 MG gallon ground storage	1,571,868	92,697
Miscellaneous drainage system improvements	-	100,000
Miscellaneous water system improvements	170,557	213,823
Miscellaneous street improvements - general purpose	11,876	237,480
North Tarrant Parkway road improvements	102,741	259,759
Keller-Smithfield 1MG elevated storage water system improvements	2,862,750	575,537
Total	\$ 7,176,806	\$ 1,601,709

**CITY OF KELLER, TEXAS**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 Year Ended September 30, 2006

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2006, is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 251,124	\$ 798,074
Debt Service Fund	-	16,232
Nonmajor governmental funds	837,006	271,919
Water & Wastewater Operations	107,415	2,247
Drainage Utility	-	107,073
	<u>\$ 1,195,545</u>	<u>\$ 1,195,545</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	\$ -	\$ 162,348
Nonmajor governmental funds	28,513	28,513
Water and Wastewater Operations	162,348	-
	<u>\$ 190,861</u>	<u>\$ 190,861</u>

\$162,348 is due, 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. \$28,513 is due, 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	\$ 1,237,000	\$ 1,624,684
Debt Service Fund	661,180	-
Nonmajor governmental funds	2,332,431	413,817
Water & Wastewater Operations	30,000	2,158,310
Drainage Utility	-	63,800
	<u>\$ 4,260,611</u>	<u>\$ 4,260,611</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, 2006

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 9/30/2006
<b>GOVERNMENTAL ACTIVITIES DEBT</b>						
General Obligation Bonds:						
City						
Improvements	\$ 1,150,000	1981	2020	\$ 72,223	5.00%	\$ 725,000
Refunding	2,297,976	1999	2020	152,777	3.75% - 5.00%	1,721,400
Refunding	700,000	2002	2014	76,559	3.00% - 4.00%	470,000
Refunding	11,125,000	2004	2017	874,235	3.00% - 4.00%	8,400,000
Refunding	9,980,000	2005	2014	947,770	3.00% - 4.20%	9,910,000
						<u>21,226,400</u>
Certificates of Obligation:						
City						
Improvements	1,700,000	1997	2017	140,823	4.90% - 6.90%	80,000
Improvements	2,150,000	1998	2018	170,624	4.60% - 5.85%	195,000
Improvements	3,000,000	1998	2019	239,511	4.00% - 6.00%	1,075,000
Improvements	8,100,000	2000	2220	360,933	5.20% - 6.00%	990,000
Improvements	8,615,000	2002	2022	668,758	4.00% - 5.00%	7,560,000
Improvements	1,690,000	2003	2023	106,986	2.50% - 4.25%	1,330,000
Improvements	6,540,000	2004	2024	532,459	4.00% - 5.00%	6,440,000
Improvements	270,000	2006	2026	60,141	4.25% - 5.37%	270,000
Keller TIRZ (TIF)						
Improvements	6,825,000	1999	2018	441,879	5.10% - 6.10%	1,540,000
Improvements	17,095,000	2000	2018	1,144,110	5.00% - 5.75%	4,835,000
Improvements	8,735,000	2001	2018	940,810	4.25% - 5.25%	8,300,000
Refunding	17,400,000	2005	2018	2,220,477	3.50% - 5.00%	17,400,000
Keller Development Corp.						
Improvements	18,120,000	2003	2023	1,386,964	2.50% - 4.25%	17,320,000
Improvements	755,000	2004	2024	111,650	4.00% - 5.00%	595,000
Keller CCPD						
Improvements	5,245,000	2003	2023	1,517,425	2.50% - 4.25%	1,495,000
						<u>69,425,000</u>
						<u>90,651,400</u>
Revenue Bonds:						
Keller Development Corp.						
Refunding	890,000	2006	2013	146,599	4.20%	890,000
						<u>91,541,400</u>
Less: bond issue discount/(premium)						614,283
Less: deferred loss on refunding						<u>(1,341,518)</u>
Total Governmental Activities Debt						<u>90,814,165</u>



**CITY OF KELLER, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended September 30, 2006

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance 9/30/2006
<b>BUSINESS-TYPE ACTIVITIES DEBT</b>						
General Obligation Bonds:						
City						
Refunding	3,222,024	1999	2020	214,211	3.75% - 5.00%	\$ 2,413,600
Refunding	5,360,000	2002	2013	523,567	3.00% - 4.00%	3,685,000
Refunding	440,000	2004	2017	41,441	3.00% - 4.00%	305,000
Refunding	3,390,000	2004	2020	325,994	3.00% - 4.20%	3,365,000
						<u>9,768,600</u>
						Less: bond issue discount/(premium) (15,551)
						Less: deferred loss on refunding (414,022)
						<u>9,339,027</u>
Certificates of Obligation:						
City						
Improvements	4,575,000	2000	2020	375,843	5.00% - 6.50%	560,000
Improvements	11,310,000	2004	2024	891,217	4.00% - 5.00%	10,700,000
Improvements	4,255,000	2006	2026	320,935	4.25% - 5.37%	4,255,000
						<u>15,515,000</u>
Contractual Obligations:						
City						
Improvements	3,679,920	1996	2011	364,061	3.60% - 5.20%	1,642,245
Refunding	697,116	2005	2013	103,304	2.50% - 3.50%	567,420
						<u>2,209,665</u>
						Less: deferred loss on refunding (107,378)
						Less: TRA accrued interest and cash reserves (480,877)
						<u>1,621,410</u>
Total Business Type Activities Debt						<u>26,475,437</u>
Total Long-Term Debt						<u>\$ 117,289,602</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	
2007	\$ 6,483,967	\$ 3,954,651	\$ 1,651,013	\$ 1,263,622	\$ 13,353,273
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 - 2016	32,587,522	10,184,673	6,817,478	3,116,023	52,705,696
2017 - 2021	22,412,269	3,278,623	6,352,731	1,683,738	33,727,361
2022 - 2024	5,065,000	256,141	3,980,000	359,407	9,660,548
	<u>\$ 90,651,400</u>	<u>\$ 30,603,330</u>	<u>\$ 25,283,600</u>	<u>\$ 10,387,451</u>	<u>\$ 156,925,781</u>

# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

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	
2007	\$ 115,000	\$ 35,048	\$ 432,331	\$ 109,335	\$ 691,714
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 - 2013	275,000	11,683	185,280	18,089	490,052
	<u>\$ 890,000</u>	<u>\$ 136,194</u>	<u>\$ 2,209,665</u>	<u>\$ 331,449</u>	<u>\$ 3,567,308</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
2007	\$ 105,048
2008	105,048
2009	105,048
2010	105,048
2011	105,048
2012 - 2014	274,470
	<u>799,710</u>
Less Interest	<u>(130,896)</u>
	<u>\$ 668,814</u>

### Changes In Long-Term Liabilities

During the year ended September 30, 2006, the following changes occurred in general government long-term debt:

Description	September 30, 2005	Additions	Retirements	September 30, 2006	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 22,927,061	\$ -	\$ (1,700,661)	\$ 21,226,400	\$ 1,648,987
Certificates of obligation	73,210,000	270,000	(4,055,000)	69,425,000	4,835,000
Revenue bonds	1,035,000	890,000	(1,035,000)	890,000	115,000
Deferred loss on refunding	(1,453,399)	(17,246)	129,127	(1,341,518)	(129,747)
Bond premiums/discounts	677,274	2,743	(65,734)	614,283	123,814
Total bonds payable	<u>96,395,936</u>	<u>1,145,497</u>	<u>(6,727,268)</u>	<u>90,814,165</u>	<u>6,593,054</u>
Capital lease obligation	752,080	-	(83,266)	668,814	82,832
Compensated absences	803,314	890,870	(788,109)	906,075	906,075
	<u>\$ 97,951,330</u>	<u>\$ 2,036,367</u>	<u>\$ (7,598,643)</u>	<u>\$ 92,389,054</u>	<u>\$ 7,581,961</u>

# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

Description	September 30, 2005	Additions	Retirements	September 30, 2006	Due Within One Year
<b>Business-type activities</b>					
General obligation bonds	\$ 10,198,030	\$ -	\$ (429,430)	\$ 9,768,600	\$ 986,013
Certificates of obligation	11,785,000	4,255,000	(525,000)	15,515,000	665,000
Deferred loss on refunding	(475,884)	-	61,861	(414,023)	(40,675)
Bond premiums/discounts	(15,892)	-	341	(15,551)	341
Total bonds payable	21,491,254	4,255,000	(892,228)	24,854,026	1,610,679
Contractual Obligations	2,019,030	-	(397,620)	1,621,410	418,094
Compensated absences	62,981	111,681	(100,809)	73,853	73,853
	<u>\$ 23,573,265</u>	<u>\$ 4,366,681</u>	<u>\$ (1,390,657)</u>	<u>\$ 26,549,289</u>	<u>\$ 2,102,626</u>

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

### Advance and Current Refunding of Debt

During the year ended September 30, 2006, the KDC issued new Series 2006 Sales Tax Revenue Refunding Bonds in the amount of \$890,000 which proceeds were used to defease certain existing debt (Series 1992 Sales Tax Revenue Bonds). Total debt defeased was \$935,000. The refunding reduced total debt service payments by \$157,422 and resulted in an economic gain of \$127,342.

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 \$33,880,000 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, 2006, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$35,165,000.

## 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.

# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

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

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

### C. 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 811 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, 2005 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P.O. Box 149153, Austin, Texas, 78714-9153.

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
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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, 2005 valuation is effective for rates beginning January 2007.

# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

### Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2005	12/31/2004	12/31/2003
Actuarial Value of Assets (A)	\$ 18,778,912	\$ 16,105,331	\$ 13,308,164
Actuarial Accrued Liability (B)	\$ 23,965,739	\$ 20,883,936	\$ 19,410,488
Percentage Funded ( C ) = (A)/(B)	78.4%	77.1%	68.6%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) (D)=(B)-(A)	\$ 5,186,827	\$ 4,778,605	\$ 6,102,324
Annual Covered Payroll (E)	\$ 12,094,482	\$ 11,556,285	\$ 10,465,624
UAAL as a Percentage of Covered Payroll (D)/(E)	42.9%	41.4%	58.3%
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC) (F)	\$ 1,553,639	\$ 1,495,114	\$ 1,265,190
Contributions Made (F)	\$ 1,553,639	\$ 1,495,114	\$ 1,265,190
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

# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2006

### D. Restatement of Prior Period Financial Statements

Prior year financial statements have been restated as follows:

	<u>As Reported 09/30/05</u>	<u>Change</u>	<u>As Restated 09/30/05</u>
Government Activities			
Net assets	\$ 76,731,872	\$ (1,461)	\$ 76,730,411
Miscellaneous adjustments			
Business Activities			
Net assets	\$ 63,454,579	\$ (17,868)	\$ 63,436,711
Miscellaneous adjustments			
General Fund			
Fund balance	\$ 5,051,319	\$ 154,122	\$ 5,205,441
To accrue compensated absences at government-wide level			
Special Revenue Funds			
Keller Development Fund			
Fund balance	\$ 673,454	\$ (385)	\$ 673,069
Miscellaneous adjustments			
Municipal Court Fund			
Fund balance	\$ 225,430	\$ (51,663)	\$ 173,767
Record Teen Court fees in Teen Court Fund			
Teen Court Fund			
Fund balance	\$ 12,894	\$ 51,883	\$ 64,777
Record Teen Court fees and miscellaneous revenue in Teen Court Fund			
Information Services Fund			
Fund balance	\$ 187,150	\$ 2,378	\$ 189,528
To accrue compensated absences at government-wide level			
Recreation/Aquatic Center Fund			
Fund balance	\$ (392,423)	\$ 3,580	\$ (388,843)
To accrue compensated absences at government-wide level			
Capital Project Funds			
Equipment Replacement Fund			
Fund balance	\$ 495,790	\$ (23,500)	\$ 472,290
To reverse effect of accrual made twice			

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, 2006**

**EXHIBIT B-1**  
Page 1 of 5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Taxes</b>				
<i>Ad valorem tax, penalty &amp; interest</i>	\$ 8,886,100	\$ 8,886,100	\$ 8,894,456	\$ 8,356
<i>Sales tax</i>	3,220,000	3,701,000	3,757,724	56,724
<i>Mixed beverage tax</i>	43,340	49,310	49,461	151
<i>Franchise tax</i>	2,649,150	3,069,220	3,089,399	20,179
<i>Total taxes</i>	14,798,590	15,705,630	15,791,040	85,410
<i>Permits, licenses and fees</i>	2,156,000	2,543,200	2,641,279	98,079
<i>Intergovernmental</i>	803,900	823,500	821,336	(2,164)
<i>Charges for services</i>	342,500	522,800	618,299	95,499
<i>Fines</i>	930,000	978,500	1,071,737	93,237
<i>Donations</i>	--	11,350	11,353	3
<i>Interest income</i>	95,000	240,000	372,162	132,162
<i>Miscellaneous</i>	122,215	136,950	211,931	74,981
<i>Total revenues</i>	19,248,205	20,961,930	21,539,137	577,207
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government</b>				
<b>Administration</b>				
<i>Personnel services</i>	637,220	604,030	598,644	5,386
<i>Supplies and maintenance</i>	24,310	21,680	15,583	6,097
<i>Services and other</i>	329,950	321,375	259,380	61,995
<i>Total Administration</i>	991,480	947,085	873,607	73,478
<b>Old Town Keller</b>				
<i>Operations and maintenance</i>	10,750	10,550	855	9,695
<i>Services and other</i>	4,550	5,550	4,023	1,527
<i>Total Old Town Keller</i>	15,300	16,100	4,878	11,222
<b>Town Hall Operations and Maintenance</b>				
<i>Personnel services</i>	51,030	54,360	53,806	554
<i>Operations and maintenance</i>	44,270	45,190	46,805	(1,615)
<i>Services and other</i>	397,990	406,895	377,253	29,642
<i>Total Town Hall Operations and Maintenance</i>	493,290	506,445	477,864	28,581
<b>Mayor/Council</b>				
<i>Operations and maintenance</i>	5,650	4,700	2,375	2,325
<i>Services and other</i>	21,145	15,095	13,337	1,758
<i>Total Mayor/Council</i>	26,795	19,795	15,712	4,083
<b>Finance and Accounting</b>				
<b>Administration</b>				
<i>Personnel services</i>	568,040	564,150	559,484	4,666
<i>Operations and maintenance</i>	4,365	5,155	5,148	7
<i>Services and other</i>	93,945	90,540	79,649	10,891
<i>Total Administration</i>	666,350	659,845	644,281	15,564
<b>Tax</b>				
<i>Operations and maintenance</i>	240	240	239	1
<i>Services and other</i>	87,310	85,040	81,975	3,065
<i>Total Tax</i>	87,550	85,280	82,214	3,066
<i>Total Finance and Accounting</i>	753,900	745,125	726,495	18,630

**CITY OF KELLER, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Municipal Court</i>				
<i>Personnel services</i>	\$ 283,140	\$ 287,480	\$ 277,631	\$ 9,849
<i>Operations and maintenance</i>	14,420	20,870	11,875	8,995
<i>Services and other</i>	107,645	94,630	93,799	831
<i>Total Municipal Court</i>	<u>405,205</u>	<u>402,980</u>	<u>383,305</u>	<u>19,675</u>
<i>Human Resources</i>				
<i>Personnel services</i>	392,670	363,590	353,554	10,036
<i>Operations and maintenance</i>	5,200	4,170	2,908	1,262
<i>Services and other</i>	34,065	37,930	38,980	(1,050)
<i>Total Human Resources</i>	<u>431,935</u>	<u>405,690</u>	<u>395,442</u>	<u>10,248</u>
Total General Government	<u>3,117,905</u>	<u>3,043,220</u>	<u>2,877,303</u>	<u>165,917</u>
<i>Community Development</i>				
<i>Administration</i>				
<i>Personnel services</i>	511,830	490,730	482,035	8,695
<i>Operations and maintenance</i>	7,850	7,850	6,263	1,587
<i>Services and other</i>	16,175	13,755	11,273	2,482
<i>Total Administration</i>	<u>535,855</u>	<u>512,335</u>	<u>499,571</u>	<u>12,764</u>
<i>Building and Construction Services</i>				
<i>Personnel services</i>	446,960	439,010	436,284	2,726
<i>Operations and maintenance</i>	14,415	15,550	13,036	2,514
<i>Services and other</i>	256,565	262,360	268,045	(5,685)
<i>Total Building and Construction Services</i>	<u>717,940</u>	<u>716,920</u>	<u>717,365</u>	<u>(445)</u>
<i>Total Community Development</i>	<u>1,253,795</u>	<u>1,229,255</u>	<u>1,216,936</u>	<u>12,319</u>
<i>Public Safety</i>				
<i>Police Department</i>				
<i>Administration</i>				
<i>Personnel services</i>	450,950	453,040	442,554	10,486
<i>Operations and maintenance</i>	86,100	76,805	72,928	3,877
<i>Services and other</i>	203,310	194,205	175,612	18,593
<i>Total Administration</i>	<u>740,360</u>	<u>724,050</u>	<u>691,094</u>	<u>32,956</u>
<i>Operations</i>				
<i>Personnel services</i>	3,746,200	3,725,700	3,660,597	65,103
<i>Operations and maintenance</i>	226,955	227,660	210,370	17,290
<i>Services and other</i>	98,200	95,335	74,757	20,578
<i>Total Operations</i>	<u>4,071,355</u>	<u>4,048,695</u>	<u>3,945,724</u>	<u>102,971</u>
<i>Public Safety Dispatch</i>				
<i>Personnel services</i>	661,905	643,070	633,343	9,727
<i>Operations and maintenance</i>	29,330	27,830	25,478	2,352
<i>Services and other</i>	21,275	22,365	18,095	4,270
<i>Total Public Safety Dispatch</i>	<u>712,510</u>	<u>693,265</u>	<u>676,916</u>	<u>16,349</u>
<i>Animal Control</i>				
<i>Personnel services</i>	109,995	100,800	98,589	2,211
<i>Operations and maintenance</i>	10,345	10,300	6,833	3,467
<i>Services and other</i>	8,340	7,660	6,593	1,067
<i>Total Animal Control</i>	<u>128,680</u>	<u>118,760</u>	<u>112,015</u>	<u>6,745</u>
<i>Total Police Department</i>	<u>5,652,905</u>	<u>5,584,770</u>	<u>5,425,749</u>	<u>159,021</u>

**CITY OF KELLER, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT B-1**  
Page 3 of 5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Fire Department</i>				
<i>Administration</i>				
<i>Personnel services</i>	669,480	664,910	660,811	4,099
<i>Operations and maintenance</i>	36,725	38,300	35,152	3,148
<i>Services and other</i>	60,565	55,680	44,108	11,572
<i>Total Administration</i>	<u>766,770</u>	<u>758,890</u>	<u>740,071</u>	<u>18,819</u>
<i>Operations</i>				
<i>Personnel services</i>	3,234,265	2,950,970	2,890,214	60,756
<i>Operations and maintenance</i>	266,855	252,195	230,423	21,772
<i>Services and other</i>	106,205	105,075	88,822	16,253
<i>Total Operations</i>	<u>3,607,325</u>	<u>3,308,240</u>	<u>3,209,459</u>	<u>98,781</u>
<i>Emergency Medical Services</i>				
<i>Operations and maintenance</i>	79,675	86,200	93,495	(7,295)
<i>Services and other</i>	79,975	64,870	56,933	7,937
<i>Total Emergency Medical Services</i>	<u>159,650</u>	<u>151,070</u>	<u>150,428</u>	<u>642</u>
<i>Emergency Management</i>				
<i>Operations and maintenance</i>	8,000	8,905	10,839	(1,934)
<i>Services and other</i>	43,915	44,375	24,555	19,820
<i>Total Emergency Management</i>	<u>51,915</u>	<u>53,280</u>	<u>35,394</u>	<u>17,886</u>
<i>Total Fire Department</i>	<u>4,585,660</u>	<u>4,271,480</u>	<u>4,135,352</u>	<u>136,128</u>
<i>Total Public Safety</i>	<u>10,238,565</u>	<u>9,856,250</u>	<u>9,561,101</u>	<u>295,149</u>
<i>Public Works</i>				
<i>Administration</i>				
<i>Personnel services</i>	203,760	213,970	215,022	(1,052)
<i>Operations and maintenance</i>	6,650	4,850	3,270	1,580
<i>Services and other</i>	4,775	4,975	3,665	1,310
<i>Total Administration</i>	<u>215,185</u>	<u>223,795</u>	<u>221,957</u>	<u>1,838</u>
<i>Engineering and Inspections</i>				
<i>Personnel services</i>	266,925	255,330	250,997	4,333
<i>Operations and maintenance</i>	7,290	7,450	3,818	3,632
<i>Services and other</i>	107,830	125,575	82,524	43,051
<i>Total Engineering and Inspections</i>	<u>382,045</u>	<u>388,355</u>	<u>337,339</u>	<u>51,016</u>
<i>Street Maintenance</i>				
<i>Personnel services</i>	635,405	620,740	614,233	6,507
<i>Operations and maintenance</i>	492,435	467,250	309,496	157,754
<i>Services and other</i>	76,610	71,825	54,066	17,759
<i>Total Street Maintenance</i>	<u>1,204,450</u>	<u>1,159,815</u>	<u>977,795</u>	<u>182,020</u>
<i>Street Lighting</i>				
<i>Services and other</i>	285,000	300,000	352,593	(52,593)
<i>Total Street Lighting</i>	<u>285,000</u>	<u>300,000</u>	<u>352,593</u>	<u>(52,593)</u>
<i>Total Public Works</i>	<u>2,086,680</u>	<u>2,071,965</u>	<u>1,889,684</u>	<u>182,281</u>

**CITY OF KELLER, TEXAS**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Recreation and Leisure</i>				
<i>Library</i>				
Personnel services	\$ 837,340	\$ 795,320	\$ 795,373	\$ (53)
Operations and maintenance	186,405	179,220	156,678	22,542
Services and other	144,195	153,720	140,642	13,078
<b>Total Library</b>	<b>1,167,940</b>	<b>1,128,260</b>	<b>1,092,693</b>	<b>35,567</b>
<i>Parks and Recreation</i>				
<i>Parks and Recreation Administration</i>				
Personnel services	310,980	302,410	300,775	1,635
Operations and maintenance	4,250	3,395	3,403	(8)
Services and other	14,150	14,020	12,580	1,440
<b>Total Parks and Recreation Administration</b>	<b>329,380</b>	<b>319,825</b>	<b>316,758</b>	<b>3,067</b>
<i>Park Maintenance</i>				
Personnel services	670,340	657,730	640,853	16,877
Operations and maintenance	149,510	155,110	148,368	6,742
Services and other	201,835	222,415	237,749	(15,334)
<b>Total Park Maintenance</b>	<b>1,021,685</b>	<b>1,035,255</b>	<b>1,026,970</b>	<b>8,285</b>
<i>Recreation Programs</i>				
Personnel services	144,395	146,100	144,308	1,792
Operations and maintenance	9,315	8,270	7,944	326
Services and other	13,020	13,020	11,699	1,321
<b>Total Recreation Programs</b>	<b>166,730</b>	<b>167,390</b>	<b>163,951</b>	<b>3,439</b>
<i>Senior Citizen Center</i>				
Personnel services	118,585	116,520	113,825	2,695
Operations and maintenance	11,570	8,470	9,038	(568)
Services and other	45,640	46,430	43,249	3,181
<b>Total Senior Citizen Center</b>	<b>175,795</b>	<b>171,420</b>	<b>166,112</b>	<b>5,308</b>
<i>Sports Park Maintenance</i>				
Personnel services	171,115	160,050	158,292	1,758
Operations and maintenance	103,310	99,615	106,767	(7,152)
Services and other	85,130	131,320	133,140	(1,820)
<b>Total Sports Park Maintenance</b>	<b>359,555</b>	<b>390,985</b>	<b>398,199</b>	<b>(7,214)</b>
<i>Town Center Maintenance</i>				
Operations and maintenance	13,000	23,700	18,874	4,826
Services and other	136,650	143,765	133,874	9,891
<b>Total Town Center Maintenance</b>	<b>149,650</b>	<b>167,465</b>	<b>152,748</b>	<b>14,717</b>
<b>Total Parks and Recreation</b>	<b>2,202,795</b>	<b>2,252,340</b>	<b>2,224,738</b>	<b>27,602</b>
<b>Total Recreation and Leisure</b>	<b>3,370,735</b>	<b>3,380,600</b>	<b>3,317,431</b>	<b>63,169</b>
<i>Non-departmental</i>	206,905	202,220	166,707	35,513

**CITY OF KELLER, TEXAS**  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Capital outlay	\$ 215,280	\$ 325,235	\$ 250,866	\$ 74,369
Total expenditures	20,489,865	20,108,745	19,280,028	828,717
Excess (deficiency) of revenues over (under) expenditures	(1,241,660)	853,185	2,259,109	1,405,924
Other financing sources (uses):				
<i>Transfers in</i>	1,237,000	1,236,500	1,237,000	500
<i>Transfers out</i>	(643,830)	(1,624,685)	(1,624,684)	1
Total other financing sources (uses)	593,170	(388,185)	(387,684)	501
Net change in fund balances	(648,490)	465,000	1,871,425	1,406,425
Fund balances, October 1	4,064,256	5,051,319	5,205,441	154,122
Fund balances, September 30	\$ 3,415,766	\$ 5,516,319	\$ 7,076,866	\$ 1,560,547

# CITY OF KELLER, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2006

(Unaudited)

Budgets are adopted in accordance with GAAP for Special Revenue Funds (excepting the Public Safety fund), the Debt Service funds, and certain Capital Project funds (Park Development, Street 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:		
Keller Development Corporation	\$	80,682
Library		3,752
Public Arts		14,821
Crime Control Prevention District		442

Fund Deficits – The Recreation/Aquatic Center special revenue fund had a deficit of \$385,178 which will be removed by future net revenues. The Parks Capital Project fund had a deficit of \$182,481 which will be removed with a transfer.

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, 2006**

	Special Revenue Funds	Debt Service Fund Town Center TIF #1	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Cash	\$ 197,235	\$ --	\$ 55,127	\$ 252,362
Investments	1,802,945	458,543	8,088,072	10,349,560
Receivables (net of allowances for uncollectibles):				
Accounts	15,194	--	--	15,194
Interest	16,889	5,958	118,759	141,606
Other	--	221,306	262,643	483,949
Special assessments	--	--	55,167	55,167
Intergovernmental	625,442	--	86,917	712,359
Due from other funds	356,259	91,396	389,351	837,006
Advance to other funds	28,513	--	--	28,513
Prepaid items	16,005	--	--	16,005
<b>Total Assets</b>	<b>\$ 3,058,482</b>	<b>\$ 777,203</b>	<b>\$ 9,056,036</b>	<b>\$ 12,891,721</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 179,800	\$ --	\$ 165,164	\$ 344,964
Accrued liabilities and other payables	47,795	--	149,803	197,598
Due to other funds	89,417	--	182,502	271,919
Advance from other funds	28,513	--	--	28,513
Deferred revenue	591,728	221,306	298,552	1,111,586
<b>Total Liabilities</b>	<b>937,253</b>	<b>221,306</b>	<b>796,021</b>	<b>1,954,580</b>
<b>Fund Balances:</b>				
<b>Reserved Fund Balances</b>				
Reserved for encumbrances	43,738	--	551,427	595,165
Reserved for special uses	82,674	--	3,140,045	3,222,719
Reserved for interfund advances	28,513	--	--	28,513
Reserved for prepaid items	15,908	--	--	15,908
Reserved for debt service	167,681	--	--	167,681
<b>Unreserved, reported in:</b>				
Special Revenue Funds	1,782,715	--	--	1,782,715
Debt Service Funds	--	555,897	--	555,897
Capital Projects Funds	--	--	4,568,543	4,568,543
<b>Total Fund Balances</b>	<b>2,121,229</b>	<b>555,897</b>	<b>8,260,015</b>	<b>10,937,141</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,058,482</b>	<b>\$ 777,203</b>	<b>\$ 9,056,036</b>	<b>\$ 12,891,721</b>

## CITY OF KELLER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds	Debt Service Fund Town Center TIF #1	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
<i>Taxes</i>	\$ 3,306,843	\$ 1,682,405	\$ 469,856	\$ 5,459,104
<i>Permits, licenses and fees</i>	--	--	46,642	46,642
<i>Intergovernmental</i>	64,157	--	--	64,157
<i>Charges for services</i>	2,680,016	--	--	2,680,016
<i>Fines</i>	102,793	--	--	102,793
<i>Special assessments and impact fees</i>	--	--	1,212,652	1,212,652
<i>Donations</i>	105,568	--	35,000	140,568
<i>Interest income</i>	99,286	43,057	356,882	499,225
<i>Miscellaneous</i>	211,566	--	132,591	344,157
<b>Total revenues</b>	<u>6,570,229</u>	<u>1,725,462</u>	<u>2,253,623</u>	<u>10,549,314</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General government</i>	1,130,600	--	--	1,130,600
<i>Public safety</i>	69,104	--	--	69,104
<i>Public works</i>	--	--	26,050	26,050
<i>Recreation and leisure</i>	2,922,961	--	5,306	2,928,267
<i>Capital outlay</i>	354,018	--	3,436,847	3,790,865
<b>Debt service:</b>				
<i>Principal</i>	2,135,000	600,000	--	2,735,000
<i>Interest and fiscal charges</i>	773,070	1,447,938	--	2,221,008
<i>Bond issuance costs</i>	30,638	--	--	30,638
<b>Total expenditures</b>	<u>7,415,391</u>	<u>2,047,938</u>	<u>3,468,203</u>	<u>12,931,532</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(845,162)	(322,476)	(1,214,580)	(2,382,218)
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	1,083,197	318,124	931,110	2,332,431
<i>Transfers out</i>	(303,817)	--	(110,000)	(413,817)
<i>Debt issued</i>	--	--	270,000	270,000
<i>Refunding bonds issued</i>	890,000	--	--	890,000
<i>Payment to refunded bond escrow agent</i>	(937,743)	--	--	(937,743)
<b>Total other financing sources (uses)</b>	<u>731,637</u>	<u>318,124</u>	<u>1,091,110</u>	<u>2,140,871</u>
<b>Net change in fund balances</b>	(113,525)	(4,352)	(123,470)	(241,347)
<b>Fund balances, October 1</b>	<u>2,234,754</u>	<u>560,249</u>	<u>8,383,485</u>	<u>11,178,488</u>
<b>Fund balances, September 30</b>	<u>\$ 2,121,229</u>	<u>\$ 555,897</u>	<u>\$ 8,260,015</u>	<u>\$ 10,937,141</u>

**CITY OF KELLER, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2006

	Keller Development Corporation	Library	Recreation
<b>ASSETS</b>			
Cash	\$ --	\$ --	\$ --
Investments	91,652	35,656	93,868
Receivables (net of allowances for uncollectibles):			
Accounts	--	--	--
Interest	1,267	455	1,708
Intergovernmental	347,669	--	--
Due from other funds	95,786	9,420	66,030
Advance to other funds	28,513	--	--
Prepaid items	12	--	--
	<u>564,899</u>	<u>45,531</u>	<u>161,606</u>
Total Assets	\$ <u>564,899</u>	\$ <u>45,531</u>	\$ <u>161,606</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 3,899	\$ 440	\$ 49,359
Accrued liabilities and other payables	2,540	--	76
Due to other funds	86	--	--
Advance from other funds	--	--	--
Deferred revenue	--	--	--
Total Liabilities	<u>6,525</u>	<u>440</u>	<u>49,435</u>
Fund Balances:			
Reserved Fund Balances			
Reserved for encumbrances	--	--	5,098
Reserved for special uses	--	--	82,674
Reserved for interfund advances	28,513	--	--
Reserved for prepaid items	12	--	--
Reserved for debt service	167,681	--	--
Unreserved, reported in:			
Special Revenue Funds	362,168	45,091	24,399
Total Fund Balances	<u>558,374</u>	<u>45,091</u>	<u>112,171</u>
Total Liabilities and Fund Balances	\$ <u>564,899</u>	\$ <u>45,531</u>	\$ <u>161,606</u>

Municipal Court	Public Safety	Joint Teen Court	Public Arts	Crime Control Prevention District
\$ 46,502	\$ --	\$ 29,516	\$ --	\$ --
126,282	21,450	66	73,103	896,194
--	--	--	--	--
2,556	442	337	1,401	--
--	--	31,167	--	246,606
--	14,339	37,956	51,314	421
--	--	--	--	--
150	--	343	650	--
<u>\$ 175,490</u>	<u>\$ 36,231</u>	<u>\$ 99,385</u>	<u>\$ 126,468</u>	<u>\$ 1,143,221</u>
\$ 57	\$ 1,879	\$ 407	\$ 17,263	\$ --
--	290	1,588	--	--
--	--	--	--	89,331
--	--	--	--	--
--	--	--	--	--
<u>57</u>	<u>2,169</u>	<u>1,995</u>	<u>17,263</u>	<u>89,331</u>
--	--	--	2,500	655
--	--	--	--	--
--	--	--	--	--
150	--	343	650	--
--	--	--	--	--
175,283	34,062	97,047	106,055	1,053,235
<u>175,433</u>	<u>34,062</u>	<u>97,390</u>	<u>109,205</u>	<u>1,053,890</u>
<u>\$ 175,490</u>	<u>\$ 36,231</u>	<u>\$ 99,385</u>	<u>\$ 126,468</u>	<u>\$ 1,143,221</u>

**CITY OF KELLER, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2006**

	Information Services	Recreation/ Aquatic Center	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS</b>			
Cash	\$ 120,217	\$ 1,000	\$ 197,235
Investments	210,257	254,417	1,802,945
Receivables (net of allowances for uncollectibles):			
Accounts	--	15,194	15,194
Interest	4,873	3,850	16,889
Intergovernmental	--	--	625,442
Due from other funds	16,232	64,761	356,259
Advance to other funds	--	--	28,513
Prepaid items	14,753	97	16,005
	<u>366,332</u>	<u>339,319</u>	<u>3,058,482</u>
<b>Total Assets</b>	<b>\$ 366,332</b>	<b>\$ 339,319</b>	<b>\$ 3,058,482</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 34,755	\$ 71,741	\$ 179,800
Accrued liabilities and other payables	10,786	32,515	47,795
Due to other funds	--	--	89,417
Advance from other funds	--	28,513	28,513
Deferred revenue	--	591,728	591,728
<b>Total Liabilities</b>	<u>45,541</u>	<u>724,497</u>	<u>937,253</u>
<b>Fund Balances:</b>			
<b>Reserved Fund Balances</b>			
Reserved for encumbrances	35,485	--	43,738
Reserved for special uses	--	--	82,674
Reserved for interfund advances	--	--	28,513
Reserved for prepaid items	14,753	--	15,908
Reserved for debt service	--	--	167,681
<b>Unreserved, reported in:</b>			
Special Revenue Funds	270,553	(385,178)	1,782,715
<b>Total Fund Balances</b>	<u>320,791</u>	<u>(385,178)</u>	<u>2,121,229</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 366,332</b>	<b>\$ 339,319</b>	<b>\$ 3,058,482</b>

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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, 2006

	Keller Development Corporation	Library	Recreation
<b>Revenues:</b>			
<i>Taxes</i>	\$ 1,879,425	\$ --	\$ --
<i>Intergovernmental</i>	--	--	--
<i>Charges for services</i>	--	3,987	56,831
<i>Fines</i>	--	--	14,750
<i>Donations</i>	12,963	29,000	49,450
<i>Interest income</i>	6,436	2,237	6,473
<i>Miscellaneous</i>	--	--	36,036
<b>Total revenues</b>	<u>1,898,824</u>	<u>35,224</u>	<u>163,540</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>General government</i>	--	--	--
<i>Public safety</i>	--	--	--
<i>Recreation and leisure</i>	135,079	25,698	152,755
<i>Capital outlay</i>	147,864	73,394	25,774
<b>Debt service:</b>			
<i>Principal</i>	685,000	--	--
<i>Interest and fiscal charges</i>	706,425	--	--
<i>Bond issuance costs</i>	30,638	--	--
<b>Total expenditures</b>	<u>1,705,006</u>	<u>99,092</u>	<u>178,529</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	193,818	(63,868)	(14,989)
<b>Other financing sources (uses):</b>			
<i>Transfers in</i>	--	--	--
<i>Transfers out</i>	(260,770)	--	--
<i>Refunding bonds issued</i>	890,000	--	--
<i>Payment to refunded bond escrow agent</i>	(937,743)	--	--
<b>Total other financing sources (uses)</b>	<u>(308,513)</u>	<u>--</u>	<u>--</u>
<b>Net change in fund balances</b>	(114,695)	(63,868)	(14,989)
<b>Fund balances (deficit), October 1</b>	<u>673,069</u>	<u>108,959</u>	<u>127,160</u>
<b>Fund balances (deficit), September 30</b>	<u>\$ 558,374</u>	<u>\$ 45,091</u>	<u>\$ 112,171</u>



Municipal Court	Public Safety	Joint Teen Court	Public Arts	Crime Control Prevention District
\$ --	\$ --	\$ --	\$ --	\$ 1,427,418
--	13,924	50,233	--	--
--	--	--	--	--
82,378	--	5,665	--	--
--	9,825	--	500	--
11,354	1,341	534	5,395	31,318
--	9,268	--	88,193	--
<u>93,732</u>	<u>34,358</u>	<u>56,432</u>	<u>94,088</u>	<u>1,458,736</u>
57,494	--	72,246	34,201	--
--	35,707	--	--	33,397
--	--	--	--	--
13,185	3,807	--	50,000	2,605
--	--	--	--	1,450,000
--	--	--	--	66,645
--	--	--	--	--
<u>70,679</u>	<u>39,514</u>	<u>72,246</u>	<u>84,201</u>	<u>1,552,647</u>
23,053	(5,156)	(15,814)	9,887	(93,911)
--	--	48,617	--	--
(21,387)	--	(190)	--	--
--	--	--	--	--
--	--	--	--	--
<u>(21,387)</u>	<u>--</u>	<u>48,427</u>	<u>--</u>	<u>--</u>
1,666	(5,156)	32,613	9,887	(93,911)
173,767	39,218	64,777	99,318	1,147,801
<u>\$ 175,433</u>	<u>\$ 34,062</u>	<u>\$ 97,390</u>	<u>\$ 109,205</u>	<u>\$ 1,053,890</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, 2006

	Information Services	Recreation/ Aquatic Center	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
<i>Taxes</i>	\$ --	\$ --	\$ 3,306,843
<i>Intergovernmental</i>	--	--	64,157
<i>Charges for services</i>	--	2,619,198	2,680,016
<i>Fines</i>	--	--	102,793
<i>Donations</i>	--	3,830	105,568
<i>Interest income</i>	18,811	15,387	99,286
<i>Miscellaneous</i>	81,920	(3,851)	211,566
Total revenues	<u>100,731</u>	<u>2,634,564</u>	<u>6,570,229</u>
Expenditures:			
Current:			
<i>General government</i>	966,659	--	1,130,600
<i>Public safety</i>	--	--	69,104
<i>Recreation and leisure</i>	--	2,609,429	2,922,961
<i>Capital outlay</i>	37,389	--	354,018
Debt service:			
<i>Principal</i>	--	--	2,135,000
<i>Interest and fiscal charges</i>	--	--	773,070
<i>Bond issuance costs</i>	--	--	30,638
Total expenditures	<u>1,004,048</u>	<u>2,609,429</u>	<u>7,415,391</u>
Excess (deficiency) of revenues over (under) expenditures	(903,317)	25,135	(845,162)
Other financing sources (uses):			
<i>Transfers in</i>	1,034,580	--	1,083,197
<i>Transfers out</i>	--	(21,470)	(303,817)
<i>Refunding bonds issued</i>	--	--	890,000
<i>Payment to refunded bond escrow agent</i>	--	--	(937,743)
Total other financing sources (uses)	<u>1,034,580</u>	<u>(21,470)</u>	<u>731,637</u>
Net change in fund balances	131,263	3,665	(113,525)
Fund balances (deficit), October 1	<u>189,528</u>	<u>(388,843)</u>	<u>2,234,754</u>
Fund balances (deficit), September 30	<u>\$ 320,791</u>	<u>\$ (385,178)</u>	<u>\$ 2,121,229</u>

**CITY OF KELLER, TEXAS**  
 KELLER DEVELOPMENT CORPORATION  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales tax	\$ 1,590,000	\$ 1,850,600	\$ 1,879,425	\$ 28,825
Intergovernmental	--	81,000	--	(81,000)
Donations	--	18,800	12,963	(5,837)
Interest income	7,880	10,000	6,436	(3,564)
Miscellaneous	12,000	12,000	--	(12,000)
Total revenues	<u>1,609,880</u>	<u>1,972,400</u>	<u>1,898,824</u>	<u>(73,576)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Recreation and Leisure				
Parks and Recreation				
Parks and Recreation Administration				
Personnel services	120,570	115,850	108,042	7,808
Operations and maintenance	16,670	14,480	26,157	(11,677)
Services and other	42,710	40,115	880	39,235
Total Parks and Recreation Administration	<u>179,950</u>	<u>170,445</u>	<u>135,079</u>	<u>35,366</u>
Total Recreation and Leisure	<u>194,450</u>	<u>302,065</u>	<u>282,943</u>	<u>19,122</u>
Capital outlay	<u>14,500</u>	<u>131,620</u>	<u>147,864</u>	<u>(16,244)</u>
Debt service:				
Principal	685,000	685,000	685,000	--
Interest and fiscal charges	726,520	710,835	706,425	4,410
Bond issue costs	--	--	30,638	(30,638)
Total Debt Service	<u>1,411,520</u>	<u>1,395,835</u>	<u>1,422,063</u>	<u>(26,228)</u>
Total expenditures	<u>1,605,970</u>	<u>1,697,900</u>	<u>1,705,006</u>	<u>(7,106)</u>
Excess (deficiency) of revenues over (under) expenditures	3,910	274,500	193,818	(80,682)
<b>Other financing sources (uses):</b>				
Transfers out	(222,270)	(222,270)	(260,770)	(38,500)
Refunding bonds issued	--	--	890,000	890,000
Payment to refunded bond escrow agent	--	--	(937,743)	(937,743)
Total other financing sources (uses)	<u>(222,270)</u>	<u>(222,270)</u>	<u>(308,513)</u>	<u>(86,243)</u>
Net change in fund balances	(218,360)	52,230	(114,695)	(166,925)
Fund balances, October 1	<u>488,399</u>	<u>673,454</u>	<u>673,069</u>	<u>(385)</u>
Fund balances, September 30	<u>\$ 270,039</u>	<u>\$ 725,684</u>	<u>\$ 558,374</u>	<u>\$ (167,310)</u>

**CITY OF KELLER, TEXAS**  
LIBRARY FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Charges for services</i>	\$ 5,000	\$ 5,000	\$ 3,987	\$ (1,013)
<i>Donations</i>	19,000	24,000	29,000	5,000
<i>Interest income</i>	1,000	1,500	2,237	737
<b>Total revenues</b>	<u>25,000</u>	<u>30,500</u>	<u>35,224</u>	<u>4,724</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Recreation and Leisure</i>				
<i>Library</i>				
<i>Operations and maintenance</i>	4,530	16,250	17,992	(1,742)
<i>Services and other</i>	1,700	1,530	7,331	(5,801)
<b>Total Library</b>	<u>6,230</u>	<u>17,780</u>	<u>25,323</u>	<u>(7,543)</u>
<i>Library Grants</i>				
<i>Operations and maintenance</i>	5,000	4,160	375	3,785
<b>Total Library Grants</b>	<u>5,000</u>	<u>4,160</u>	<u>375</u>	<u>3,785</u>
<b>Capital outlay</b>	<u>60,000</u>	<u>73,400</u>	<u>73,394</u>	<u>6</u>
<b>Total expenditures</b>	<u>71,230</u>	<u>95,340</u>	<u>99,092</u>	<u>(3,752)</u>
<b>Net change in fund balances</b>	<u>(46,230)</u>	<u>(64,840)</u>	<u>(63,868)</u>	<u>972</u>
Fund balances, October 1	<u>98,348</u>	<u>108,959</u>	<u>108,959</u>	<u>--</u>
Fund balances, September 30	<u>\$ 52,118</u>	<u>\$ 44,119</u>	<u>\$ 45,091</u>	<u>\$ 972</u>

**CITY OF KELLER, TEXAS**  
 RECREATION FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Charges for services</i>	\$ 63,875	\$ 53,200	\$ 56,831	\$ 3,631
<i>Fines</i>	--	4,850	14,750	9,900
<i>Donations</i>	18,350	44,075	49,450	5,375
<i>Interest income</i>	800	3,600	6,473	2,873
<i>Miscellaneous</i>	22,675	28,080	36,036	7,956
Total revenues	<u>105,700</u>	<u>133,805</u>	<u>163,540</u>	<u>29,735</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Recreation League/Programs</i>				
<i>Operations and maintenance</i>	47,690	111,330	107,282	4,048
<i>Services and other</i>	55,770	49,085	45,473	3,612
Total Recreation League/Programs	<u>103,460</u>	<u>160,415</u>	<u>152,755</u>	<u>7,660</u>
Capital outlay	--	25,775	25,774	1
Total expenditures	<u>103,460</u>	<u>186,190</u>	<u>178,529</u>	<u>7,661</u>
Net change in fund balances	2,240	(52,385)	(14,989)	37,396
Fund balances, October 1	<u>69,555</u>	<u>127,162</u>	<u>127,160</u>	<u>(2)</u>
Fund balances, September 30	<u>\$ 71,795</u>	<u>\$ 74,777</u>	<u>\$ 112,171</u>	<u>\$ 37,394</u>

**CITY OF KELLER, TEXAS**  
MUNICIPAL COURT FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Fines</i>	\$ 50,000	\$ 76,600	\$ 82,378	\$ 5,778
<i>Interest income</i>	2,000	7,000	11,354	4,354
Total revenues	<u>52,000</u>	<u>83,600</u>	<u>93,732</u>	<u>10,132</u>
Expenditures:				
Current:				
<i>General Government</i>				
<i>Municipal Court - Building Security</i>				
<i>Operations and maintenance</i>	5,200	1,610	2,493	(883)
<i>Services and other</i>	800	300	771	(471)
Total Municipal Court - Building Security	<u>6,000</u>	<u>1,910</u>	<u>3,264</u>	<u>(1,354)</u>
<i>Municipal Court - Technology</i>				
<i>Operations and maintenance</i>	31,500	49,790	51,571	(1,781)
<i>Services and other</i>	4,300	2,350	2,659	(309)
Total Municipal Court - Technology	<u>35,800</u>	<u>52,140</u>	<u>54,230</u>	<u>(2,090)</u>
Capital outlay	<u>66,540</u>	<u>50,200</u>	<u>13,185</u>	<u>37,015</u>
Total expenditures	<u>110,840</u>	<u>106,750</u>	<u>70,679</u>	<u>36,071</u>
Excess (deficiency) of revenues over (under) expenditures	(58,840)	(23,150)	23,053	46,203
Other financing sources (uses):				
<i>Transfers out</i>	--	(21,387)	(21,387)	--
Total other financing sources (uses)	<u>--</u>	<u>(21,387)</u>	<u>(21,387)</u>	<u>--</u>
Net change in fund balances	(58,840)	(44,537)	1,666	46,203
Fund balances, October 1	<u>160,948</u>	<u>225,430</u>	<u>173,767</u>	<u>(51,663)</u>
Fund balances, September 30	<u>\$ 102,108</u>	<u>\$ 180,893</u>	<u>\$ 175,433</u>	<u>\$ (5,460)</u>

**CITY OF KELLER, TEXAS**  
 JOINT TEEN COURT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Intergovernmental</i>	\$ 47,230	\$ 50,240	\$ 50,233	\$ (7)
<i>Fines</i>	--	5,000	5,666	666
<i>Interest income</i>	100	150	534	384
Total revenues	<u>47,330</u>	<u>55,390</u>	<u>56,433</u>	<u>1,043</u>
Expenditures:				
Current:				
<i>General Government</i>				
<i>Teen Court</i>				
<i>Personnel services</i>	67,160	64,590	64,038	552
<i>Operations and maintenance</i>	3,550	3,550	2,544	1,006
<i>Services and other</i>	6,490	5,705	5,665	40
Total Teen Court	<u>77,200</u>	<u>73,845</u>	<u>72,247</u>	<u>1,598</u>
Total expenditures	<u>77,200</u>	<u>73,845</u>	<u>72,247</u>	<u>1,598</u>
Excess (deficiency) of revenues over (under) expenditures	(29,870)	(18,455)	(15,814)	2,641
Other financing sources (uses):				
<i>Transfers in</i>	24,720	48,617	48,617	--
<i>Transfers out</i>	(160)	(190)	(190)	--
Total other financing sources (uses)	<u>24,560</u>	<u>48,427</u>	<u>48,427</u>	<u>--</u>
Net change in fund balances	(5,310)	29,972	32,613	2,641
Fund balances, October 1	<u>10,857</u>	<u>12,894</u>	<u>64,777</u>	<u>51,883</u>
Fund balances, September 30	<u>\$ 5,547</u>	<u>\$ 42,866</u>	<u>\$ 97,390</u>	<u>\$ 54,524</u>

**CITY OF KELLER, TEXAS**  
 PUBLIC ARTS FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-10

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Donations</i>	\$ --	\$ --	\$ 500	\$ 500
<i>Interest income</i>	2,000	4,000	5,395	1,395
<i>Miscellaneous</i>	69,000	109,000	88,193	(20,807)
<b>Total revenues</b>	<u>71,000</u>	<u>113,000</u>	<u>94,088</u>	<u>(18,912)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General Government</i>				
<i>Administration</i>				
<i>Operations and maintenance</i>	64,000	2,155	4,949	(2,794)
<i>Services and other</i>	7,000	17,225	29,252	(12,027)
<b>Total Administration</b>	<u>71,000</u>	<u>19,380</u>	<u>34,201</u>	<u>(14,821)</u>
<b>Capital outlay</b>	<u>--</u>	<u>50,000</u>	<u>50,000</u>	<u>--</u>
<b>Total expenditures</b>	<u>71,000</u>	<u>69,380</u>	<u>84,201</u>	<u>(14,821)</u>
<b>Net change in fund balances</b>	<u>--</u>	<u>43,620</u>	<u>9,887</u>	<u>(33,733)</u>
<b>Fund balances, October 1</b>	<u>51,147</u>	<u>99,318</u>	<u>99,318</u>	<u>--</u>
<b>Fund balances, September 30</b>	<u>\$ 51,147</u>	<u>\$ 142,938</u>	<u>\$ 109,205</u>	<u>\$ (33,733)</u>



**CITY OF KELLER, TEXAS**

CRIME CONTROL PREVENTION DISTRICT FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-11

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Sales tax</i>	\$ 1,205,380	\$ 1,408,056	\$ 1,427,418	\$ 19,362
<i>Total taxes</i>	1,205,380	1,408,056	1,427,418	19,362
<i>Interest income</i>	7,603	7,603	31,318	23,715
<i>Total revenues</i>	<u>1,212,983</u>	<u>1,415,659</u>	<u>1,458,736</u>	<u>43,077</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Public Safety</i>				
<i>Police Department</i>				
<i>Administration</i>				
<i>Services and other</i>	7,500	10,105	10,318	(213)
<i>Total Administration</i>	<u>7,500</u>	<u>10,105</u>	<u>10,318</u>	<u>(213)</u>
<i>Total Police Department</i>	<u>7,500</u>	<u>10,105</u>	<u>33,397</u>	<u>(23,292)</u>
<i>Total Public Safety</i>	<u>7,500</u>	<u>10,105</u>	<u>33,397</u>	<u>(23,292)</u>
<i>Capital outlay</i>	<u>--</u>	<u>24,000</u>	<u>2,605</u>	<u>21,395</u>
<b>Debt service:</b>				
<i>Principal</i>	1,450,000	1,518,100	1,450,000	68,100
<i>Interest and fiscal charges</i>	68,100	--	66,645	(66,645)
<i>Total Debt Service</i>	<u>1,518,100</u>	<u>1,518,100</u>	<u>1,516,645</u>	<u>1,455</u>
<b>Total expenditures</b>	<u>1,525,600</u>	<u>1,552,205</u>	<u>1,552,647</u>	<u>(442)</u>
<b>Net change in fund balances</b>	<u>(312,617)</u>	<u>(136,546)</u>	<u>(93,911)</u>	<u>42,635</u>
<b>Fund balances, October 1</b>	<u>1,029,569</u>	<u>1,147,801</u>	<u>1,147,801</u>	<u>--</u>
<b>Fund balances, September 30</b>	<u>\$ 716,952</u>	<u>\$ 1,011,255</u>	<u>\$ 1,053,890</u>	<u>\$ 42,635</u>

**CITY OF KELLER, TEXAS**  
 INFORMATION SERVICES FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-12

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Interest income</i>	\$ 2,500	\$ 10,000	\$ 18,811	\$ 8,811
<i>Miscellaneous</i>	52,500	52,500	81,920	29,420
<b>Total revenues</b>	<u>55,000</u>	<u>62,500</u>	<u>100,731</u>	<u>38,231</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Information Services - Information Administration</i>				
<i>Personnel services</i>	370,780	379,600	378,090	1,510
<i>Operations and maintenance</i>	251,170	261,485	259,457	2,028
<i>Services and other</i>	240,105	215,775	203,749	12,026
<b>Total Information Services - Information</b>	<u>862,055</u>	<u>856,860</u>	<u>841,296</u>	<u>15,564</u>
<i>Information Services - Geographic</i>				
<i>Personnel services</i>	66,040	64,690	64,279	411
<i>Operations and maintenance</i>	11,550	11,550	10,555	995
<i>Services and other</i>	59,485	69,420	50,529	18,891
<b>Total Information Services - Geographic</b>	<u>137,075</u>	<u>145,660</u>	<u>125,363</u>	<u>20,297</u>
<b>Capital outlay</b>	<u>51,500</u>	<u>77,795</u>	<u>37,389</u>	<u>40,406</u>
<b>Total expenditures</b>	<u>1,050,630</u>	<u>1,080,315</u>	<u>1,004,048</u>	<u>76,267</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(995,630)	(1,017,815)	(903,317)	114,498
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	1,039,350	1,034,580	1,034,580	--
<b>Total other financing sources (uses)</b>	<u>1,039,350</u>	<u>1,034,580</u>	<u>1,034,580</u>	<u>--</u>
<b>Net change in fund balances</b>	43,720	16,765	131,263	114,498
<b>Fund balances, October 1</b>	<u>157,057</u>	<u>187,150</u>	<u>189,528</u>	<u>2,378</u>
<b>Fund balances, September 30</b>	<u>\$ 200,777</u>	<u>\$ 203,915</u>	<u>\$ 320,791</u>	<u>\$ 116,876</u>

**CITY OF KELLER, TEXAS**  
**RECREATION/AQUATIC CENTER FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

EXHIBIT C-13

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 3,327,110	\$ 2,773,400	\$ 2,619,198	\$ (154,202)
Donations	--	700	3,830	3,130
Interest income	1,400	6,000	15,387	9,387
Miscellaneous	1,400	1,500	(3,851)	(5,351)
Total revenues	<u>3,329,910</u>	<u>2,781,600</u>	<u>2,634,564</u>	<u>(147,036)</u>
Expenditures:				
Current:				
Recreation and Leisure				
Recreation Aquatic Center - Administration				
Personnel services	255,150	338,180	303,970	34,210
Operations and maintenance	53,510	48,250	48,054	196
Services and other	468,040	590,645	595,984	(5,339)
Total Recreation Aquatic Center - Administration	<u>776,700</u>	<u>977,075</u>	<u>948,008</u>	<u>29,067</u>
Recreation Aquatic Center - Aquatics				
Personnel services	530,290	377,760	405,531	(27,771)
Operations and maintenance	41,200	43,325	54,003	(10,678)
Services and other	17,145	18,200	14,482	3,718
Total Recreation Aquatic Center - Aquatics	<u>588,635</u>	<u>439,285</u>	<u>474,016</u>	<u>(34,731)</u>
Recreation Aquatic Center - Fitness Programs				
Personnel services	710,540	253,440	209,580	43,860
Operations and maintenance	14,100	10,735	7,417	3,318
Services and other	152,390	143,725	131,334	12,391
Total Recreation Aquatic Center - Fitness Programs	<u>877,030</u>	<u>407,900</u>	<u>348,331</u>	<u>59,569</u>
Recreation Aquatic Center - Recreation Programs				
Personnel services	141,310	156,035	157,096	(1,061)
Operations and maintenance	7,450	3,730	590	3,140
Services and other	162,230	117,960	126,234	(8,274)
Total Recreation Aquatic Center - Recreation Programs	<u>310,990</u>	<u>277,725</u>	<u>283,920</u>	<u>(6,195)</u>
Recreation Aquatic Center - Facility Maintenance				
Personnel services	62,220	64,560	63,708	852
Operations and maintenance	35,050	35,050	37,983	(2,933)
Services and other	210,940	203,540	191,882	11,658
Total Recreation Aquatic Center - Recreation Programs	<u>308,210</u>	<u>303,150</u>	<u>293,573</u>	<u>9,577</u>
Recreation Aquatic Center - Customer Service/Concessions				
Personnel services	277,480	218,300	189,285	29,015
Operations and maintenance	63,850	61,880	70,257	(8,377)
Services and other	1,000	1,545	2,039	(494)
Total Rec. Aquatic Center - Customer Service/Concessions	<u>342,330</u>	<u>281,725</u>	<u>261,581</u>	<u>20,144</u>
Capital outlay	13,120	--	--	--
Total expenditures	<u>3,217,015</u>	<u>2,686,860</u>	<u>2,609,429</u>	<u>77,431</u>
Excess (deficiency) of revenues over (under) expenditures	112,895	94,740	25,135	(69,605)
Other financing sources (uses):				
Transfers out	(18,680)	(21,470)	(21,470)	--
Total other financing sources (uses)	<u>(18,680)</u>	<u>(21,470)</u>	<u>(21,470)</u>	<u>--</u>
Net change in fund balances	94,215	73,270	3,665	(69,605)
Fund balances, October 1	34,057	271,760	(388,843)	(660,603)
Fund balances, September 30	<u>\$ 128,272</u>	<u>\$ 345,030</u>	<u>\$ (385,178)</u>	<u>\$ (730,208)</u>

**CITY OF KELLER, TEXAS**

EXHIBIT C-14

G.O. DEBT SERVICE FUND  
 DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Ad valorem tax, penalty &amp; interest</i>	\$ 4,014,550	\$ 4,038,130	\$ 4,030,764	\$ (7,366)
<i>Special assessments and impact fees</i>	12,000	10,500	8,011	(2,489)
<i>Interest income</i>	15,000	60,000	58,759	(1,241)
<b>Total revenues</b>	<u>4,041,550</u>	<u>4,108,630</u>	<u>4,097,534</u>	<u>(11,096)</u>
<b>Expenditures:</b>				
<b>Debt service:</b>				
<i>Principal</i>	3,227,715	3,438,805	3,203,927	234,878
<i>Interest and fiscal charges</i>	1,947,780	1,639,720	1,823,822	(184,102)
<b>Total Debt Service</b>	<u>5,175,495</u>	<u>5,078,525</u>	<u>5,027,749</u>	<u>50,776</u>
 <b>Total expenditures</b>	 <u>5,175,495</u>	 <u>5,078,525</u>	 <u>5,027,749</u>	 <u>50,776</u>
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	 <u>(1,133,945)</u>	 <u>(969,895)</u>	 <u>(930,215)</u>	 <u>39,680</u>
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	661,180	661,180	661,180	--
<b>Total other financing sources (uses)</b>	<u>661,180</u>	<u>661,180</u>	<u>661,180</u>	<u>--</u>
 <b>Net change in fund balances</b>	 <u>(472,765)</u>	 <u>(308,715)</u>	 <u>(269,035)</u>	 <u>39,680</u>
 Fund balances, October 1	 <u>908,198</u>	 <u>1,044,075</u>	 <u>777,658</u>	 <u>(266,417)</u>
 Fund balances, September 30	 <u>\$ 435,433</u>	 <u>\$ 735,360</u>	 <u>\$ 508,623</u>	 <u>\$ (226,737)</u>

**CITY OF KELLER, TEXAS**  
TOWN CENTER TIF #1 I&S FUND  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-15

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Ad valorem tax, penalty &amp; interest</i>	\$ 1,693,515	\$ 2,140,232	\$ 1,920,529	\$ (219,703)
<i>Interest income</i>	6,000	30,000	43,057	13,057
Total revenues	<u>1,699,515</u>	<u>2,170,232</u>	<u>1,963,586</u>	<u>(206,646)</u>
Expenditures:				
Debt service:				
<i>Principal</i>	650,000	600,000	600,000	--
<i>Interest and fiscal charges</i>	1,404,610	1,447,990	1,447,938	52
Total Debt Service	<u>2,054,610</u>	<u>2,047,990</u>	<u>2,047,938</u>	<u>52</u>
Total expenditures	<u>2,054,610</u>	<u>2,047,990</u>	<u>2,047,938</u>	<u>52</u>
Excess (deficiency) of revenues over (under) expenditures	(355,095)	122,242	(84,352)	(206,594)
Other financing sources (uses):				
<i>Transfers in</i>	--	80,000	80,000	--
Total other financing sources (uses)	<u>--</u>	<u>80,000</u>	<u>80,000</u>	<u>--</u>
Net change in fund balances	(355,095)	202,242	(4,352)	(206,594)
Fund balances, October 1	<u>879,621</u>	<u>560,249</u>	<u>560,249</u>	<u>--</u>
Fund balances, September 30	<u>\$ 524,526</u>	<u>\$ 762,491</u>	<u>\$ 555,897</u>	<u>\$ (206,594)</u>

**CITY OF KELLER, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2006

	<u>Capital Projects</u>	<u>TIF #1 Capital Projects</u>	<u>Roadway Impact Fee</u>
<b>ASSETS</b>			
<i>Cash</i>	\$ --	\$ 8,651	\$ 20,016
<i>Investments</i>	2,782,245	815	3,286,565
Receivables (net of allowances for uncollectibles):			
<i>Interest</i>	32,770	454	62,541
<i>Other</i>	--	--	250,000
<i>Special assessments</i>	--	--	--
<i>Intergovernmental</i>	--	--	--
<i>Due from other funds</i>	92,505	--	67,723
	<u>2,907,520</u>	<u>9,920</u>	<u>3,686,845</u>
<b>Total Assets</b>	<b>\$ 2,907,520</b>	<b>\$ 9,920</b>	<b>\$ 3,686,845</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
<i>Accounts payable</i>	\$ 103,150	\$ --	\$ 37,041
<i>Accrued liabilities and other payables</i>	300	--	--
<i>Due to other funds</i>	--	--	--
<i>Deferred revenue</i>	--	--	250,000
<b>Total Liabilities</b>	<u>103,450</u>	<u>--</u>	<u>287,041</u>
<b>Fund Balances (Deficits):</b>			
<b>Reserved Fund Balances</b>			
<i>Reserved for encumbrances</i>	15,800	--	259,759
<i>Reserved for special uses</i>	--	--	3,140,045
<i>Unreserved</i>	2,788,270	9,920	--
<b>Total Fund Balances (Deficits)</b>	<u>2,804,070</u>	<u>9,920</u>	<u>3,399,804</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,907,520</u>	<u>\$ 9,920</u>	<u>\$ 3,686,845</u>

<u>Park Development Fee</u>	<u>Street/ Sidewalk Improvements</u>	<u>Equipment Replacement</u>	<u>Parks Capital Improvements</u>	<u>Total Nonmajor Capital Projects (See Exhibit C-1)</u>
\$ 23,591	\$ 2,869	\$ --	\$ --	\$ 55,127
574,659	973,962	469,826	--	8,088,072
7,471	12,188	3,335	--	118,759
12,643	--	--	--	262,643
--	55,167	--	--	55,167
--	86,917	--	--	86,917
<u>46,502</u>	<u>81,479</u>	<u>101,142</u>	<u>--</u>	<u>389,351</u>
<u>\$ 664,866</u>	<u>\$ 1,212,582</u>	<u>\$ 574,303</u>	<u>\$ --</u>	<u>\$ 9,056,036</u>
\$ 4,787	\$ 11,876	\$ 8,310	\$ --	\$ 165,164
--	149,503	--	--	149,803
--	21	--	182,481	182,502
--	48,552	--	--	298,552
<u>4,787</u>	<u>209,952</u>	<u>8,310</u>	<u>182,481</u>	<u>796,021</u>
83,894	191,974	--	--	551,427
--	--	--	--	3,140,045
<u>576,185</u>	<u>810,656</u>	<u>565,993</u>	<u>(182,481)</u>	<u>4,568,543</u>
<u>660,079</u>	<u>1,002,630</u>	<u>565,993</u>	<u>(182,481)</u>	<u>8,260,015</u>
<u>\$ 664,866</u>	<u>\$ 1,212,582</u>	<u>\$ 574,303</u>	<u>\$ --</u>	<u>\$ 9,056,036</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, 2006

	Capital Projects	TIF #1 Capital Projects	Roadway Impact Fee
<b>Revenues:</b>			
<i>Taxes</i>	\$ --	\$ --	\$ --
<i>Permits, licenses and fees</i>	--	--	--
<i>Special assessments and impact fees</i>	--	--	1,087,338
<i>Donations</i>	--	--	--
<i>Interest income</i>	118,285	2,923	137,340
<i>Miscellaneous</i>	--	4,660	--
<b>Total revenues</b>	<u>118,285</u>	<u>7,583</u>	<u>1,224,678</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Public works</i>	--	--	--
<i>Recreation and leisure</i>	--	--	--
<i>Capital outlay</i>	2,097,244	--	192,294
<b>Total expenditures</b>	<u>2,097,244</u>	<u>--</u>	<u>192,294</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,978,959)	7,583	1,032,384
<b>Other financing sources (uses):</b>			
<i>Transfers in</i>	900,000	--	--
<i>Transfers out</i>	--	(80,000)	--
<i>Debt issued</i>	--	--	--
<b>Total other financing sources (uses)</b>	<u>900,000</u>	<u>(80,000)</u>	<u>--</u>
<b>Net change in fund balances</b>	(1,078,959)	(72,417)	1,032,384
<b>Fund balances (deficits), October 1</b>	<u>3,883,029</u>	<u>82,337</u>	<u>2,367,420</u>
<b>Fund balances (deficits), September 30</b>	<u>\$ 2,804,070</u>	<u>\$ 9,920</u>	<u>\$ 3,399,804</u>



Park Development Fee	Street/ Sidewalk Improvements	Equipment Replacement	Parks Capital Improvements	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ 469,856	\$ --	\$ --	\$ 469,856
46,642	--	--	--	46,642
--	125,314	--	--	1,212,652
--	--	--	35,000	35,000
28,942	53,413	15,969	10	356,882
--	--	127,931	--	132,591
<u>75,584</u>	<u>648,583</u>	<u>143,900</u>	<u>35,010</u>	<u>2,253,623</u>
--	26,050	--	--	26,050
5,306	--	--	--	5,306
133,014	507,391	351,307	155,597	3,436,847
<u>138,320</u>	<u>533,441</u>	<u>351,307</u>	<u>155,597</u>	<u>3,468,203</u>
(62,736)	115,142	(207,407)	(120,587)	(1,214,580)
--	--	31,110	--	931,110
--	(30,000)	--	--	(110,000)
--	--	270,000	--	270,000
<u>--</u>	<u>(30,000)</u>	<u>301,110</u>	<u>--</u>	<u>1,091,110</u>
(62,736)	85,142	93,703	(120,587)	(123,470)
722,815	917,488	472,290	(61,894)	8,383,485
<u>\$ 660,079</u>	<u>\$ 1,002,630</u>	<u>\$ 565,993</u>	<u>\$ (182,481)</u>	<u>\$ 8,260,015</u>

**CITY OF KELLER, TEXAS**  
 PARK DEVELOPMENT FEE CIP FUND  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-18

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Permits, licenses and fees</i>	\$ 100,000	\$ 161,000	\$ 46,642	\$ (114,358)
<i>Interest income</i>	5,600	24,845	28,942	4,097
Total revenues	<u>105,600</u>	<u>185,845</u>	<u>75,584</u>	<u>(110,261)</u>
Expenditures:				
Current:				
<i>Recreation and Leisure</i>				
<i>Parks and Recreation Administration</i>				
<i>Services and other</i>	--	89,585	5,306	84,279
Total Parks and Recreation Administration	<u>--</u>	<u>89,585</u>	<u>5,306</u>	<u>84,279</u>
Capital outlay	<u>379,490</u>	<u>65,465</u>	<u>133,014</u>	<u>(67,549)</u>
Total expenditures	<u>379,490</u>	<u>155,050</u>	<u>138,320</u>	<u>16,730</u>
Net change in fund balances	(273,890)	30,795	(62,736)	(93,531)
Fund balances, October 1	<u>358,447</u>	<u>564,484</u>	<u>722,815</u>	<u>158,331</u>
Fund balances, September 30	<u>\$ 84,557</u>	<u>\$ 595,279</u>	<u>\$ 660,079</u>	<u>\$ 64,800</u>

**CITY OF KELLER, TEXAS**  
**STREET/SIDEWALK IMPROVEMENTS FUND**  
**CAPITAL PROJECTS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

EXHIBIT C-19

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Sales tax</i>	\$ 396,050	\$ 462,600	\$ 469,856	\$ 7,256
<i>Special assessments and impact fees</i>	59,000	99,800	125,314	25,514
<i>Interest income</i>	11,000	30,000	53,413	23,413
<b>Total revenues</b>	<u>466,050</u>	<u>592,400</u>	<u>648,583</u>	<u>56,183</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Public Works</i>				
<i>Street /Sidewalk Improvements</i>				
<i>Services and other</i>	--	26,050	26,050	--
<b>Total Street/Sidewalk Improvements</b>	<u>--</u>	<u>26,050</u>	<u>26,050</u>	<u>--</u>
<b>Total Public Works</b>	<u>--</u>	<u>86,050</u>	<u>26,050</u>	<u>60,000</u>
<b>Capital outlay</b>	<u>590,000</u>	<u>995,054</u>	<u>507,391</u>	<u>487,663</u>
<b>Total expenditures</b>	<u>590,000</u>	<u>1,081,104</u>	<u>533,441</u>	<u>547,663</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(123,950)</u>	<u>(488,704)</u>	<u>115,142</u>	<u>603,846</u>
<b>Other financing sources (uses):</b>				
<i>Transfers out</i>	(30,000)	(30,000)	(30,000)	--
<b>Total other financing sources (uses)</b>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>--</u>
<b>Net change in fund balances</b>	<u>(153,950)</u>	<u>(518,704)</u>	<u>85,142</u>	<u>603,846</u>
Fund balances, October 1	<u>856,131</u>	<u>917,488</u>	<u>917,488</u>	<u>--</u>
Fund balances, September 30	<u>\$ 702,181</u>	<u>\$ 398,784</u>	<u>\$ 1,002,630</u>	<u>\$ 603,846</u>

**CITY OF KELLER, TEXAS**  
 EQUIPMENT REPLACEMENT FUND  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-20

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Interest income</i>	\$ 6,500	\$ 10,000	\$ 15,969	\$ 5,969
<i>Miscellaneous</i>	110,070	115,070	127,931	12,861
Total revenues	<u>116,570</u>	<u>125,070</u>	<u>143,900</u>	<u>18,830</u>
Expenditures:				
Current:				
<i>Public Safety</i>				
<i>Fire Department</i>				
<i>Administration</i>				
<i>Services and other</i>	--	16,515	--	16,515
Total Administration	<u>--</u>	<u>16,515</u>	<u>--</u>	<u>16,515</u>
Total Public Safety	<u>--</u>	<u>16,515</u>	<u>--</u>	<u>16,515</u>
Capital outlay	<u>270,200</u>	<u>340,725</u>	<u>351,307</u>	<u>(10,582)</u>
Total expenditures	<u>270,200</u>	<u>357,240</u>	<u>351,307</u>	<u>5,933</u>
Excess (deficiency) of revenues over (under) expenditures	(153,630)	(232,170)	(207,407)	24,763
Other financing sources (uses):				
<i>Transfers in</i>	31,110	31,110	31,110	--
<i>Debt issued</i>	270,200	270,200	270,000	(200)
Total other financing sources (uses)	<u>301,310</u>	<u>301,310</u>	<u>301,110</u>	<u>(200)</u>
Net change in fund balances	147,680	69,140	93,703	24,563
Fund balances, October 1	<u>343,524</u>	<u>495,789</u>	<u>472,290</u>	<u>(23,499)</u>
Fund balances, September 30	<u>\$ 491,204</u>	<u>\$ 564,929</u>	<u>\$ 565,993</u>	<u>\$ 1,064</u>

# STATISTICAL SECTION

# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	91
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	97
<i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	106
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	111
<i>These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	113
<i>These 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.</i>	

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

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TABLE D-1

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

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

## 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 FOUR FISCAL YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (UNAUDITED)

	Fiscal Year 2004	2004	Fiscal Year 2005
<b>Expenses</b>			
<b>Governmental Activities:</b>			
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>
<b>Business-type Activities</b>			
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>
<b>Program Revenues</b>			
<b>Governmental Activities:</b>			
<b>Charges for Services:</b>			
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>
<b>Business-type Activities:</b>			
<b>Charges for Services:</b>			
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>
<b>Net (Expense)/Revenue</b>			
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

<u>2006</u>	
\$	4,814,291
	1,251,056
	10,627,205
	7,735,718
	8,089,054
	231,915
	--
	4,303,912
	<u>37,053,151</u>

	14,859,712
	1,641,685
	<u>16,501,397</u>
\$	<u>53,554,548</u>

\$	1,437,910
	2,879,647
	5,725,963
	241,527
	2,904,694
\$	<u>13,189,741</u>

\$	18,725,239
	819,233
	--
	4,555,755
	<u>24,100,227</u>
\$	<u>37,289,968</u>

\$	(23,863,410)
	7,598,830
\$	<u>(16,264,580)</u>

TABLE D-3

## CITY OF KELLER, TEXAS

## GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS

## LAST FOUR FISCAL YEARS

## (ACCRUAL BASIS OF ACCOUNTING)

## (UNAUDITED)

	Fiscal Year			
	2003	2004	2005	2006
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (22,315,861)	\$ (21,613,579)	\$ (20,537,189)	\$ (23,863,410)
Business-type Activities	2,895,623	1,351,015	4,621,863	7,598,830
Total Primary Government Net Expense	<u>(19,420,238)</u>	<u>(20,262,564)</u>	<u>(15,915,326)</u>	<u>(16,264,580)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
Taxes				
Property taxes	10,865,819	12,217,245	13,570,085	14,459,067
Sales taxes	4,940,179	5,590,869	6,467,898	7,534,423
Franchise taxes	2,205,786	2,347,256	2,616,898	3,089,399
Other taxes	--	28,510	37,802	49,460
Investment earnings	357,284	412,998	534,625	930,146
Miscellaneous	--	--	(27,869)	4,660
Transfers	1,745,055	2,162,960	2,243,800	2,192,110
Total Governmental Activities	<u>20,114,123</u>	<u>22,759,838</u>	<u>25,443,239</u>	<u>28,259,265</u>
Business-type Activities:				
Investment Earnings	167,251	137,199	422,389	7,152,550
Miscellaneous revenue (expense)	282,604	216,102	232,453	2,599
Transfers	(1,745,055)	(2,162,960)	(2,243,800)	(2,192,110)
Total Business-type Activities	<u>(1,295,200)</u>	<u>(1,809,659)</u>	<u>(1,588,958)</u>	<u>4,963,039</u>
Total Primary Government	<u>18,818,923</u>	<u>20,950,179</u>	<u>23,854,281</u>	<u>33,222,304</u>
<b>Change in Net Assets</b>				
Governmental Activities	(2,201,738)	1,146,259	4,906,050	4,395,855
Business-type Activities	1,600,423	(458,644)	3,032,905	12,561,869
Total Primary Government	<u>\$ (601,315)</u>	<u>\$ 687,615</u>	<u>\$ 7,938,955</u>	<u>\$ 16,957,724</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.

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Fund</b>										
Reserved	\$ 78,038	\$ 88,993	\$ 105,147	\$ 395,188	\$ 273,653	\$ 271,483	\$ 145,641	\$ 396,948	\$ 233,919	\$ 366,151
Unreserved	1,271,323	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
<b>Total General Fund</b>	<b>\$ 1,349,361</b>	<b>\$ 2,113,164</b>	<b>\$ 2,866,605</b>	<b>\$ 3,443,485</b>	<b>\$ 3,704,688</b>	<b>\$ 2,722,500</b>	<b>\$ 2,335,931</b>	<b>\$ 3,740,047</b>	<b>\$ 5,205,441</b>	<b>\$ 7,076,866</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 2,708,221	\$ 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
Debt Service Funds	105,690	410,780	1,014,500	703,466	703,467	1,102,526	--	--	--	1,064,520
Unreserved, Reported In:										
Special Revenue Funds	564,559	562,351	620,349	213,134	213,134	382,768	5,277,916	4,061,253	1,782,152	1,835,923
Capital Projects Funds	6,319,344	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
<b>Total All Other Governmental Funds</b>	<b>\$ 9,697,814</b>	<b>\$ 7,881,233</b>	<b>\$ 13,301,084</b>	<b>\$ 15,080,306</b>	<b>\$ 15,080,306</b>	<b>\$ 16,990,619</b>	<b>\$ 26,578,357</b>	<b>\$ 16,437,385</b>	<b>\$ 11,973,852</b>	<b>\$ 11,445,764</b>

TABLE D-5

## CITY OF KELLER, TEXAS

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

## (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Taxes	\$ 6,345,928	\$ 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
Permits, licenses and fees	1,137,202	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
Intergovernmental	573,362	82,326	144,294	122,591	111,246	326,339	865,385	1,090,325	1,528,075	885,493
Charges for Services	87,553	92,580	79,820	115,207	134,751	198,466	201,433	1,265,531	2,057,189	3,298,315
Fines	384,449	475,188	632,688	657,998	719,222	657,896	790,939	911,339	1,019,732	1,174,530
Special assessments & impact fees	1,090,275	1,732,153	989,560	1,000,213	370,549	1,099,060	298,593	450,850	1,180,079	1,220,663
Donations										151,921
Interest income	829,642	652,734	752,315	1,285,816	1,852,084	773,817	401,121	445,107	535,806	930,146
Miscellaneous	421,894	420,062	569,414	615,128	790,163	501,359	430,817	464,405	1,637,881	556,088
<b>Total Revenues</b>	<b>10,870,305</b>	<b>12,939,648</b>	<b>14,358,477</b>	<b>17,428,511</b>	<b>19,087,834</b>	<b>21,246,883</b>	<b>23,186,420</b>	<b>27,450,957</b>	<b>33,600,970</b>	<b>36,185,985</b>
<b>Expenditures</b>										
General government	1,469,018	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
Planning & development	--	445,942	574,774	662,488	783,835	937,924	938,107	957,446	1,094,295	1,216,936
Public safety	2,982,432	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
Public works	789,066	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
Recreation & leisure	910,243	1,162,890	1,346,136	1,629,181	2,086,096	2,521,710	2,895,724	3,782,756	5,384,346	6,245,688
Non-departmental	245,625	207,474	185,584	181,353	155,468	447,495	898,764	707,248	676,049	166,707
Capital Outlay	7,649,653	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
Debt Service	2,972,369	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
Principal	--	--	--	--	2,112,037	2,236,261	2,658,739	3,921,781	5,097,337	4,044,830
Bond issue costs	--	--	(151,969)	--	--	--	149,603	170,031	293,135	30,638
<b>Total Expenditures</b>	<b>17,018,406</b>	<b>15,626,156</b>	<b>18,692,082</b>	<b>23,437,039</b>	<b>32,826,912</b>	<b>42,260,637</b>	<b>40,716,479</b>	<b>46,492,700</b>	<b>38,716,906</b>	<b>37,239,309</b>
Excess of Revenues Over (Under) Expenditures	(6,148,101)	(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)
<b>Other Financing Sources (Uses)</b>										
Transfers in	1,690,558	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
Transfers out	(1,166,988)	(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)
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	--	--
<b>Total Other Financing Sources (Uses)</b>	<b>523,570</b>	<b>707,872</b>	<b>(1,699,849)</b>	<b>514,635</b>	<b>26,492,460</b>	<b>9,019,190</b>	<b>26,780,542</b>	<b>10,304,889</b>	<b>2,558,569</b>	<b>2,414,367</b>
<b>Net Change in Fund Balances</b>	<b>\$ (5,624,531)\$</b>	<b>(1,978,636)\$</b>	<b>(6,033,454)\$</b>	<b>(5,493,893)\$</b>	<b>12,753,382 \$</b>	<b>(11,994,564)\$</b>	<b>9,250,483 \$</b>	<b>(8,736,854)\$</b>	<b>(2,557,367)\$</b>	<b>1,361,043</b>
Debt Service As A Percentage Of Noncapital Expenditures	--	--	-1.3%	29.8%	27.4%	22.7%	27.9%	32.2%	31.7%	30.2%

**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
1997	\$ 4,680,610	\$ 897,365	\$ 767,953	\$ --	\$ 6,345,928
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
Percent Change 1997-2006	29.0%	11.9%	24.9%	57.6% (1)	23.3%

(1) Percent Change 2004-2006

TABLE D-7

## CITY OF KELLER, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(UNAUDITED)

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
1997	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ 858,382,029	\$ 0.48879	\$ 858,382,029	100.00%
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%

(1) Not available

## Sources:

1997 through 1998, City documents. 1999 - 2006 - 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 Hospital District	Tarrant County	
1997	\$ 0.30404	\$ 0.18475	\$ 0.48879	\$ 1.50000	\$ 0.23984	\$ 0.13938	\$ 0.26484	\$ 2.63285
1998	0.30679	0.17319	0.47998	1.50000	0.23407	0.13938	0.26484	2.61827
1999	0.31019	0.14781	0.45800	1.51000	0.23407	0.13938	0.26484	2.60629
2000	0.29282	0.16018	0.45300	1.47500	0.23407	0.13938	0.26484	2.56629
2001	0.29095	0.15205	0.44300	1.52270	0.23407	0.13938	0.27479	2.61394
2002	0.28065	0.15735	0.43800	1.52890	0.23240	0.13938	0.27479	2.61347
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	0.23539	0.13938	0.27250	2.78890
2006	0.30570	0.13843	0.44413	1.71580	0.23539	0.13938	0.27250	2.80720

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	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
PR Town Center LP	\$ 22,113,508	1	0.69%			
KTC Seniors LTD	16,729,356	2	0.52%			
GTE Southwest Inc	16,666,979	3	0.52%			
TXU Electric Delivery	15,657,572	4	0.49%	\$ 4,257,040	4	0.50%
Regency Centers LP	15,641,552	5	0.49%			
Lowe's Home Centers	14,224,313	6	0.45%			
PR Keller Partners LP	14,222,582	7	0.45%			
Home Depot USA	12,165,349	8	0.38%			
Margaux Keller Dev LTD	10,508,539	9	0.33%			
Keller Senior Community	9,308,030	10	0.29%			
The Kroger Company				5,898,749	1	0.69%
Sentry Financial				5,562,414	2	0.65%
General Telephone				4,417,365	3	0.51%
Perry Homes JV				2,801,884	5	0.33%
Resolution Trust				2,545,910	6	0.30%
Tri-County Electric				2,443,774	7	0.28%
Rene Floren Trustee				2,304,548	8	0.27%
Ensearch Corp				1,729,319	9	0.20%
Centex Real Estate				1,651,540	10	0
Total	\$ 147,237,780		4.61%	\$ 33,612,543		3.92%

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
1997	\$ 4,195,687	4,175,242	99.51%	19,117	4,194,359	99.97%
1998	4,658,427	4,624,605	99.27%	30,530	4,655,135	99.93%
1999	5,118,259	5,103,036	99.70%	12,821	5,115,857	99.95%
2000	6,105,497	6,027,340	98.72%	74,513	6,101,853	99.94%
2001	7,172,665	7,077,938	98.68%	84,801	7,162,739	99.86%
2002	8,514,689	8,412,717	98.80%	96,468	8,509,185	99.94%
2003	10,039,710	9,926,842	98.88%	104,863	10,031,705	99.92%
2004	10,954,013	10,870,031	99.23%	74,587	10,944,618	99.91%
2005	11,819,914	11,734,243	99.28%	59,615	11,793,858	99.78%
2006	12,862,818	12,744,905	99.08%	6,274	12,751,179	99.13%

**CITY OF KELLER, TEXAS**

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS (1)

(UNAUDITED)

	Calendar Year					
	1997	1998	1999	2000	2001	2002
Agriculture	\$ 2,212,822	\$ 2,558,885	\$ 3,117,778	\$ 4,190,766	\$ 4,331,517	\$ 4,195,455
Construction	3,187,377	2,297,651	2,587,583	2,131,688	3,132,180	1,962,745
Transportation, Communications	24,197	24,870	158,675	520,770	1,836,531	4,532,884
Wholesale Trade	4,726,838	4,422,282	1,619,625	1,608,817	1,652,971	2,128,269
Retail Trade	42,471,939	48,731,309	49,739,634	67,481,342	104,372,013	141,020,365
Service Industry	15,463,471	18,625,203	27,168,095	30,627,360	26,214,838	24,287,680
Finance	--	--	--	11,740	179,867	170,082
Manufacturing	733,490	652,339	799,080	1,204,357	1,755,817	2,733,797
Other	--	--	--	--	--	--
<b>Total</b>	<b>\$ 68,820,134</b>	<b>\$ 77,312,539</b>	<b>\$ 85,190,470</b>	<b>\$ 107,776,840</b>	<b>\$ 143,475,734</b>	<b>\$ 181,031,277</b>
Direct Sales Tax Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

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

Note: Retail sales information is not available on a fiscal-year basis.

(1) Sales tax data files are updated five to six months after the close of a quarter. 2006 allocated totals represent two quarters only.

TABLE D-11

2003	2004	2005	2006
4,235,299 \$	4,871,436 \$	5,468,880 \$	2,883,705
2,264,394	4,212,895	5,749,764	3,344,567
4,379,448	624,378	503,008	287,351
2,138,230	2,999,989	2,714,901	1,322,669
156,488,660	158,398,693	169,407,587	90,578,291
24,155,406	24,417,992	26,594,896	14,158,613
173,731	132,753	--	--
3,966,331	3,938,867	4,241,081	2,570,524
--	93,368	5,721,496	7,442,509
<u>197,801,499 \$</u>	<u>199,690,371 \$</u>	<u>220,401,613 \$</u>	<u>122,588,229</u>
1.88%	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
1997	6.25%	1.00%	0.50%	--	--	7.75%
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%

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	2006				1997			
	Number of Filers	% of Total	Tax (1)	% of Total	Number of Filers	% of Total	Tax (2)	% of Total
Construction	305	6.49%	\$ 104,961	1.68%	89	4.23%	\$ 40,085	2.93%
Agriculture, Forestry, Fishing & Hunting	5	0.11%	1,945	0.03%				
Mining	4	0.09%	11,797	0.19%				
Utilities	16	0.34%	410,076	6.58%				
Manufacturing	241	5.13%	158,707	2.55%	99	4.71%	19,391	1.42%
Wholesale Trade	527	11.22%	246,130	3.95%	173	8.22%	30,010	2.19%
Retail Trade	1,430	30.44%	1,743,904	27.98%	602	28.61%	486,709	35.58%
Information	394	8.39%	585,544	9.39%	188	8.94%	136,948	10.01%
Finance & Insurance	45	0.96%	11,322	0.18%				
Real Estate, Rental & Leasing	73	1.55%	28,437	0.46%	13	0.62%	4,107	0.30%
Professional, Scientific, and Technical Services	266	5.66%	101,062	1.62%	94	4.47%	54,530	3.99%
Admin & Support Svcs	393	8.37%	312,110	5.01%	179	8.51%	87,712	6.41%
Educational Services	18	0.38%	720	0.01%	6	0.29%	287	0.02%
Arts, Entertainment & Recreation	15	0.32%	67,313	1.08%				
Accommodation & Food Services	56	1.19%	520,021	8.34%	7	0.33%	8,188	0.60%
Other Services except PA	119	2.53%	92,365	1.48%	101	4.80%	44,127	3.23%
Other	791	16.83%	1,837,298	29.47%	553	26.27%	456,010	33.32%
<b>Total</b>	<b>\$ 4,698</b>	<b>100.00%</b>	<b>\$ 6,233,712</b>	<b>100.00%</b>	<b>2,104</b>	<b>100.00%</b>	<b>\$ 1,368,104</b>	<b>100.00%</b>

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			
1997	\$ 26,285,168	\$ 2,446,900	\$ --	\$ 166,146			
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			
Business-type Activities							
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	Other	Total Primary Government	Percentage of Personal Income	Per Capita
1997	\$ 7,391,358	\$ 4,308,100	\$ 940,000	\$ 3,627,263	\$ 45,164,935	10.75%	\$ 2,174
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

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				
1997	\$ 26,285,168	\$ 2,446,900	\$ 146,280	\$ 28,585,788	\$ 1,791,280	\$ 26,794,508	3.12%	\$ 1,290
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



**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	\$ 484,579,357	36.230%	\$ 175,563,101
Tarrant County General Obligation Debt	234,450,000	2.050%	4,806,225
Other Debt			
Tarrant County Hospital District	72,807,000	2.050%	1,492,544
Tarrant County Junior College District	58,289,276	2.050%	1,194,930
Subtotal, Overlapping Debt			183,056,800
City of Keller Direct Debt			39,166,401
Total Direct and Overlapping Debt			\$ <u>222,223,201</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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
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	0.48879	0.47998	0.45800	0.45300	0.44300	0.43800	0.43800	0.43800	0.44413	0.44413
Additional rate available	2.01121	2.02002	2.04200	2.04700	2.05700	2.06200	2.06200	2.06200	2.05587	2.05587
Additional tax levy available (debt margin)	17,263,865	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
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	19.55%	19.20%	18.32%	18.12%	17.72%	17.52%	17.52%	17.52%	17.77%	17.77%

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

<b>Maximum Allowable Tax Rate</b>	\$ 2.50000
Adopted Tax Rate	0.44413
Additional Rate Available	<u>2.05587</u>
Total Taxable Value	\$ 2,800,736,737
Additional Tax Levy Available (Debt Margin)	57,579,506
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>508,623</u>
Legal Debt Margin	<u>\$ 57,070,883</u>

**CITY OF KELLER, TEXAS**

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

(UNAUDITED)

## Water Revenue Bonds

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997	\$ 6,928,700	\$ 6,613,202	\$ 315,498	\$ 245,000	\$ 85,021	0.96%
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

**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
1997	20,775	\$ 420,299,025	20,231	30	13,075	1.8%
1998	22,475	454,691,725	20,231	30	13,072	1.6%
1999	24,500	706,825,000	28,850	30	14,094	1.4%
2000	27,345 (3)	874,657,170	31,986	30	16,300	1.6%
2001	28,066	897,719,076	31,986	30	18,429	2.1%
2002	29,915	956,861,190	31,986	30	20,097	2.9%
2003	31,814	1,017,602,604	31,986	35	20,032	2.7%
2004	33,112	1,059,120,432	31,986	35	23,663	4.1%
2005	34,224	1,094,688,864	31,986	35	25,644	3.4%
2006	36,328 (1)	1,289,716,656	35,502	35	25,873	3.2%

Sources:

- (1) North Central Texas Council of Governments (NCTCOG)
- (2) Keller Independent School District (KISD)
- (3) Bureau of Census
- (4) Texas Workforce Commission

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

Employer	2006			1997		
	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	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	349	11	2.13%	--	--	--
Southstar Logistics	311	12	1.90%	--	--	--
Total	16,186		98.99%	--		--

1997 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
<b>General Government</b>										
Management Services	5.00	5.00	5.00	5.00	5.00	5.75	6.00	6.25	6.25	7.00
Finance	5.50	5.50	5.98	6.75	6.00	6.50	7.00	7.00	7.00	7.00
Planning	8.10	9.98	11.00	12.75	13.75	13.25	14.98	14.98	13.11	14.25
Building	--	--	--	--	--	0.80	1.00	1.00	1.00	1.00
Other	7.90	8.40	9.90	10.65	11.40	13.83	16.25	17.25	19.16	17.73
<b>Police</b>										
Officers	34.00	36.00	39.50	41.75	51.00	57.67	66.00	66.00	66.50	67.00
Civilians	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
<b>Fire</b>										
Firefighters and Officers	27.00	29.00	30.50	33.75	39.00	40.88	41.75	42.50	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
<b>Public Works</b>										
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	7.50	9.38	11.28	13.76	13.83	11.83	10.83	11.33
<b>Parks and Recreation</b>										
Library	9.38	10.33	10.38	11.53	12.53	13.83	14.83	14.97	14.97	15.97
Water	22.00	23.00	21.09	22.88	23.78	27.21	33.67	34.92	34.92	34.92
Wastewater	5.50	5.50	5.50	8.50	6.00	6.50	7.25	7.25	7.50	7.50
Drainage	9.78	6.78	7.53	8.53	8.78	8.78	7.50	7.75	7.75	7.75
<b>Total</b>	<b>166.86</b>	<b>176.00</b>	<b>183.92</b>	<b>203.82</b>	<b>222.97</b>	<b>245.61</b>	<b>270.96</b>	<b>296.77</b>	<b>316.81</b>	<b>335.19</b>

Source: Information provided by city staff

TABLE D-22

## CITY OF KELLER, TEXAS

## OPERATING INDICATORS BY FUNCTION/PROGRAM

## LAST TEN FISCAL YEARS

(UNAUDITED)

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Council & work sessions held	52	55	47	35	52	42	42	41	35	32
Cable broadcasts	200	200	210	300	375	554	565	594	594	594
Birth/death certificates issued	275	335	437	638	640	797	847	962	1,113	1,311
Building Permits Issued	582	601	816	608	56	411	394	363	390	473
New construction plan review	711	559	876	682	712	505	487	446	450	480
Police										
Physical Arrests	835	692	692	617	793	972	1,121	1,297	1,396	1,754
Total Citations Issued	7,477	5,808	8,702	8,636	8,361	11,277	10,044	11,123	12,274	15,517
Total emergency '911' calls	7,167	7,167	7,540	10,000	11,000	11,500	11,673	12,978	13,160	14,452
Calls for Service	11,421	11,956	12,552	13,179	38,376	46,746	57,484	72,588	75,217	82,174
Animal Control										
Animal adoptions	n/a	238	202	98	234	461	376	436	631	834
Stray animal complaints	n/a	1,047	945	1,466	1,771	2,235	1,966	2,424	7,250	10,462
Animals impounded	302	551	492	721	902	1,120	1,162	1,190	1,251	1,504
Nuisance wildlife trapped	n/a	170	145	514	518	620	546	449	397	336
Dog bite investigations	10	36	28	59	69	71	56	75	72	61
Fire										
Emergency Responses	1,301	1,304	1,154	1,479	1,678	1,838	1,917	1,863	2,204	2,500
Calls for Service, excludes EMS	676	555	644	708	608	744	805	735	763	866
Fire Hydrants Maintained	472	731	1,520	1,035	439	n/a	1,734	1,785	1,844	1,903
Inspections	363	323	335	175	389	293	474	346	384	410
Finance										
Accounts payable checks processed	5,118	6,286	6,968	6,924	6,764	5,567	4,299	4,544	4,443	5,819
Payroll checks processed	4,212	4,516	4,982	5,838	5,659	4,681	7,195	8,411	9,107	4,986
Journal entries posted	1,409	1,752	1,483	1,450	2,309	2,890	2,854	3,140	2,972	4,499
Purchase orders processed	2,853	2,858	2,695	2,581	2,537	800	244	319	274	316
Human Resources										
Applications processed	n/a	600	487	282	896	2,115	1,293	1,328	3,530	1,800
Vacancies filled	n/a	54	45	34	70	43	35	160	154	42
Turnover rate	18.1%	19.0%	21.0%	30.0%	15.5%	11.0%	10.0%	9.4%	9.6%	13.2%
Safety classes conducted	24	20	14	24	24	12	12	17	8	9
Worker compensation claims	57	44	52	29	37	41	45	50	53	41

**TABLE D-22**  
(CONTINUED)

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Municipal Court</b>										
Citations processed	8,728	8,285	10,231	8,862	9,068	9,023	9,023	11,123	12,766	15,613
Warrants processed	2,330	2,542	2,278	1,972	1,410	1,946	1,946	2,517	2,744	2,370
Court sessions	304	280	238	195	218	224	224	204	240	204
Defendant requests for court date	8,000	8,100	6,300	5,393	4,650	3,996	3,996	3,862	3,548	7,809
<b>Public Works</b>										
Review CIP designed by others	7	5	4	7	8	9	10	14	14	14
Street Resurfacing (miles)	--	--	4	6	9	3	8	2	13	7
Sidewalks repaired (linear feet)	600	600	351	300	400	1,000	500	500	80	80
<b>Parks and Recreation</b>										
Park acreage	214	205	304	328	362	402	412	433	436	444
Facility reservations	272	505	331	312	372	508	304	450	518	550
Sr Citizen center participations	12,517	12,447	14,296	21,456	22,345	27,300	28,590	28,890	30,604	33,000
Athletic Field Permits issued	635	1,513	1,584	2,048	2,050	2,464	2,623	3,750	3,750	n/a
Recreation programs provided	168	187	225	247	280	295	304	90	359	367
<b>Library</b>										
Library customer visits	116,601	131,167	144,283	133,246	136,389	156,352	216,671	229,830	234,474	235,000
Total volumes borrowed	157,572	171,133	187,711	211,158	242,469	278,676	353,431	368,376	411,783	412,000
Volumes in collection	57,600	48,601	45,974	50,000	57,000	81,625	81,625	81,625	108,108	110,000
<b>Water</b>										
New Customers (net)	450	761	766	859	641	410	333	213	452	(265)
Water Main Breaks	n/a	n/a	n/a	28	74	86	59	101	84	101
Average Daily Consumption (000 gal.)	4,053	5,075	5,261	7,014	6,700	6,000	6,900	6,700	8,039	11,325
Peak Daily Consumption (000 gal.)	9,114	13,200	14,400	16,000	16,000	17,000	19,000	13,200	17,858	18,481
<b>Wastewater</b>										
Average Daily Sewage Treatment (000 gals)	1,532	1,599	1,726	1,857	2,214	2,427	2,217	2,466	2,620	2,877

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	10	12	15	15	15	18	18	28 (1)
<b>Fire</b>										
Stations	2	3	3	3	3	3	3	3	3	3
Engines/Trucks	2	2	2	3	3	3	3	3	3	3
<b>Public Works</b>										
Streets (miles)	136	180	210	215	240	240	243	275	250	182 (2)
Street lights	1,000	1,187	1,298	1,350	1,350	1,530	1,710	1,710	1,710	1,980 (4)
Traffic Signals	--	--	--	--	--	--	1	4	4	4
<b>Parks and Recreation</b>										
Acreage	217	217	334	420	362	402	412	415	433	425
Playgrounds	1	1	1	1	1	1	1	1	8	8
Baseball/Softball Fields	2	2	3	3	4	4	4	4	8	8
Soccer/Football Fields	2	2	2	2	7	7	7	7	8	8
Community Centers	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water Mains (miles)	267	312	312	330	330	352	370	440	440	238 (3)
Storage Capacity (gallons)	6,200,000	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
<b>Wastewater</b>										
Sanitary Sewers (miles)	76	92	92	100	106	130	150	220	280	286
Storm Sewers (miles)	2	30	30	35	37	43	43	43	43	45
Treatment Capacity (gallons)	6,000,000	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

**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.