



CITY OF KELLER, TEXAS

Comprehensive Annual Financial Report

For Fiscal Year
Ended
September 30, 2005

MAYOR AND CITY COUNCIL

Julie A. Tandy,
Mayor

Steve Trine,
City Council - Place 1

Jim Badalamenti,
City Council - Place 2

Russell Lake,
City Council - Place 3

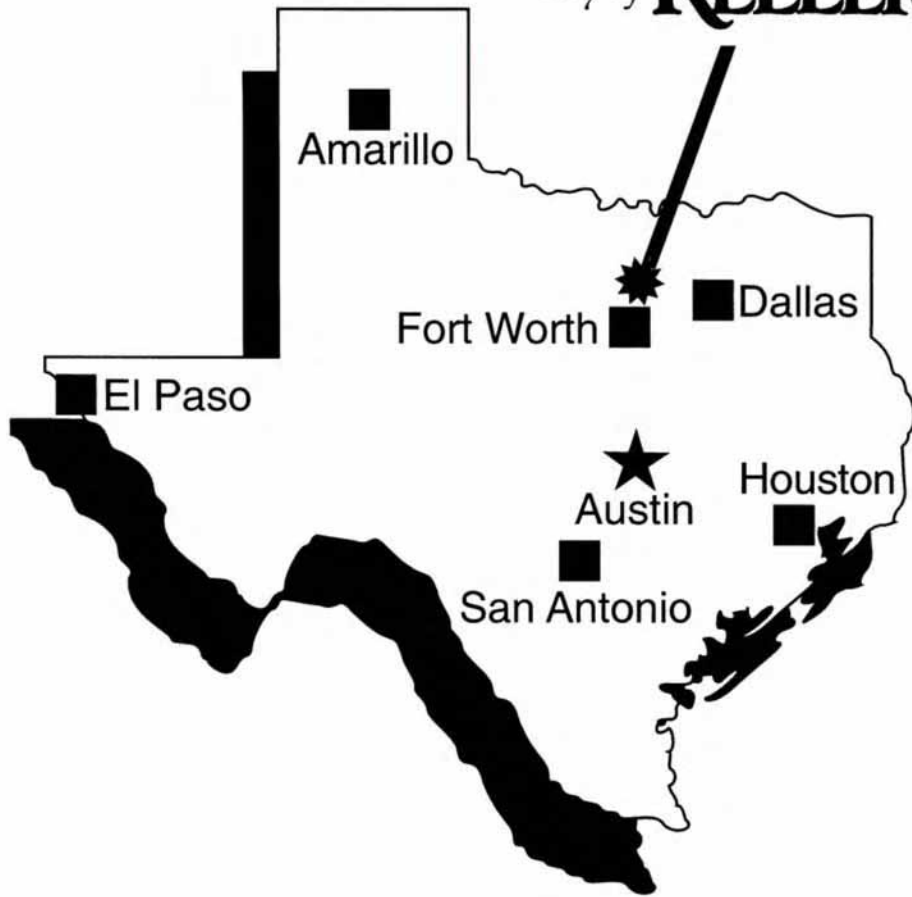
Sheryl Roberts,
City Council - Place 4

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, 2005

Prepared by the
CITY OF KELLER
FINANCE DEPARTMENT

CITY COUNCIL

Julie A. Tandy, Mayor

Mitch Holmes, Mayor Pro-Tem

Steve Trine
Jim Badalamenti
Russell Lake
Sheryl Roberts

CITY MANAGER

Lyle H. Dresher

DIRECTOR OF FINANCE

Johnny L. Phifer, CGFO

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CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended September 30, 2005

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INTRODUCTORY SECTION



March 10, 2006

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, 2005, 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, 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, 2005, 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, 2005, 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.

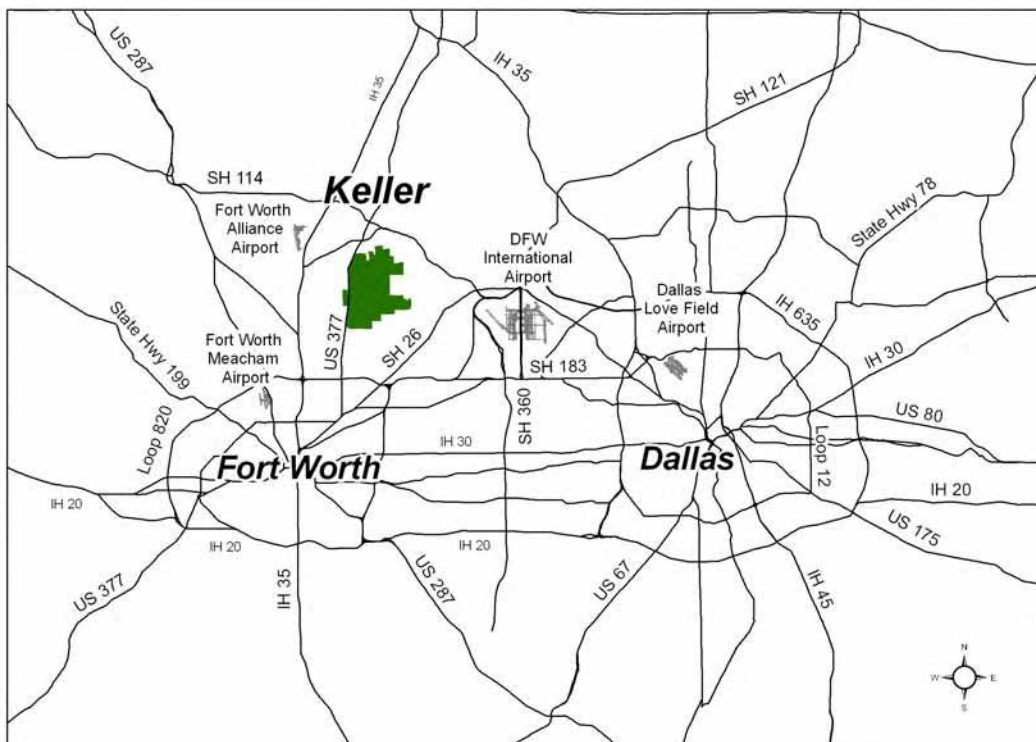
Also included in the *financial* section is management's discussion and analysis (MD&A), which provides users of the basic financial statements a narrative introduction, overview, and analysis of the basic financial statements. The basic financial statements, including the accompanying notes, represent 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.

1100 BEAR Creek Parkway • P.O. BOX 770 • KELLER, TEXAS 76244 • (817) 743-4000 • FAX (817) 743-4190
Web: <http://www.cityofkeller.com> • E-mail: townhall@cityofkeller.com

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 (TRZ 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 15th. The City Manager's proposed budget is reviewed by the City Council, followed by a final public review process, including a required public hearing prior to budget adoption. The City Charter requires adoption of the City budget no later than the twenty-seventh (27th) day of the last month of the fiscal year.

Budgetary reporting is provided at the department level within the individual fund. Transfers of budget appropriations within departments may occur with the approval of the City Manager, provided there is not an increase in overall expenditures. Transfers of budget appropriations between funds and/or departments, as well as any increase in total appropriations, require a formal budget amendment adopted by the City Council. 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, 2005, a revised budget was approved by the City Council on September 20, 2005. 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. While residential growth has slowed as compared to the late 1990's, growth remains strong, evidenced by the issuance of over 370 residential building permits having an average construction permit value in excess of \$330,000. 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 48.4% from 2004 to 2005 totaling over \$48.9 million. The square footage of these new business completions increased by 70.8%, or approximately 763,485 square feet of space.

Local/regional economic indicators remain strong with Northeast Tarrant County again projected to grow at a faster pace than other regions of Texas. The City's taxable retail sales have grown approximately 15.8% over the previous year compared to the countywide average of approximately 9.58%. The most active commercial area in the City has been the U.S. Highway 377 corridor, which serves as a commuter route from the City of Fort Worth I-820 loop north to the Alliance Gateway (industrial/distribution) corridor, as well as a feeder for the residential housing boom in North Fort Worth. Numerous individual businesses and numerous restaurants and two commercial centers, including L.A. Fitness, the Hibernia Banking Center, Bank One, Goodyear, etc. are among this fiscal year additions to the corridor. While most of these new businesses are highway service-oriented, they generate significant sales tax revenue as well as contributing to the property tax base. The Keller Town Center continues to experience significant commercial

growth including the approval of the 204,600 square foot Arthouse at Town Center and several new office/medical buildings.

Verizon Communications announced, during the third calendar quarter 2004 that the City of Keller was to be the first city in the United States to receive ultra high-speed broadband internet services via the Company's installation of fiber optics to every household and business (FTTP/FIOS) within their service area of the City. Fiber installation was substantially complete in the fall of 2004 and available to internet subscribers. Subsequently the city negotiated and approved a video (cable television) franchise thus delivering cable television over fiber optics beginning in January 2005. It is anticipated that this technology will be a valuable economic development tool for attracting businesses using high-speed broadband internet service via fiber optics as well as to those home-based businesses dependent on the high speed Internet. Verizon's capability of bundling voice, ultra-high speed internet and video into a competitive package has created consumer choice in the market place for similar services, thus providing choice and competition for the residents of the City.

According to the Texas Workforce Commission, the City's civilian labor force was 18,681 in September 2005, compared to a total civilian labor force for Tarrant County of 851,750. Keller's unemployment rate in September 2005 was 3.4%, compared to the Tarrant County rate of 5.1%, and a statewide rate of 5.3%.

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 2005 population estimate was 34,224, representing an increase of 20,581 (150%) over 1990, and 6,879 (25.2%) 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%
2005 Estimate	34,224	6,879	25.2%

Since 1970, the total population increase is over 32,750. This increasing population trend is anticipated to continue for several years, although at a more reasonable pace. The City's estimated population by 2010 is 38,127. 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 1999, 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 1999.

Fiscal Year Ended September 30	Total Market Value (000's)	Percent Change
1999	\$1,270,208.1	NA
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	2,931,938.2	6.1

The rate of increase in the City's total market value has slowed from a five-year average rate of increase of 18.8% from fiscal year 1998-99 through fiscal year 2002-03, to an increase of 6.1% for fiscal year 2004-05. 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.

While the net assessed value for calendar year 2004 (fiscal year 2005) increased 6.4% over calendar year 2003 (fiscal year 2004), compared to the prior year's increase of 8.8%. The smaller growth in revenue still produced the funding necessary to meet most of the significant 2004 goals of the City Council, such as holding the line on the tax rate by a very small increase of 1.4%; maintaining the financial/budget targets to ensure the fiscal stability of the City's operations; maintaining the employee compensation plan, including salary increases; completion of the expansion of the Keller Police Department and dedication of The Keller Pointe Recreation and Aquatics Center; and commencing construction on the initial phases of extending public sanitary sewers into the northern area of the City.

The 1/8th of one percent local option sales tax for maintenance and rehabilitation of existing streets was approved by voters in November 2003. Tax collections 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 year 2005, \$402,351 was collected (the first full fiscal year of collections). 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.

Seven of the fifteen General Fund employee full-time positions frozen during 2003 were filled in fiscal year 2005 in an effort to gradually replace frozen positions. While the remaining unfilled positions created some hardships, the operating departments continued to maintain a high and responsive level of service delivery. Because sales tax revenue and development fees exceeded the original budgeted amounts, two unfilled (frozen) police officer positions and two unfilled (frozen) firefighter positions were also filled during the fiscal year, in addition to the three positions that were included in the original budget to be filled (unfrozen). However, eight frozen full-time positions remain unfilled at September 30, 2005.

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 2005 plan that identified over \$91.5 million of capital improvements during the next five years (through 2010). These recommended improvements are identified by the following activities:

Water and sewer improvements	\$38.2 million (42%)
Streets and drainage improvements	23.3 million (26%)
Fire and emergency medical services	16.2 million (18%)
Municipal facilities	10.5 million (12%)
Parks and recreation	1.5 million (1%)
Other improvements	1.7 million (1%)

These improvements provide for new facilities and facilities expansion; land acquisition; equipment acquisition and replacement; athletic fields, parks and park facilities; and water and sewer mains, facilities, and storage facilities. The majority of these improvements (74%) is anticipated to be funded by debt obligations. Debt obligations include both self-supporting debt (e.g., water and sewer improvements), and general obligation debt (e.g., street and drainage improvements).

The Finance Department also prepares an internal five-year financial forecast for the General 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 2005 was approximately \$37.77 million, and the overall portfolio provided \$957,014 in unrestricted investment income. The average return on the portfolio for fiscal year 2005 was 2.5836%, compared to the City's 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 10.99% for calendar year 2004, and 12.68% for calendar year 2005. 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, 2004, and a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for sixteen consecutive fiscal years (FY1989 through FY2004). 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.

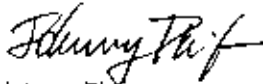
In addition to the Certificate of Achievement, the City also received GFOA's Distinguished Budget Presentation Award for its fiscal year 2005 annual budget document. In order to qualify for the award, the City's budget document was

judged to be proficient in several categories including policy documentation, financial planning, and as an operations guide. The City has received the award for 9 consecutive years (1997 – 2005). 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,



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, 2004

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.



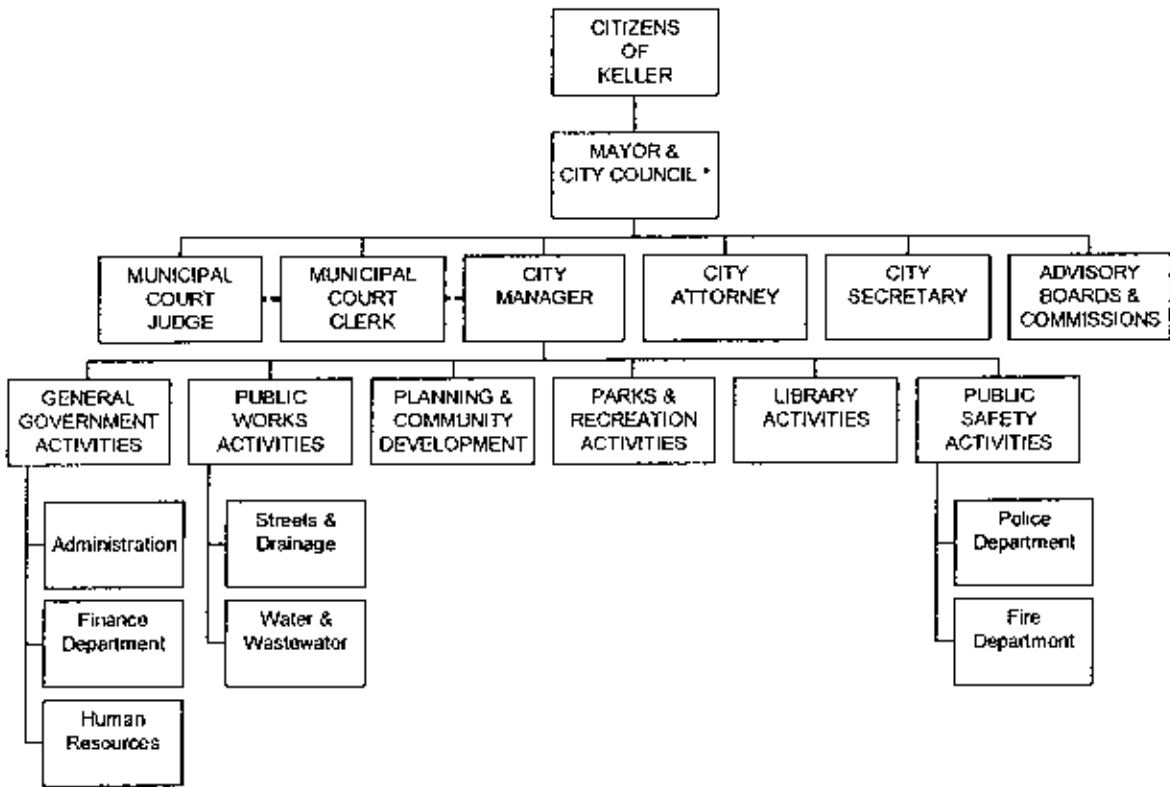
Nancy L. Zjella

President

Jeffrey R. Egan

Executive Director

CITY OF KELLER, TEXAS ORGANIZATION CHART



* Denotes elected positions.

PRINCIPAL OFFICIALS

<u>Name</u>	<u>Title</u>
<u>ELECTED OFFICIALS:</u>	
Julie A. Tandy	Mayor
Steve Trine	Council Member, Place 1
Jim Badalamenti	Council Member, Place 2
Russell Lake	Council Member, Place 3
Sheryl Roberts	Council Member, Place 4
Mitch Holmes	Council Member, Place 5 and Mayor Pro Tem
<u>APPOINTED OFFICIALS</u>	
Lyle H. Dresher	City Manager
Pauline Drewry	Director of Human Resources
Mark Hafner	Police Chief
Ed Itchner	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
<u>OTHER APPOINTED OFFICIALS:</u>	
Boyle and Lowry, L.L.P.	City Attorney
First Southwest Company	Financial 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, 2005, 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 an opinion 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, 2005, 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 21 and 54 through 59, 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 section and statistical tables 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.



December 9, 2005

CITY OF KELLER, TEXAS

Management's Discussion and Analysis For Year Ended September 30, 2005 (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, 2005. 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. The City implemented Governmental Accounting Standards Board Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments in fiscal year 2003. As discussed in Note D., the City completed the transition for infrastructure assets as of September 30, 2005.

Financial Highlights

- The City's assets exceeded its liabilities at the close of the 2005 fiscal year by \$140,186,451 (net assets). Of this amount, \$23,597,922 (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 as more fully described below.
- The City's total net assets increased by \$7,936,955, or 6%. The net assets of governmental activities increased \$4,906,050, or approximately 6.8%. 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 \$3,032,905, or 5.02%. The increase was due in part to dry weather conditions, impacting water and wastewater revenues, combined with a water and wastewater rate increase.
- As of September 30, 2005, the City's governmental funds reported combined ending fund balances of \$17,025,171. Approximately 75.3% of this total amount, \$12,823,280, is unreserved and available for use within the City's designation and policies. Reservations for (1) encumbrances \$2,545,116 and (2) debt service \$1,505,587, total \$4,050,703, and represent over 23.7% of the total fund balance.
- Total cost of all the City's programs was \$50,430,945 in 2005, compared to \$42,885,195 in 2004.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$4,817,400, or 27.6% of total expenditures. This represents an increase of \$1,474,301, or 44.1% from the prior fiscal year due mainly to slight increases in property, sales, and franchise taxes, combined with cost savings from maintaining vacant positions.

Overview of Financial Statements

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

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

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

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

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

CITY OF KELLER, TEXAS

Management's Discussion and Analysis For Year Ended September 30, 2005 (Unaudited)

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

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

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

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

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

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

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

The City maintains 20 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the general, debt service funds, both of which are considered to be major funds. Data from the other 18 funds are combined into a single, aggregated presentation.

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

Proprietary 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.

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 all are considered major funds of the City.

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

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 34 through 52 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

CITY OF KELLER, TEXAS

Management's Discussion and Analysis For Year Ended September 30, 2005 (Unaudited)

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 \$140,186,451 as of September 30, 2005.

The largest portion of the City's net assets (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 (6.4%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (16.8%) may be used to meet the City's ongoing obligations to citizens and creditors.

Total assets of governmental activities increased by \$167,417, or 0.1% in fiscal year 2005. The decrease in current and other assets and corresponding increase in capital assets of governmental activities is primarily due to completed construction of the Police facility expansion and developer contributions for street improvements. Net assets of governmental activities increased \$4,906,050, or 6.8%. The governmental activities noncurrent liabilities decreased by \$4,287,689, or 4.2% mainly due to annual debt service principal payments.

In the fiscal year ended September 30, 2005, the City completed the transition phase-in of street infrastructure. This resulted in a restatement of prior year balances by \$47,821,037 in order to record both the estimated value of the infrastructure, as well as the accumulated depreciation.

Total assets of business-type activities increased by \$1,819,425, or 2%. Net assets of business-type activities increased \$3,032,905, or 5%. There is a corresponding decrease in current and other assets and noncurrent liabilities, due primarily to expenses for capital improvements that were made from the \$11.25 million certificates of obligation issued in 2004. In addition, dry weather conditions contributed to an increase in net assets because of an increase in water and wastewater revenues. The total liabilities for business-type activities decreased \$1,213,480, or 4.3% mainly due to retirement of debt principal paid during the year.

CITY OF KELLER, TEXAS

*Management's Discussion and Analysis
For Year Ended September 30, 2005
(Unaudited)*

CITY OF KELLER'S CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$22,115,800	\$24,873,998	\$24,089,122	\$27,456,790	\$ 46,204,922	\$ 52,330,788
Capital assets	158,617,488	153,691,873	66,648,175	81,461,082	223,265,663	215,152,955
Total Assets	178,733,288	178,565,871	90,737,297	88,917,872	269,470,585	267,483,743
Long term liabilities	97,951,330	102,239,019	24,065,041	25,638,627	122,016,371	127,877,646
Other liabilities	4,050,086	4,501,030	3,217,677	2,857,571	7,267,763	7,358,601
Total liabilities	102,001,416	106,740,049	27,282,718	28,496,198	129,284,134	135,236,247
Net Assets:						
Invested in capital assets, net of related debt	62,602,173	58,385,058	45,059,859	57,249,543	107,662,032	115,634,501
Restricted	8,444,642	6,988,971	481,855	471,846	8,926,497	7,460,817
Unrestricted	5,685,057	6,451,793	17,912,865	2,700,285	23,597,922	9,152,078
Total Net Assets	<u>\$76,731,872</u>	<u>\$71,825,822</u>	<u>\$63,454,579</u>	<u>\$60,421,674</u>	<u>\$140,186,451</u>	<u>\$ 132,247,496</u>

Analysis of the City's Operations – The following table provides a summary of the City's operations for year ended September 30, 2005. Overall the City had an increase in net assets of \$7,938,955.

Government Activities: Government activities increased the City's net assets by \$4,906,050, or 6.6% from the prior year. The largest change in expenses was an increase of \$1,989,860, or 37.3% in recreation and leisure. This increase is primarily due to the first full year of operations of The Keller Pointe Recreation and Aquatic Center, which opened for operations in June 2004. General government expenses increased \$1,249,950, or 31.3% primarily due to an increase in depreciation expense (a non cash outlay) \$725,463 on city facilities. Public safety expenses increased \$1,264,581, or 14.7% mainly due to filling previously vacant (frozen) positions, combined with the completion of the Police Facility expansion project. Major increases in revenues were included in fines, fees, and charges for services (\$3,940,632), and ad valorem taxes (\$1,352,840). Fines, fees, and charges for services increased primarily because of the user fees for The Keller Pointe Recreation and Aquatic Center, as mentioned earlier. Ad valorem taxes increased because of the increase in taxable values from the prior year by approximately 9.2%. Sales taxes increased by \$877,029, or 15.7%, resulting from continued strong economic development activity.

Business-type Activities: Net assets from business-type activities increased by \$3,032,905, or 5%. Total expenses increased by \$2,148,087, or 16.7% primarily because of an increase of \$1,010,361, or 28.3%, in wholesale water purchased because of dry weather conditions. Total revenues increased \$5,720,476 (39.3%), with an increase of \$2,575,870 (20%) in charges for services, and \$2,843,065 (224.4%) in developer contributions, respectively. Charges for service increased due to the previously mentioned dry weather conditions, combined with a water and sewer rate increase of 9.5% that was implemented in April 2005. Developer contributions increased due to increased development activity for residential and commercial development.

CITY OF KELLER, TEXAS

*Management's Discussion and Analysis
For Year Ended September 30, 2005
(Unaudited)*

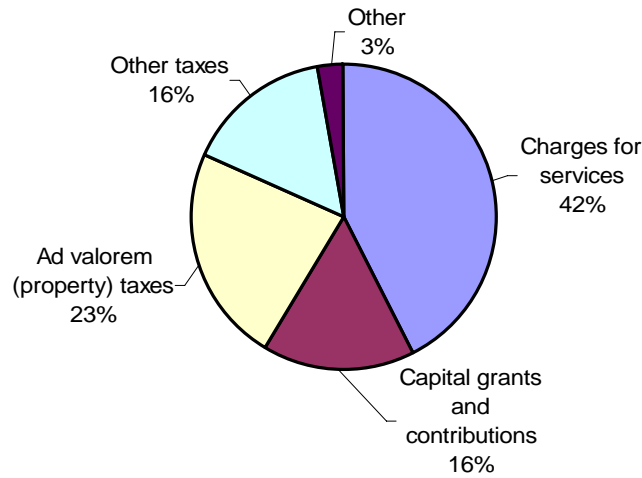
CITY OF KELLER'S CHANGES IN NET ASSETS

	Government Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for services	\$ 9,252,013	\$ 5,311,381	\$15,496,145	\$12,920,275	\$ 24,748,158	\$ 18,231,656
Operating grants and contributions	379,393	218,851			379,393	218,851
Capital grants and contributions	5,278,123	402,644	4,109,945	1,266,880	9,388,068	1,669,524
General revenues:						
Ad valorem (property) taxes	13,570,085	12,217,245			13,570,085	12,217,245
Sales taxes	6,467,898	5,590,869			6,467,898	5,590,869
Other taxes	2,654,700	2,375,766			2,654,700	2,375,766
Investment earnings	534,625	412,998	422,389	137,199	957,014	550,197
Miscellaneous	(27,869)		232,453	211,727	204,584	211,727
Gain (loss) on sale/retirement of fixed assets				4,375	-	4,375
Total revenues	38,108,968	26,529,754	20,260,932	14,540,456	58,369,900	41,070,210
Expenses:						
General government	4,103,531	3,357,345			4,103,531	3,357,345
Planning & community development	1,128,547	984,186			1,128,547	984,186
Public safety	9,889,821	8,625,240			9,889,821	8,625,240
Public works	7,402,595	6,557,021			7,402,595	6,557,021
Recreation and leisure	7,322,427	5,332,567			7,322,427	5,332,567
Non-departmental	1,140,907	637,143			1,140,907	637,143
Interest on long-term debt	4,458,890	4,555,553			4,458,890	4,555,553
Water and sewer operations			13,267,173	11,400,743	13,267,173	11,400,743
Drainage utility			1,717,054	1,435,397	1,717,054	1,435,397
Total expenses	35,446,718	30,049,055	14,984,227	12,836,140	50,430,945	42,885,195
Increase (decrease) in net assets before transfers	2,662,250	(3,519,301)	5,276,705	1,704,316	7,938,955	(1,814,985)
Transfers in (out)	2,243,800	2,162,960	(2,243,800)	(2,162,960)	-	-
Increase (decrease) in net assets	4,906,050	(1,356,341)	3,032,905	(458,644)	7,938,955	(1,814,985)
Net assets – October 1	71,825,822	73,182,163	60,421,674	60,880,318	132,247,496	134,062,481
Net assets – September 30	<u>\$76,731,872</u>	<u>\$71,825,822</u>	<u>\$63,454,579</u>	<u>\$60,421,674</u>	<u>\$140,186,451</u>	<u>\$132,247,496</u>

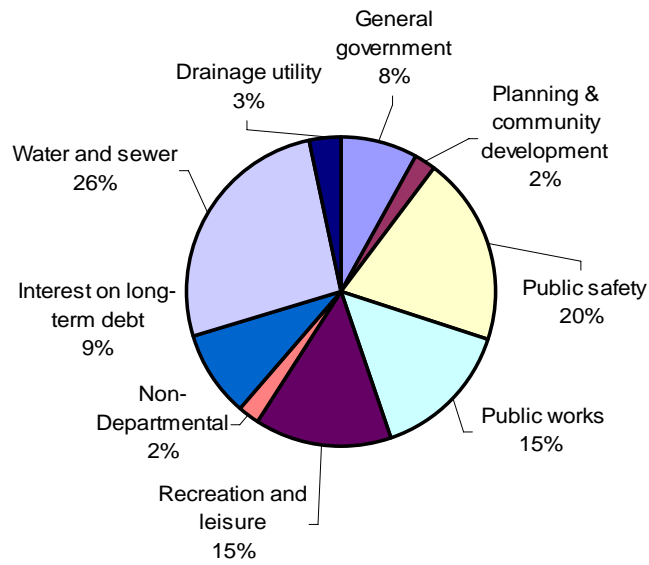
CITY OF KELLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2005
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Total Sources of Revenue – \$58,369,900



Total Expenses by Activity – \$50,430,945



CITY OF KELLER, TEXAS

*Management's Discussion and Analysis
For Year Ended September 30, 2005
(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 \$17,025,171, a decrease of \$2,557,369 (13.1%) in comparison with the prior year. Approximately 25%, or \$4,201,891 of this total fund balance is reserved to indicate that it is not available for new spending because it has already been committed to: 1) pay for encumbrances, or liquidate contracts and purchase orders at the end of the year (\$2,545,116); 2) for special uses (\$40,580); 3) interfund advances (\$42,250); 4) for prepaid items (\$46,522); 5) for inventory (\$21,836); and 6) to pay for debt service (\$1,505,587). Approximately 75.3% of the total amount (\$12,823,280) 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.

In the general fund, the City budgeted an increase in the unreserved fund balance of \$319,985, and a total budgeted ending fund balance of \$4,037,996. The budgeted increase 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. Because actual revenues were more than budgeted revenues by \$382,221, and actual expenses were less than budgeted expenses by \$631,102, the total variance from the final budget was a positive \$1,013,323. Combined with the budgeted fund balance increase of \$319,985, the total increase in the actual fund balance for fiscal year 2005 was \$1,333,308, resulting in an ending balance at September 30, 2005 of \$5,051,319. Expenses were less than budget primarily because of cost savings from unfilled (frozen) positions, combined with across-the-board efforts to hold the line on 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 26.3% (financial policy target = 13%) of total fund expenditures, while the total fund balance represents 27.5% of that same amount.

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 \$17,912,865. Unrestricted net assets of the respective funds are: Water and Wastewater-\$17,736,870, and Drainage Utility-\$175,995. The Water and Wastewater operations had an increase in net assets of \$2,842,590, while the Drainage Utility had an increase in net assets of \$190,315. The increase in the net assets of the Drainage Utility resulted primarily from a decrease in expenses related to the update of the Drainage Master Plan from the previous year. The increase in water and wastewater net assets is due primarily to increased water and wastewater revenues billed to customers because of dry weather, combined with a water and wastewater rate increase implemented in April 2005.

General Fund Budgetary Highlights – In fiscal year 2005, 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 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.

Overall, these changes resulted in a decrease in budgeted expenditures and transfers out from the original budget of 0.1% or \$24,300, an increase in budgeted revenues and transfers in from the original budget of 2.25%, or \$429,040, and an increase in total fund balance by \$453,340 over the original adopted budget. The major change in the revised budget for revenues and transfers was due to increases in development fees and permit revenues. Even though the City had originally conservatively budgeted a decrease in this revenue source, because of continued development activity exceeded original expectations, these revenues were increased by \$328,500, or 22.2% over the original adopted budget. Fines and fees increased by \$97,800, or 9% over the original adopted budget. Fines and fee increases were generated primarily from ambulance service fees, and municipal court fines. No significant changes were made to any other specific revenue or expenditures from the original adopted budget.

CITY OF KELLER, TEXAS

Management's Discussion and Analysis For Year Ended September 30, 2005 (Unaudited)

Final budgeted expenditures reflected the continuation of the management decision not to fill some vacant (frozen) positions, in lieu of employee lay offs, originally initiated by management in January 2003. As of September 30, 2005 there remain 8 unfilled (frozen) positions from the original 15 frozen positions in January 2003. Total actual revenues exceeded budgeted revenues by \$382,221. The major increases were sales taxes (\$208,819), franchise fees (\$89,933), and permits, licenses, and fees (\$55,240). These revenues exceeded the budget estimates due to continued strong growth and development occurring within the City. Total actual expenditures were \$631,102 under the final budget. Almost all departments completed the year with actual expenditures under the revised budgeted appropriations. This was primarily due to the City's continued effort to hold down costs across all departments, as well as savings from vacancies occurring throughout the year that remained unfilled for several weeks.

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, 2005, amounts to \$223,265,663 (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 for the current fiscal year was 3.8% (1.9% increase for governmental activities and 8.4% increase in business-type activities, respectively).

Major capital asset events during the current fiscal year included the following:

Completed Projects

- Completed Phase I and Phase II construction of major sanitary sewer improvements in the Marshall Branch area in North Keller, \$3,792,053 funded by a combination of debt issuance backed by the Water and Wastewater Fund, and wastewater impact fees
- Traffic signalization improvements (\$209,574 spent to date) with a total project budget of \$500,000, funded with 2004 Certificates of Obligation
- Street improvements in the Quail Valley Subdivision, \$518,907, funded from the 1/8 cent street maintenance sales tax
- The Parks at Town Center matching-grant project with the Texas Department of Parks and Wildlife – a \$1 million project budget, was substantially completed at year-end, with \$926,899 spent to date; the project consists of trail construction and installation of bridges and a playground in the area located near The Keller Pointe Recreation and Aquatic Center, Keller Town Hall, and the Keller Independent School District Natatorium
- Replacement of the Parents and Children Together (PACT) Playground at Johnson Road Park was substantially completed at year-end with \$183,108 spent to date, and funded from the one-half cent Keller Development Corporation sales tax
- Knox Road water main project completed at a cost of \$824,847, and funded by a combination of debt issuance backed by the Water and Wastewater Fund, and water impact fees

Ongoing Projects

- Keller-Smithfield Road street improvements, with a total of \$2,322,710, spent to date, including engineering and design, (total project budget, \$4,843,194)
- Completed design and awarded construction contract (\$1,926,107 spent to date) on the Keller/Southlake 42-inch water main improvement
- Katy Road water improvement project is under design, with a current project budget of \$502,500
- Water storage improvement projects for a 1 million gallon elevated storage tank on Keller-Smithfield Road, and a 3 million gallon ground storage tank on Pearson Road, with \$841,991 spent to date on the Keller-Smithfield Road elevated storage tank

CITY OF KELLER, TEXAS

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

	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 18,311,087	\$ 16,476,035	\$ 1,122,492	\$ 1,106,536	\$ 19,433,579	\$ 17,582,571
Buildings	42,828,641	42,749,808	—	—	42,828,641	42,749,808
Equipment	4,567,792	4,458,135	861,255	929,577	5,429,047	5,387,712
Improvements	87,985,163	89,783,515	59,407,273	58,642,434	147,392,436	148,425,949
Construction in Progress	2,924,805	224,380	5,257,155	782,535	8,181,960	1,006,915
Total	\$156,617,488	\$153,691,873	\$66,648,175	\$61,461,082	\$223,265,663	\$215,152,955

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

Debt administration. At the end of the current fiscal year, the City of Keller had a total bonded debt outstanding and notes payable of \$121,174,121. Of this amount, \$97,172,061 comprises bonded debt backed by the full faith and credit of the City, and \$24,002,060 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues.

**Outstanding Debt at Year End
Bonds and Notes Payable**

Type of Debt	Government Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation	\$22,927,061	\$ 14,606,478	\$10,198,030	\$ 7,840,279	\$ 33,125,091	\$ 22,446,757
Revenue Bonds	1,035,000	1,130,000	—	—	1,035,000	1,130,000
Certificates of Obligation	73,210,000	85,305,000	11,785,000	15,370,000	84,995,000	100,675,000
Contractual Obligations	—	—	2,019,030	2,354,899	2,019,030	2,354,899
Total	\$97,172,061	\$101,041,478	\$24,002,060	\$25,565,178	\$121,174,121	\$126,606,656

As of September 30, 2005, of the \$97,172,061 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 57%, or \$55,155,000, is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1	\$32,675,000
Keller Development Corporation	19,535,000
Keller Crime Control Prevention District	2,945,000

Therefore 43%, or \$42,017,061, is backed by the full faith and credit of the City's general tax base.

During the fiscal year, the City's total outstanding bonded debt decreased by \$5,435,532, or 4.3%. The decrease was primarily due to current year debt payments, with no new debt issued during the year. The only debt issued by the City during was to refund the following:

- The City issued \$13,370,000 in General Obligation Refunding Bonds, Series 2005 in August 2005, refunding outstanding bond issues from 1997 through 2000. The General Obligation Refunding Bonds had a net interest rate of 4.0961414%, resulting in a present value benefit of \$624,305. The net debt of the City increased \$785,000 as a result of the refunding. The refunded bonds are supported by both the Water and Wastewater Fund (\$3,390,000, or 25.4%) and the general obligation (tax-supported) debt service fund (\$9,980,000, or 74.6%).

CITY OF KELLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2005
(Unaudited)

- In addition, the City issued \$17,400,000 in Combination Tax and Tax Increment Reinvestment Zone (TIRZ) Zone Revenue Refunding Bonds, Series 2005 in August 2005, refunding outstanding TIRZ bond issues from 1999 and 2000. The Combination Tax and TIRZ Revenue Refunding Bonds had a net interest rate of 3.938691%, and resulted in a present value benefit of \$490,291. The net debt of the City increased \$580,000 as a result of the refunding. These bonds are supported by the revenues generated within the Keller Town Center Tax Increment Reinvestment Zone.

The original amortization period for both refunding issues 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:

	Moody's <u>Investors Service</u>	Standard & Poor's
General obligation bonds (tax supported)	A2	A+
Certificates of obligation (tax supported)	A2	A+
Revenue bonds	Baa	BBB

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.

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

Economic Factors and Next Year's Budgets and Rates

In the fiscal year 2005-2006 budget, general fund revenues and transfers in were budgeted to increase by \$970,715 (5%) from the 2004-05 budget year with general property taxes comprising about 42% of General Fund budgeted revenues and transfers in. Certified taxable assessed valuations increased 8.5% over the prior year, compared to an increase of 6.5% last year. Projected increases in sales tax receipts (7%) continue in fiscal year 2005-06 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 plans to slowly increase short-term interest rates. Development-related budgeted revenues for the 2005-06 fiscal year were decreased by \$271,500, or 15% over fiscal year 2004-05, primarily due to a conservative budget approach; however, development activity continues at a very strong pace, and it is likely the actual revenues for development-related activities will once again exceed the adopted budget amount in the 2005-06 budget.

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 10%, primarily as a result of increases in health care costs for employees, maintaining the employee compensation plan, and providing funding to rehire 3 of the remaining 6 unfilled (frozen) positions. The adopted budget maintains the required ending fund balance at September 30, 2006 of 13% of operating expenditures (actual of 16.1%). The City's property tax rate remained unchanged, at \$0.44413 cents per \$100 of assessed value, after increasing \$0.00513 cents, or 1.4% last year, the first tax rate increase by the City in over ten years.

In the water and wastewater fund, a rate increase of 8% in both water and wastewater rates is anticipated for the first quarter of the 2005-06 fiscal year. This increase is necessary in order to generate revenues to fund system-wide capital improvements, and also to recover a portion of the increased wholesale water costs from the City of Fort Worth.

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.

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CITY OF KELLER, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Cash and cash equivalents</i>	\$ 58,569	\$ 475	\$ 59,044
<i>Investments</i>	17,844,051	2,699,802	20,543,853
<i>Receivables (net of allowances for uncollectibles):</i>	1,664,860	3,226,655	4,891,515
<i>Special assessments</i>	98,736	-	98,736
<i>Internal balances</i>	(373,050)	373,048	(2)
<i>Due from other governments</i>	1,644,472	119,939	1,764,411
<i>Inventories</i>	21,836	212,883	234,719
<i>Prepaid items</i>	46,522	11,218	57,740
<i>Deferred charges</i>	1,109,804	321,535	1,431,339
Restricted assets:			
<i>Investments</i>	-	13,112,174	13,112,174
Capital assets (net of accumulated depreciation, where applicable):			
<i>Land</i>	18,311,087	1,122,492	19,433,579
<i>Buildings</i>	42,828,641	-	42,828,641
<i>Improvements other than buildings</i>	87,985,163	59,407,273	147,392,436
<i>Machinery and equipment</i>	4,567,792	861,255	5,429,047
<i>Construction in progress</i>	2,924,805	5,257,155	8,181,960
<i>Capacity rights (net of accumulated amortization)</i>	-	4,011,393	4,011,393
Total Assets	<u>178,733,288</u>	<u>90,737,297</u>	<u>269,470,585</u>
LIABILITIES			
<i>Accounts payable</i>	1,664,374	703,283	2,367,657
<i>Accrued liabilities and other payables</i>	457,635	288,772	746,407
<i>Due to other governments</i>	151,467	1,395,413	1,546,880
<i>Unearned revenue</i>	635,718	-	635,718
<i>Customer deposits</i>	-	691,156	691,156
<i>Accrued interest payable</i>	579,945	139,053	718,998
<i>Provision for litigation settlement</i>	560,947	-	560,947
Noncurrent liabilities:			
<i>Due within one year</i>	6,005,180	1,844,606	7,849,786
<i>Due in more than one year</i>	91,946,150	22,220,435	114,166,585
Total Liabilities	<u>102,001,416</u>	<u>27,282,718</u>	<u>129,284,134</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	62,602,173	45,059,859	107,662,032
Restricted For:			
Debt Service	1,983,472	481,855	2,465,327
Capital Projects	6,461,170	-	6,461,170
Unrestricted	5,685,057	17,912,865	23,597,922
Total Net Assets	<u>\$ 76,731,672</u>	<u>\$ 63,454,579</u>	<u>\$ 140,186,451</u>

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
<i>General government</i>	\$ 4,103,531	\$ 642,655	\$ 11,000	\$ 68,788
<i>Planning & community development</i>	1,128,547	2,521,016	--	--
<i>Public safety</i>	9,889,821	1,938,912	95,263	185,483
<i>Public works</i>	7,402,595	1,131,099	--	4,462,132
<i>Recreation and leisure</i>	7,322,427	3,018,331	273,130	561,720
<i>Non-departmental</i>	1,140,907	--	--	--
<i>Interest on long-term debt</i>	4,458,890	--	--	--
Total Governmental Activities	<u>35,446,718</u>	<u>9,252,013</u>	<u>379,393</u>	<u>5,278,123</u>
Business-type Activities:				
Water & Wastewater Operations	13,267,173	14,720,857	--	2,906,293
Drainage Utility	1,717,054	775,288	--	1,203,652
Total Business-type Activities	<u>14,984,227</u>	<u>15,496,145</u>	<u>--</u>	<u>4,109,945</u>
Total Primary Government	<u>\$ 50,430,945</u>	<u>\$ 24,748,158</u>	<u>\$ 379,393</u>	<u>\$ 9,388,068</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Special assessments and impact fees
Unrestricted Investment Earnings
Miscellaneous income
Transfers
Total General Revenues
Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,381,088)		\$ (3,381,088)
1,392,469		1,392,469
(7,670,163)		(7,670,163)
(1,809,364)		(1,809,364)
(3,469,246)		(3,469,246)
(1,140,907)		(1,140,907)
(4,458,890)		(4,458,890)
<u>(20,537,189)</u>		<u>(20,537,189)</u>
--	\$ 4,359,977	4,359,977
--	261,886	261,886
--	<u>4,621,863</u>	<u>4,621,863</u>
<u>(20,537,189)</u>	<u>4,621,863</u>	<u>(15,915,326)</u>
13,570,085	--	13,570,085
6,467,898	--	6,467,898
2,616,898	--	2,616,898
37,802	--	37,802
(27,869)	--	(27,869)
534,625	422,389	957,014
--	232,453	232,453
2,243,800	(2,243,800)	--
<u>25,443,239</u>	<u>(1,588,956)</u>	<u>23,854,281</u>
4,906,050	3,032,905	7,938,955
<u>71,825,822</u>	<u>60,421,674</u>	<u>132,247,496</u>
\$ <u>76,731,872</u>	\$ <u>63,454,579</u>	\$ <u>140,186,451</u>

CITY OF KELLER, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
<i>Cash and cash equivalents</i>	\$ 26,560	\$ --	\$ 32,009	\$ 58,569
<i>Investments</i>	6,383,310	1,043,853	10,416,888	17,844,051
Receivables (net of allowances for uncollectibles):				
<i>Taxes</i>	585,487	47,793	415,101	1,048,381
<i>Accounts</i>	226,137	--	--	226,137
<i>Interest</i>	15,746	2,903	64,274	82,923
<i>Other</i>	106,226	22,752	178,440	307,418
<i>Special assessments</i>	--	10,901	87,835	98,736
<i>Intergovernmental</i>	664,211	--	980,261	1,644,472
<i>Due from other funds</i>	1,861	--	1,275,451	1,277,332
<i>Advance to other funds</i>	--	--	42,250	42,250
<i>Inventories</i>	21,836	--	--	21,836
<i>Prepaid items</i>	23,057	--	23,465	46,522
Total Assets	\$ 8,054,451	\$ 1,128,202	\$ 13,515,974	\$ 22,698,627
LIABILITIES AND FUND BALANCES				
Liabilities:				
<i>Accounts payable</i>	\$ 1,032,435	\$ --	\$ 631,939	\$ 1,664,374
<i>Accrued liabilities and other payables</i>	124,025	--	333,610	457,635
<i>Due to other funds</i>	1,196,579	21,375	166,041	1,383,995
<i>Advance from other funds</i>	--	266,387	42,250	308,637
<i>Due to other governments</i>	151,467	--	--	151,467
<i>Deferred revenue</i>	344,504	62,783	1,138,654	1,545,941
<i>Compensated absences payable</i>	154,122	--	7,285	161,407
Total Liabilities	3,003,132	360,545	2,319,779	5,873,456
Fund Balances:				
Reserved Fund Balances				
<i>Reserved for encumbrances</i>	189,026	--	2,356,090	2,545,116
<i>Reserved for special uses</i>	--	--	40,580	40,580
<i>Reserved for interfund advances</i>	--	--	42,250	42,250
<i>Reserved for prepaid items</i>	23,057	--	23,465	46,522
<i>Reserved for inventory</i>	21,836	--	--	21,836
<i>Reserved for debt service</i>	--	777,657	727,930	1,505,587
Unreserved, reported in:				
<i>General Fund</i>	4,817,400	--	--	4,817,400
<i>Special Revenue Funds</i>	--	--	1,782,152	1,782,152
<i>Capital Projects Funds</i>	--	--	6,223,728	6,223,728
Total Fund Balances	5,051,319	777,657	11,196,195	17,025,171
Total Liabilities and Fund Balances	\$ 8,054,451	\$ 1,128,202	\$ 13,515,974	\$ 22,698,627

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, 2005**

Total fund balances - governmental funds balance sheet	\$ 17,025,171
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.	156,617,485
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	572,890
Payables for bond principal which are not due in the current period are not reported in the funds.	(96,465,700)
Payables for bond interest which are not due in the current period are not reported in the funds.	(579,945)
Payables for notes which are not due in the current period are not reported in the funds.	(682,317)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(641,902)
Provision for litigation settlements is not due and payable in the current period and is not reported in the funds.	(560,947)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	<u>1,447,137</u>
Net assets of governmental activities - statement of net assets	<u>\$ 76,731,872</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, 2005

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
<i>Taxes</i>	\$ 13,926,128	\$ 3,957,365	\$ 4,739,975	\$ 22,623,468
<i>Permits, licenses and fees</i>	2,599,740	--	419,000	3,018,740
<i>Intergovernmental</i>	774,551	--	753,524	1,528,075
<i>Charges for services</i>	263,229	--	1,793,960	2,057,189
<i>Fines</i>	898,352	--	121,380	1,019,732
<i>Special assessments and impact fees</i>	--	11,798	1,168,283	1,180,079
<i>Donations</i>	780	--	303,678	304,458
<i>Interest income</i>	131,584	19,050	385,172	535,806
<i>Miscellaneous</i>	113,847	--	1,219,576	1,333,423
Total revenues	<u>18,708,211</u>	<u>3,988,211</u>	<u>10,904,548</u>	<u>33,600,970</u>
Expenditures:				
Current:				
<i>General government</i>	2,563,982	--	807,073	3,371,055
<i>Planning and community development</i>	1,094,295	--	--	1,094,295
<i>Public safety</i>	8,949,443	--	48,363	8,997,806
<i>Public works</i>	1,700,778	--	2,914	1,703,692
<i>Recreation and leisure</i>	2,917,142	--	2,467,204	5,384,346
<i>Non-departmental</i>	676,049	--	--	676,049
<i>Capital outlay</i>	436,344	--	7,200,657	7,637,001
Debt service:				
<i>Principal</i>	--	2,992,337	2,105,000	5,097,337
<i>Interest and fiscal charges</i>	--	1,960,680	2,501,510	4,462,190
<i>Bond issuance costs</i>	--	110,735	182,400	293,135
Total expenditures	<u>18,338,033</u>	<u>5,063,752</u>	<u>15,315,121</u>	<u>38,716,906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>370,178</u>	<u>(1,075,541)</u>	<u>(4,410,573)</u>	<u>(5,115,936)</u>
Other financing sources (uses):				
<i>Transfers in</i>	1,188,500	1,129,795	1,200,280	3,518,575
<i>Transfers out</i>	(225,370)	(165,400)	(884,005)	(1,274,775)
<i>Debt issue proceeds</i>	--	9,980,000	--	9,980,000
<i>Refunding bonds issued</i>	--	--	17,400,000	17,400,000
<i>Bond premium</i>	--	--	707,108	707,108
<i>Bond discount</i>	--	(62,985)	(112,128)	(175,114)
<i>Payment to refunded bond escrow agent</i>	--	(9,796,269)	(17,800,956)	(27,597,225)
Total other financing sources (uses)	<u>963,130</u>	<u>1,085,140</u>	<u>510,299</u>	<u>2,558,569</u>
Net change in fund balances	<u>1,333,308</u>	<u>9,599</u>	<u>(3,900,274)</u>	<u>(2,557,367)</u>
Fund balances, October 1	<u>3,718,011</u>	<u>768,058</u>	<u>15,096,469</u>	<u>19,582,538</u>
Fund balances, September 30	<u>\$ 5,051,319</u>	<u>\$ 777,657</u>	<u>\$ 11,196,195</u>	<u>\$ 17,025,171</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, 2005*

Net change in fund balances - total governmental funds	\$ (2,557,367)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	6,711,923
The depreciation of capital assets used in governmental activities is not reported in the funds.	(8,606,209)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	22,327
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	68,215
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	4,416,456
Bond issue costs are reported as expenditures in the funds but not as an expense in the SOA.	293,135
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	32,694,561
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(138,412)
(Increase) decrease in accrued interest from beginning of period to end of period.	3,299
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(90,885)
Bond proceeds are reported in the funds but not in the SOA.	(27,380,000)
Bond premiums are reported in the funds but not in the SOA.	(707,108)
Bond discounts are reported in the funds but not in the SOA.	175,114
Change in net assets of governmental activities - statement of activities	\$ <u>4,906,050</u>

The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2005

	Enterprise Fund Water & Wastewater Operations	Enterprise Fund Drainage Utility	Total Enterprise Funds
ASSETS			
Current Assets:			
<i>Cash and cash equivalents</i>	\$ 475	\$ --	\$ 475
<i>Investments</i>	2,391,848	307,954	2,699,802
Receivables (net of allowances for uncollectibles):			
<i>Accounts</i>	3,055,840	44,053	3,099,893
<i>Interest</i>	65,784	926	66,710
<i>Other</i>	58,586	1,486	60,052
<i>Intergovernmental</i>	119,939	--	119,939
<i>Due from other funds</i>	192,626	--	192,626
<i>Advance to other funds</i>	407,759	--	407,759
<i>Inventories</i>	212,883	--	212,883
<i>Prepaid items</i>	11,175	43	11,218
Total Current Assets	<u>6,516,895</u>	<u>354,462</u>	<u>6,871,357</u>
Noncurrent Assets:			
Restricted assets:			
<i>Investments</i>	13,112,174	--	13,112,174
Total Restricted Assets	<u>13,112,174</u>	<u>--</u>	<u>13,112,174</u>
Property, Plant and Equipment			
<i>Land</i>	1,122,492	--	1,122,492
<i>Improvements other than buildings</i>	61,781,066	18,148,303	79,929,369
<i>Machinery and equipment</i>	1,371,568	492,330	1,863,898
<i>Construction in progress</i>	5,257,155	--	5,257,155
<i>Accumulated Depreciation</i>	(15,459,312)	(6,065,427)	(21,524,739)
Net Property, Plant and Equipment	<u>54,072,969</u>	<u>12,575,206</u>	<u>66,648,175</u>
<i>Capacity rights (net of accumulated amortization)</i>	4,011,393	--	4,011,393
<i>Deferred charges</i>	321,535	--	321,535
Total Noncurrent Assets	<u>71,518,071</u>	<u>12,575,206</u>	<u>84,093,277</u>
Total Assets	<u>\$ 78,034,966</u>	<u>\$ 12,929,668</u>	<u>\$ 90,964,634</u>
LIABILITIES			
Current Liabilities:			
<i>Accounts payable</i>	\$ 696,987	\$ 6,296	\$ 703,283
<i>Accrued liabilities and other payables</i>	279,551	9,221	288,772
<i>Compensated absences payable</i>	54,870	8,111	62,981
<i>Due to other funds</i>	72,498	13,467	85,965
<i>Advance from other funds</i>	--	141,372	141,372
<i>Due to other governments</i>	1,395,413	--	1,395,413
<i>Accrued interest payable</i>	139,053	--	139,053
<i>Customer deposits</i>	691,156	--	691,156
<i>Current portion of certificates of obligation</i>	525,000	--	525,000
<i>Current portion of general obligation bonds</i>	859,005	--	859,005
<i>Current portion of contractual obligations</i>	397,620	--	397,620
Total Current Liabilities	<u>5,111,153</u>	<u>178,467</u>	<u>5,289,620</u>
Noncurrent Liabilities:			
<i>Certificates of obligation</i>	11,260,000	--	11,260,000
<i>Contractual obligations</i>	1,621,409	--	1,621,409
<i>General obligations</i>	9,339,026	--	9,339,026
Total Noncurrent Liabilities	<u>22,220,435</u>	<u>--</u>	<u>22,220,435</u>
Total Liabilities	<u>27,331,588</u>	<u>178,467</u>	<u>27,510,055</u>
NET ASSETS			
<i>Invested in capital assets, net of related debt</i>	32,484,653	12,575,206	45,059,859
<i>Restricted</i>	481,855	--	481,855
<i>Unrestricted</i>	17,736,870	175,995	17,912,865
Total net assets	<u>50,703,378</u>	<u>12,751,201</u>	<u>63,454,579</u>
Total Liabilities and Net Assets	<u>\$ 78,034,966</u>	<u>\$ 12,929,668</u>	<u>\$ 90,964,634</u>

CITY OF KELLER, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Enterprise Fund Water & Wastewater Operations	Enterprise Fund Drainage Utility	Total Enterprise Funds
OPERATING REVENUES:			
<i>Charges for services - water</i>	\$ 10,949,985	\$ --	\$ 10,949,985
<i>Charges for services - sewer</i>	3,512,319	--	3,512,319
<i>Charges for services - drainage</i>	--	775,288	775,288
<i>Tap and connection fees</i>	166,657	--	166,657
<i>Inspection fees</i>	91,896	--	91,896
<i>Intergovernmental</i>	119,940	--	119,940
Total Operating Revenues	<u>14,840,797</u>	<u>775,288</u>	<u>15,616,085</u>
OPERATING EXPENSES:			
<i>Personnel services</i>	2,093,815	366,244	2,460,059
<i>Operating and maintenance costs</i>	422,900	34,611	457,511
<i>Contractual services and other</i>	2,882,891	398,062	3,280,953
<i>Wholesale water purchases</i>	4,575,330	--	4,575,330
<i>Depreciation and amortization</i>	2,269,514	914,637	3,184,151
Total Operating Expenses	<u>12,244,450</u>	<u>1,713,554</u>	<u>13,958,004</u>
Operating Income (Loss)	<u>2,596,347</u>	<u>(938,266)</u>	<u>1,658,081</u>
NON-OPERATING REVENUES (EXPENSES):			
<i>Interest income</i>	414,548	7,841	422,389
<i>Miscellaneous income</i>	232,355	98	232,453
<i>Interest and fiscal charges</i>	(1,022,723)	(3,500)	(1,026,223)
Total Non-operating Revenues (Expenses)	<u>(375,820)</u>	<u>4,439</u>	<u>(371,381)</u>
Net Income (Loss) before Capital Contributions and Transfers	<u>2,220,527</u>	<u>(933,827)</u>	<u>1,286,700</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS:			
<i>Capital Contributions</i>	2,786,353	1,203,652	3,990,005
<i>Transfers out</i>	(2,164,290)	(79,510)	(2,243,800)
Total Capital Contributions and Transfers	<u>622,063</u>	<u>1,124,142</u>	<u>1,746,205</u>
Change in Net Assets	<u>2,842,590</u>	<u>190,315</u>	<u>3,032,905</u>
Total Net Assets - October 1	<u>47,860,788</u>	<u>12,560,886</u>	<u>60,421,674</u>
Total Net Assets, September 30	<u>\$ 50,703,378</u>	<u>\$ 12,751,201</u>	<u>\$ 63,454,579</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, 2005

	Enterprise Funds		
	Water & Wastewater Operations	Drainage Utility	Totals
Cash Flows from Operating Activities:			
<i>Cash received from customers and users</i>	\$ 14,287,360	\$ 775,055	\$ 15,062,415
<i>Cash payments to suppliers for goods and services</i>	(7,191,927)	(431,305)	(7,623,232)
<i>Cash payments to employees for services</i>	(2,100,364)	(371,964)	(2,472,328)
Net Cash Provided (Used) by Operating Activities	4,995,069	(28,214)	4,966,855
Cash Flows from Non-capital Financing Activities:			
<i>Transfers to other funds</i>	(2,164,291)	(79,510)	(2,243,801)
<i>Cash received from other funds</i>	441,864	415,940	857,804
<i>Cash paid to other funds</i>	(1,746,008)	(161,533)	(1,907,541)
Net Cash Provided (Used) by Non-capital Financing Activities	(3,468,435)	174,897	(3,293,538)
Cash Flows from Capital and Related Financing Activities:			
<i>Proceeds received from debt issuance</i>	3,390,000	--	3,390,000
<i>Acquisition or construction of capital assets</i>	(4,224,195)	--	(4,224,195)
<i>Principal payments on debt</i>	(4,420,583)	--	(4,420,583)
<i>Interest paid</i>	(1,743,385)	(3,500)	(1,746,885)
Net Cash Provided (Used) for Capital & Related Financing Activities	(6,998,163)	(3,500)	(7,001,663)
Cash Flows from Investing Activities:			
<i>Purchase of investments</i>	--	(17,867)	(17,867)
<i>Investment sales proceeds</i>	8,871,206	--	8,871,206
<i>Investment interest received</i>	396,407	7,183	403,590
Net Cash Provided (Used) for Investing Activities	9,267,613	(10,684)	9,256,929
Net Increase (Decrease) in Cash and Cash Equivalents	3,796,084	132,499	3,928,583
Cash and cash equivalents - beginning	2,364,960	138,500	2,503,460
Restricted cash and cash equivalents - beginning	7,482,970	--	7,482,970
	9,847,930	138,500	9,986,430
Cash and cash equivalents - ending	2,105,301	270,999	2,376,300
Restricted cash and cash equivalents - ending	11,538,713	--	11,538,713
	\$ 13,644,014	\$ 270,999	\$ 13,915,013
Cash	\$ 475	\$ --	\$ 475
Investments classified as cash equivalents	2,104,826	270,999	2,375,825
	\$ 2,105,301	\$ 270,999	\$ 2,376,300
Restricted cash	\$ --	\$ --	\$ --
Restricted investments classified as cash equivalents	11,538,713	--	11,538,713
	\$ 11,538,713	\$ --	\$ 11,538,713

	Enterprise Funds		Totals
	Water & Wastewater Operations	Drainage Utility	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 2,596,347	\$ (938,266)	\$ 1,658,081
Adjustments to reconcile operating income to net cash Provided by Operating Activities			
<i>Depreciation and amortization</i>	2,269,514	914,637	3,184,151
<i>Provision for Uncollectible Accounts</i>	—	—	—
<i>Miscellaneous income (expense)</i>	232,355	98	232,453
<i>Gain (loss) from asset disposal</i>	—	—	—
(Increase) decrease in assets			
<i>Accounts receivable</i>	(808,817)	(331)	(809,148)
<i>Due from other governments</i>	(488)	—	(488)
<i>Prepaid items</i>	70,546	—	70,546
<i>Inventory</i>	74,198	—	74,198
Increase (decrease) in liabilities:			
<i>Accounts payable</i>	(1,049,100)	(2,568)	(1,051,668)
<i>Accrued liabilities and other payables</i>	198,664	1,608	200,272
<i>Due to other funds</i>	—	—	—
<i>Due to other governments</i>	1,395,413	—	1,395,413
<i>Customer deposits</i>	23,515	—	23,515
<i>Compensated absences</i>	(7,078)	(3,392)	(10,470)
Total Adjustments	2,398,722	910,052	3,308,774
Net Cash Provided (Used) by Operating Activities	\$ 4,995,069	\$ (28,214)	\$ 4,966,855

Noncash Investing, Capital, and Financing Activities

<i>Developer contributions of infrastructure</i>	\$ 2,786,354	\$ 1,203,652	\$ 3,990,006
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The accompanying notes are an integral part of this statement.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

1. 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 and community development, public safety (police and fire), 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.

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 fro property tax levies, based on the incremental increase in the real property values from the base year (1998).

Since the TIF 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 TIF, 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. On November 6, 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.

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 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.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

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 nonfiduciary 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 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, 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 *Debt Service* 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.

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.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

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 inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

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 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 initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. 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	30 to 50 years
Improvements other than buildings	10 to 40 years
Water and sewer system infrastructure	40 to 50 years
Storm drainage system infrastructure	20 years
Capacity rights	40 years
Furniture and fixtures	3 – 10 years
Machinery and equipment	3 – 10 years

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

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 6.67/10.00/13.34 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 expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

7. **Long-term obligations**

In the government-wide financial statements, and proprietary fund type 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 approximate 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. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The government fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "other long-term assets are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$1,467,195 difference are as follows:

Bond issuance costs	\$ 1,109,804
Ambulance receivables	214,575
Court receivables	24,836
Deferred revenue - special assessments	<u>97,922</u>
	\$ 1,447,137

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “revenues in the SOA not providing current financial resources are not reported as revenues in the funds.” The details of this \$4,179,937 difference are as follows:

Capital contributions	\$ 4,462,132
Change in ambulance receivables	32,354
Change in assessments receivable	<u>(78,030)</u>
	\$ <u>4,416,456</u>

III. 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 \$59,044 and the bank balance was \$865,150. \$200,000 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 \$511,218 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.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

Investments

Investments are categorized to give an indication of the level of credit risk assumed by the City. At September 30, 2005, all of the City's investments are classified as Category I investments (lowest risk category), which are defined as securities held by the City or its agent in the City's name. At year end the City's investments were:

Description	Carrying Amount	Fair Value	% of Total (Cost)
U.S. Agency Discount/Callable Notes	\$ 16,389,250	\$ 16,468,267	49%
Money Market Mutual Funds	1,311,146	1,311,146	4%
Government Sponsored Investment Pools			
TexPool	13,159,184	13,159,184	39%
LOGIC	2,796,447	2,796,447	8%
	<u>\$ 33,656,027</u>	<u>\$ 33,735,044</u>	<u>100%</u>
Unrestricted	\$ 20,543,853		
Restricted	<u>13,112,174</u>		
	<u>\$ 33,656,027</u>		

Weighted Average Maturity - Par Value	
3 - 30 days	59%
31 - 60 days	0%
61 - 90 days	6%
91 - 180days	9%
> 180 days	<u>26%</u>
	<u>100%</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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

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.

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

The pools use amortized cost to report net assets and share prices since that amount approximates fair value.

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	Debt Service	Nonmajor	Total	Water & Wastewater Operations	Drainage Utility	Total
Taxes receivable	\$ 602,469	\$ 55,672	\$ 415,101	\$ 1,073,242	\$ -	\$ -	\$ -
Allowance for uncollectible taxes	(16,982)	(7,879)	-	(24,861)	-	-	-
	<u>585,487</u>	<u>47,793</u>	<u>415,101</u>	<u>1,048,381</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable	874,932	-	-	874,932	3,578,797	102,984	3,681,781
Allowance for uncollectible accounts	(648,795)	-	-	(648,795)	(522,957)	(59,931)	(581,888)
	<u>226,137</u>	<u>-</u>	<u>-</u>	<u>226,137</u>	<u>3,055,840</u>	<u>44,053</u>	<u>3,099,893</u>
Accrued interest	15,746	2,903	64,274	82,923	65,784	926	66,710
Other receivables	<u>106,226</u>	<u>22,752</u>	<u>178,440</u>	<u>307,418</u>	<u>58,566</u>	<u>1,486</u>	<u>60,052</u>
Total	<u>\$ 933,596</u>	<u>\$ 73,448</u>	<u>\$ 657,815</u>	<u>\$ 1,664,859</u>	<u>\$ 3,180,190</u>	<u>\$ 46,465</u>	<u>\$ 3,226,655</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

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:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 105,094	\$ -
Ambulance revenue receivable (General Fund)	214,575	-
Municipal court fines receivable (General Fund)	24,835	-
Membership dues (Recreation/Aquatic Center Fund)	-	635,718
Delinquent property taxes receivable (Debt Service Fund)	62,783	-
Delinquent TIF taxes (Town Center TIF I&S Fund)	415,101	-
Assessments receivable not yet due (Street Improvements Fund)	<u>87,835</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 910,223</u>	<u>\$ 635,718</u>

C. Restricted assets

Business type activities:

Restricted for water and wastewater system improvements **\$ 13,112,174**

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

D. Capital assets

Capital asset activity for the year ended September 30, 2005:

Primary Government

	Reported Balance 9/30/2004	Prior Period Adjustments	Restated Balance 9/30/2004	Additions	Deletions & Transfers Out	Completed Construction	Balance 9/30/2005
GOVERNMENTAL ACTIVITIES:							
Capital assets, not being depreciated:							
Land	\$ 3,943,192	\$12,532,843	\$ 16,476,035	\$1,835,052	\$ -	\$ -	\$ 18,311,087
Construction in progress	838,152	(713,772)	224,380	2,767,924	-	(67,499)	2,924,805
Total capital assets not being depreciated	4,881,344	11,819,071	16,700,415	4,602,976	-	(67,499)	21,235,892
Capital assets, being depreciated							
Buildings	48,433,592	-	48,433,592	1,621,115	-	-	48,054,707
Improvements other than buildings	74,729,343	66,477,691	141,207,034	3,983,422	-	21,240	145,211,696
Machinery and equipment	7,433,525	45,618	7,479,143	1,301,983	(222,570)	46,259	8,604,815
Total capital assets being depreciated	128,596,460	66,523,309	195,119,769	6,906,520	(222,570)	67,499	201,871,218
Less accumulated depreciation for:							
Buildings	(3,683,784)	-	(3,683,784)	(1,542,282)	-	-	(5,226,066)
Improvements other than buildings	(20,899,832)	(30,521,343)	(51,421,175)	(5,816,789)	11,431	-	(57,226,533)
Machinery and equipment	(3,023,352)	-	(3,023,352)	(1,247,138)	233,466	-	(4,037,024)
Total accumulated depreciation	(27,606,968)	(30,521,343)	(58,128,311)	(8,606,209)	244,897	-	(66,489,623)
Total capital assets being depreciated, net	100,989,492	36,001,966	136,991,458	(1,699,689)	22,327	67,499	135,381,595
Governmental activities capital assets, net	\$105,870,836	\$17,821,037	\$153,691,873	\$2,903,287	\$ 22,327	\$ -	\$156,617,487

During 2005, the City completed its phased-in reporting of infrastructure as permitted by GASB-34, and accordingly, restated prior year ending balances for various classifications of capital assets and accumulated depreciation. Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 742,671
Planning & community development	27,560
Public safety	825,201
Public works	5,113,124
Recreation and leisure	1,897,653
	<u>\$ 8,606,209</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

	Balance 9/30/2004	Additions	Retirements	Transfers and Completed Construction	Balance 9/30/2005
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$ 1,106,536	\$ 15,956	\$ -	\$ -	\$ 1,122,492
Construction in progress	782,535	4,778,494	-	(303,874)	5,257,155
Total capital assets not being depreciated	<u>1,889,071</u>	<u>4,794,450</u>	<u>-</u>	<u>(303,874)</u>	<u>6,379,647</u>
Capital assets, being depreciated					
Improvements other than buildings	76,359,184	3,266,311	-	303,874	79,929,369
Machinery and equipment	1,723,906	149,591	(9,600)	-	1,863,897
Total capital assets being depreciated	<u>78,083,090</u>	<u>3,415,902</u>	<u>(9,600)</u>	<u>303,874</u>	<u>81,793,266</u>
Less accumulated depreciation for:					
Improvements other than buildings	(17,716,750)	(2,805,786)	-	-	(20,522,536)
Machinery and equipment	(794,329)	(221,321)	13,008	-	(1,002,642)
Total accumulated depreciation	<u>(18,511,079)</u>	<u>(3,027,107)</u>	<u>13,008</u>	<u>-</u>	<u>(21,525,178)</u>
Total capital assets being depreciated, net	<u>59,572,011</u>	<u>388,795</u>	<u>3,408</u>	<u>303,874</u>	<u>60,268,088</u>
Business-type activities capital assets, net	<u>\$ 61,461,082</u>	<u>\$ 5,183,245</u>	<u>\$ 3,408</u>	<u>\$ -</u>	<u>\$ 66,647,735</u>

Construction commitments

The City has active construction projects as of September 30, 2005. 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
Miscellaneous water system improvements	\$ -	\$ 4,800
Keller-Smithfield Road playground activity node improvements	-	102,760
Miscellaneous street improvements - general purpose	-	115,675
Pearson Lane 3 MG gallon ground storage	-	1,604,948
Johnson Road Park playground improvements	23,108	64,601
Elm Street Bridge improvements	73,500	222,572
The Parks at Town Center improvements	612,762	73,698
Keller-Smithfield 1MG elevated storage water system improvements	951,692	1,105,249
North Keller sanitary sewer Improvements	1,591,115	80,881
Keller-Smithfield Road improvements	2,037,159	1,624,019
Keller/Southlake/Fort Worth water system improvements	<u>2,333,971</u>	<u>79,529</u>
Total	<u>\$ 7,623,307</u>	<u>\$ 5,078,732</u>

D. Interfund receivables, payables, and transfers

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

The composition of interfund balances as of September 30, 2005, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,881	\$ 1,196,577
Debt Service Fund	-	21,375
Nonmajor governmental funds	1,275,451	166,041
Water & Wastewater Operations	192,626	72,498
Drainage Utility	-	13,467
	<u>\$ 1,469,958</u>	<u>\$ 1,469,958</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.

	<u>Advance Receivable</u>	<u>Advance Payable</u>
Debt Service Fund	\$ -	\$ 266,387
Nonmajor governmental funds	42,250	42,250
Water and Wastewater Operations	407,759	-
Drainage Utility	-	141,372
	<u>\$ 450,009</u>	<u>\$ 450,009</u>

\$266,387 is due, over three 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. \$42,250 is due, over five years, to the KDC fund from the Recreation/Aquatic Center fund for start-up costs. \$141,372 is due, over five years, to the Water and Wastewater fund from the Drainage Utility fund for a master drainage utility study.

Interfund transfers:

	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>
General Fund	\$ 225,370	\$ 1,188,500
Debt Service Fund	165,400	1,129,795
Nonmajor governmental funds	884,005	1,200,280
Water & Wastewater Operations	2,164,290	-
Drainage Utility	79,510	-
	<u>\$ 3,518,575</u>	<u>\$ 3,518,575</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 THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

E. 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:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Average Annual Payment</u>	<u>Interest Rate</u>	<u>Balance 9/30/2005</u>
GOVERNMENTAL TYPE ACTIVITIES DEBT						
General Obligation Bonds:						
City						
Improvements	\$ 1,150,000	1991	2020	\$ 72,217	5.00%	\$ 760,000
Refunding	2,297,976	1999	2020	161,213	3.75% - 5.00%	1,917,061
Refunding	700,000	2002	2014	76,217	3.00% - 4.00%	525,000
Refunding	11,125,000	2004	2017	937,985	3.00% - 4.00%	9,745,000
Refunding	9,980,000	2005	2014	915,445	3.00% - 4.20%	9,980,000
						<u>22,927,061</u>
Certificates of Obligation:						
City						
Improvements	5,200,000	1996	2016	471,953	4.75% - 6.75%	270,000
Improvements	1,175,000	1996	2017	96,618	5.20% - 7.20%	50,000
Improvements	1,700,000	1997	2017	140,221	4.90% - 6.90%	155,000
Improvements	2,150,000	1998	2018	172,490	4.60% - 5.85%	290,000
Improvements	3,000,000	1998	2019	239,590	4.00% - 6.00%	1,200,000
Improvements	8,100,000	2000	2220	360,618	5.20% - 6.00%	1,280,000
Improvements	8,615,000	2002	2022	667,233	4.00% - 5.00%	7,855,000
Improvements	1,690,000	2003	2023	106,986	2.50% - 4.25%	1,450,000
Improvements	6,540,000	2004	2024	532,459	4.00% - 5.00%	6,540,000
Keller TIRZ (TIF)						
Improvements	6,825,000	1999	2018	426,593	5.10% - 6.10%	1,800,000
Improvements	17,095,000	2000	2018	1,015,175	5.00% - 5.75%	4,935,000
Improvements	8,735,000	2001	2018	919,274	4.25% - 5.25%	8,540,000
Refunding	17,400,000	2005	2018	2,190,848	3.50% - 5.00%	17,400,000
Keller Development Corp.						
Improvements	18,120,000	2003	2023	1,372,820	2.50% - 4.25%	17,820,000
Improvements	755,000	2004	2024	111,546	4.00% - 5.00%	680,000
Keller CCPD						
Improvements	5,245,000	2003	2023	1,517,013	2.50% - 4.25%	2,945,000
						<u>73,210,000</u>
						<u>96,137,061</u>
Revenue Bonds:						
Keller Development Corp.						
Improvements	1,800,000	1992	2013	166,432	5.75% - 8.57%	1,035,000
Total Governmental Type Activities Debt						<u>97,172,061</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance 9/30/2005
BUSINESS TYPE ACTIVITIES DEBT						
General Obligation Bonds:						
City						
Refunding	3,222,024	1999	2020	226,039	3.75% - 5.00%	\$ 2,687,938
Refunding	5,360,000	2002	2013	541,368	3.00% - 4.00%	4,220,000
Refunding	440,000	2004	2017	45,203	3.00% - 4.00%	370,000
Refunding	3,390,000	2004	2020	314,871	3.00% - 4.20%	3,390,000
						<u>10,667,938</u>
Less: bond issue discount/(premium)						(15,210)
Less: deferred loss on refunding						<u>(454,698)</u>
						<u>10,198,030</u>
Certificates of Obligation:						
City						
Improvements	4,575,000	2000	2020	375,687	5.00% - 6.50%	725,000
Improvements	11,310,000	2004	2024	689,618	4.00% - 5.00%	11,060,000
						<u>11,785,000</u>
CONTRACTUAL OBLIGATIONS						
City						
Improvements	3,679,920	1996	2011	376,232	3.80% - 5.20%	1,989,255
Refunding	697,116	2005	2013	103,226	2.50% - 3.50%	639,216
						<u>2,628,471</u>
Less: deferred loss on refunding						(128,563)
Less: TRA accrued interest and cash reserves						<u>(480,878)</u>
						<u>2,019,030</u>
Total Business Type Activities Debt						<u>24,002,060</u>
Total Long-Term Debt						<u>\$ 121,174,121</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	
2004	\$ 5,755,661	\$ 4,395,037	\$ 1,424,339	\$ 850,629	\$ 12,425,666
2005	6,433,987	3,943,282	1,536,013	794,482	12,707,764
2006	5,434,395	3,653,587	1,600,606	735,913	11,424,501
2007	6,134,417	3,345,773	1,395,584	670,141	11,545,915
2008	6,257,743	3,084,094	1,427,258	610,960	11,380,055
2009 - 2013	31,750,309	11,530,014	6,384,691	2,317,784	51,982,798
2014 - 2018	26,860,549	4,475,399	5,419,447	1,320,592	38,075,987
2019 - 2023	7,510,000	540,474	3,265,000	336,875	11,652,349
	<u>\$ 96,137,061</u>	<u>\$ 34,967,660</u>	<u>\$ 22,452,938</u>	<u>\$ 7,637,376</u>	<u>\$ 161,195,035</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

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	
2004	\$ 100,000	\$ 64,960	\$ 409,542	\$ 130,224	\$ 704,726
2005	110,000	58,080	432,332	109,335	709,746
2006	115,000	50,655	457,139	86,672	709,466
2007	125,000	42,735	483,963	62,291	713,989
2008	135,000	34,155	510,788	62,291	742,234
2009 - 2013	450,000	45,870	334,707	73,151	903,728
	<u>\$ 1,035,000</u>	<u>\$ 296,455</u>	<u>\$ 2,628,470</u>	<u>\$ 523,964</u>	<u>\$ 4,483,889</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
2006	\$ 105,048
2007	105,048
2008	105,048
2009	105,048
2010	105,048
2011 - 2014	420,192
	<u>945,432</u>
Less Interest	<u>(193,352)</u>
	<u>\$ 752,080</u>

Changes In Long-Term Liabilities

During the year ended September 30, 2005, the following changes occurred in liabilities reported in the general long-term debt account group:

Description	September 30, 2004	Additions	Retirements	September 30, 2005	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 14,606,478	\$ 9,980,000	\$ (1,659,417)	\$ 22,927,061	\$ 1,700,661
Certificates of obligation	85,305,000	17,400,000	(29,495,000)	73,210,000	4,055,000
Revenue bonds	1,130,000	-	(95,000)	1,035,000	100,000
Deferred loss on refunding	(507,842)	(1,072,826)	127,269	(1,453,399)	(127,269)
Bond premiums/discounts	190,898	531,994	(45,618)	677,274	45,618
Total bonds payable	<u>100,724,534</u>	<u>26,839,168</u>	<u>(31,167,766)</u>	<u>96,395,936</u>	<u>5,774,010</u>
Capital lease obligation	825,000	-	(72,920)	752,080	69,763
Compensated absences	<u>689,485</u>	<u>562,610</u>	<u>(448,781)</u>	<u>803,314</u>	<u>161,407</u>
	<u>\$ 102,239,019</u>	<u>\$ 27,401,778</u>	<u>\$ (31,689,467)</u>	<u>\$ 97,951,330</u>	<u>\$ 6,005,180</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

Description	September 30, 2004	Additions	Retirements	September 30, 2005	Due Within One Year
Business-type activities					
General obligation bonds	\$ 7,640,279	\$ 3,390,000	\$ (1,032,249)	\$ 10,198,030	\$ 859,005
Certificates of obligation	15,370,000	-	(3,585,000)	11,785,000	525,000
Total bonds payable	23,210,279	3,390,000	(4,617,249)	21,983,030	1,384,005
Contractual Obligations	2,354,899	691,813	(1,027,682)	2,019,030	397,620
Compensated absences	73,449	58,584	(69,052)	62,981	62,981
	<u>\$ 25,638,627</u>	<u>\$ 4,140,397</u>	<u>\$ (5,713,983)</u>	<u>\$ 24,065,041</u>	<u>\$ 1,844,606</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, 2005, the City issued new Series 2005 General Obligation Refunding Bonds in the amount of \$13,700,000 and new Series 2005A General Obligation Refunding Bonds in the amount of \$17,400,000 which proceeds were used to defease certain existing debt. (Series 2000 Certificates of Obligation, Series 1997 COs, Series 1998 COs, Series 1999A COs, Series 1999 TIRZ Combination Tax and Revenue COs, and Series 2000 TIRZ Combination Tax and Revenue COs). Total debt defeased was \$30,840,000. The refunding reduced total debt service payments by \$841,825 and resulted in an economic gain of \$1,114,596.

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 \$38,435,000 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, 2005, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$34,020,000.

V. 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 THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

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 801 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 801 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2004 valuations are contained in the 2004 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

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, 2004 valuation is effective for rates beginning January 2006.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2004	12/31/2003	12/31/2002
Actuarial Value of Assets (A)	\$ 16,105,331	\$ 13,308,164	\$ 10,784,635
Actuarial Accrued Liability (B)	\$ 20,883,936	\$ 19,410,488	\$ 14,863,054
Percentage Funded (C) = (A)/(B)	77.1%	68.6%	72.6%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) (D)=(B)-(A)	\$ 4,778,605	\$ 6,102,324	\$ 4,078,419
Annual Covered Payroll (E)	\$ 11,556,285	\$ 10,465,624	\$ 10,162,493
UAAL as a Percentage of Covered Payroll (D)/(E)	41.4%	58.3%	40.1%
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC) (F)	\$ 1,495,114	\$ 1,265,190	\$ 1,141,643
Contributions Made (F)	\$ 1,495,114	\$ 1,265,190	\$ 1,141,643
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 THE FINANCIAL STATEMENTS
Year Ended September 30, 2005

D. Restatement of Prior Period Financial Statements

Prior year financial statements have been restated as follows:

	<u>As Reported</u> <u>09/30/04</u>	<u>Change</u>	<u>As Restated</u> <u>09/30/04</u>
Government Activities			
Land	\$ 3,943,192	\$ 12,532,843	\$ 16,476,035
Improvements other than buildings	53,827,167	35,956,348	89,783,515
Machinery and equipment	13,374,066	45,618	13,419,684
Construction in progress	938,152	(713,772)	224,380
Depreciation expense	5,206,930	1,935,267	7,142,197
Net assets	24,599,677	47,821,037	72,420,714
Effect of prior period adjustments below			(594,892)
			<u>\$ 71,825,822</u>

To complete phase-in reporting of infrastructure

General Fund			
Cafeteria plan activity	22,036	(22,036)	-
Fund balance	3,740,047	(22,036)	3,718,011

To remove activity for cafeteria plan

Aquatic/Recreation Center Fund			
Revenue	1,028,277	(572,856)	455,421
Unearned revenue	-	(572,856)	(572,856)
Fund balance	96,303	(572,856)	(476,553)

To defer unearned membership fees

**REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES**

CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT B-1
Page 1 of 5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Ad valorem tax, penalty & interest</i>	\$ 8,077,710	\$ 8,060,210	\$ 8,052,609	\$ (7,601)
<i>Sales tax</i>	3,110,000	3,010,000	3,218,819	208,819
<i>Mixed beverage tax</i>	24,800	41,270	37,802	(3,468)
<i>Franchise tax</i>	2,559,800	2,516,965	2,616,898	99,933
<i>Total taxes</i>	13,772,310	13,628,445	13,926,128	297,683
<i>Permits, licenses and fees</i>				
<i>Intergovernmental</i>	801,270	774,090	774,551	461
<i>Charges for services</i>	227,500	256,000	263,229	7,229
<i>Fines</i>	611,000	673,000	698,352	25,352
<i>Donations</i>	--	--	780	780
<i>Interest income</i>	45,000	80,000	131,584	51,584
<i>Miscellaneous</i>	139,870	169,955	113,847	(56,108)
Total revenues	17,896,950	18,325,990	18,708,211	382,221
Expenditures:				
Current:				
<i>General Government</i>				
<i>Administration</i>				
<i>Personnel services</i>	582,730	604,430	600,610	3,820
<i>Operations and maintenance</i>	15,160	16,375	11,799	4,576
<i>Services and other</i>	293,700	305,720	362,052	(56,332)
<i>Total Administration</i>	<u>891,590</u>	<u>926,525</u>	<u>974,461</u>	<u>(47,936)</u>
<i>Mayor/Council</i>				
<i>Operations and maintenance</i>	5,650	6,463	3,795	2,668
<i>Services and other</i>	18,730	15,345	9,636	5,709
<i>Total Mayor/Council</i>	<u>24,380</u>	<u>21,808</u>	<u>13,431</u>	<u>8,377</u>
<i>Finance and Accounting</i>				
<i>Administration</i>				
<i>Personnel services</i>	524,240	526,520	524,152	2,368
<i>Operations and maintenance</i>	5,195	4,465	4,032	433
<i>Services and other</i>	88,680	87,160	62,770	24,390
<i>Total Administration</i>	<u>618,115</u>	<u>618,145</u>	<u>590,954</u>	<u>27,191</u>
<i>Tax</i>				
<i>Operations and maintenance</i>	240	240	239	1
<i>Services and other</i>	82,860	80,610	79,102	1,508
<i>Total Tax</i>	<u>83,100</u>	<u>80,850</u>	<u>79,341</u>	<u>1,509</u>
<i>Total Finance and Accounting</i>	<u>701,215</u>	<u>698,995</u>	<u>670,295</u>	<u>26,700</u>
<i>Municipal Court</i>				
<i>Personnel services</i>	271,600	262,450	261,702	748
<i>Operations and maintenance</i>	20,220	18,320	14,041	4,279
<i>Services and other</i>	87,030	84,170	80,051	4,119
<i>Total Municipal Court</i>	<u>378,850</u>	<u>364,940</u>	<u>355,794</u>	<u>9,148</u>

CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT B-1
Page 2 of 5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Human Resources</i>	\$	\$	\$	\$
<i>Personnel services</i>	376,340	339,700	340,453	(753)
<i>Operations and maintenance</i>	7,115	6,050	6,347	(297)
<i>Services and other</i>	33,605	33,170	31,564	1,606
<i>Total Human Resources</i>	417,060	378,920	378,364	556
<i>Economic Development</i>				
<i>Administration</i>				
<i>Personnel services</i>	178,380	152,180	147,703	4,477
<i>Operations and maintenance</i>	1,450	1,010	743	267
<i>Services and other</i>	41,775	23,045	10,654	12,391
<i>Total Administration</i>	221,605	176,235	159,100	17,135
<i>Old Town Keller</i>				
<i>Operations and maintenance</i>	4,000	11,972	9,783	2,189
<i>Services and other</i>	5,200	3,000	2,754	246
<i>Total Old Town Keller</i>	9,200	14,972	12,537	2,435
<i>Total Economic Development</i>	230,805	191,207	171,637	19,570
<i>Total General Government</i>	2,643,900	2,582,395	2,563,982	18,413
<i>Planning & Community Development</i>				
<i>Administration</i>				
<i>Personnel services</i>	412,640	407,960	405,649	2,311
<i>Operations and maintenance</i>	5,050	4,450	3,529	921
<i>Services and other</i>	14,565	12,965	11,373	1,592
<i>Total Administration</i>	432,255	425,375	420,551	4,824
<i>Development Services</i>				
<i>Personnel services</i>	419,320	413,870	409,096	4,774
<i>Operations and maintenance</i>	12,000	11,600	9,660	1,940
<i>Services and other</i>	255,445	254,560	254,988	(428)
<i>Total Development Services</i>	686,765	680,030	673,744	6,286
<i>Total Planning and Community Development</i>	1,119,020	1,105,405	1,094,295	11,110
<i>Public Safety</i>				
<i>Police Department</i>				
<i>Administration</i>				
<i>Personnel services</i>	426,020	430,190	430,769	(579)
<i>Operations and maintenance</i>	90,255	91,930	82,482	9,448
<i>Services and other</i>	138,510	142,745	124,280	18,465
<i>Total Administration</i>	654,785	664,865	637,531	27,334
<i>Police Operations</i>				
<i>Personnel services</i>	3,701,470	3,422,070	3,388,857	33,213
<i>Operations and maintenance</i>	190,880	197,300	192,769	4,531
<i>Services and other</i>	102,580	97,835	74,045	23,790
<i>Total Police Operations</i>	3,994,910	3,717,205	3,655,671	61,534
<i>Public Safety Dispatch</i>				
<i>Personnel services</i>	624,670	614,950	595,553	19,397
<i>Operations and maintenance</i>	16,550	17,100	18,592	508
<i>Services and other</i>	9,925	9,080	6,873	2,207
<i>Total Public Safety Dispatch</i>	651,145	641,130	619,018	22,112

CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Animal Control</i>				
<i>Personnel services</i>	\$ 106,330	\$ 103,770	\$ 101,921	\$ 1,849
<i>Operations and maintenance</i>	11,190	11,750	9,983	1,767
<i>Services and other</i>	7,720	6,720	7,165	(445)
<i>Total Animal Control</i>	<u>125,240</u>	<u>122,240</u>	119,069	3,171
<i>Total Police Department</i>	<u>5,426,080</u>	<u>5,145,440</u>	5,031,289	<u>114,151</u>
<i>Fire Department</i>				
<i>Administration</i>				
<i>Personnel services</i>	627,380	628,450	625,908	2,544
<i>Operations and maintenance</i>	37,920	28,420	38,303	(9,883)
<i>Services and other</i>	49,165	47,335	30,378	16,957
<i>Total Administration</i>	<u>714,465</u>	<u>704,205</u>	694,587	9,618
<i>Fire Operations</i>				
<i>Personnel services</i>	3,173,450	2,818,700	2,744,486	74,214
<i>Operations and maintenance</i>	261,705	261,480	234,707	26,773
<i>Services and other</i>	92,195	87,625	77,427	10,198
<i>Total Fire Operations</i>	<u>3,527,350</u>	<u>3,167,805</u>	<u>3,056,620</u>	<u>111,185</u>
<i>Emergency Medical Service</i>				
<i>Operations and maintenance</i>	82,170	89,310	99,741	(10,431)
<i>Services and other</i>	70,805	53,815	46,687	7,128
<i>Total Emergency Medical Service</i>	<u>152,975</u>	<u>143,125</u>	146,428	<u>(3,303)</u>
<i>Emergency Management</i>				
<i>Operations and maintenance</i>	9,000	8,900	5,639	3,261
<i>Services and other</i>	33,000	33,000	14,860	18,120
<i>Total Emergency Management</i>	<u>42,000</u>	<u>41,900</u>	<u>20,519</u>	<u>21,381</u>
<i>Total Public Safety</i>	<u>9,862,870</u>	<u>9,202,475</u>	<u>8,949,443</u>	<u>253,032</u>
<i>Public Works</i>				
<i>Administration</i>				
<i>Personnel services</i>	194,690	192,710	191,953	757
<i>Operations and maintenance</i>	7,350	4,650	2,449	2,201
<i>Services and other</i>	4,675	4,925	4,986	(61)
<i>Total Administration</i>	<u>206,715</u>	<u>202,285</u>	<u>199,388</u>	<u>2,897</u>
<i>Engineering and Inspections</i>				
<i>Personnel services</i>	241,370	243,060	244,337	(1,277)
<i>Operations and maintenance</i>	9,070	9,250	5,719	3,531
<i>Services and other</i>	109,330	108,200	90,737	17,463
<i>Total Engineering and Inspections</i>	<u>359,770</u>	<u>360,510</u>	<u>340,793</u>	<u>19,717</u>
<i>Street Maintenance</i>				
<i>Personnel services</i>	613,050	589,450	579,939	9,511
<i>Operations and maintenance</i>	439,300	493,020	251,830	241,190
<i>Services and other</i>	75,390	61,400	64,358	(2,958)
<i>Total Street Maintenance</i>	<u>1,127,740</u>	<u>1,143,870</u>	<u>896,127</u>	<u>247,743</u>

CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT B-1
Page 4 of 5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Street Lighting</i>				
<i>Services and other</i>	\$ 235,000	\$ 260,000	\$ 264,470	\$ (4,470)
<i>Total Street Lighting</i>	235,000	260,000	264,470	(4,470)
<i>Total Public Works</i>	<u>1,929,225</u>	<u>1,966,665</u>	<u>1,700,778</u>	<u>265,887</u>
<i>Recreation and Leisure</i>				
<i>Library</i>				
<i>Personnel services</i>	803,920	756,590	736,491	20,099
<i>Operations and maintenance</i>	197,360	187,150	173,622	13,528
<i>Services and other</i>	138,085	145,200	141,157	4,043
<i>Total Library</i>	<u>1,140,365</u>	<u>1,088,940</u>	<u>1,051,270</u>	<u>37,670</u>
<i>Parks and Recreation Administration</i>				
<i>Personnel services</i>	296,730	297,520	297,078	442
<i>Operations and maintenance</i>	6,440	4,150	3,643	507
<i>Services and other</i>	12,810	12,465	11,914	551
<i>Total Parks and Recreation Administration</i>	<u>315,980</u>	<u>314,135</u>	<u>312,635</u>	<u>1,500</u>
<i>Park Maintenance</i>				
<i>Personnel services</i>	689,700	593,340	576,017	17,323
<i>Operations and maintenance</i>	126,425	124,800	118,562	6,238
<i>Services and other</i>	182,560	177,240	177,493	(253)
<i>Total Park Maintenance</i>	<u>998,685</u>	<u>895,380</u>	<u>872,072</u>	<u>23,308</u>
<i>Recreation Programs</i>				
<i>Personnel services</i>	138,520	138,000	136,330	1,670
<i>Operations and maintenance</i>	10,460	9,645	8,627	1,018
<i>Services and other</i>	13,360	12,820	12,154	666
<i>Total Recreation Programs</i>	<u>162,340</u>	<u>160,465</u>	<u>157,111</u>	<u>3,354</u>
<i>Senior Citizen Center</i>				
<i>Personnel services</i>	127,020	79,840	76,854	2,986
<i>Operations and maintenance</i>	14,970	11,545	8,870	2,675
<i>Services and other</i>	42,470	42,075	42,871	(796)
<i>Total Senior Citizen Center</i>	<u>184,460</u>	<u>133,460</u>	<u>128,595</u>	<u>4,865</u>
<i>Sports Park Maintenance</i>				
<i>Personnel services</i>	161,680	163,300	155,424	7,876
<i>Operations and maintenance</i>	48,115	48,665	44,954	3,711
<i>Services and other</i>	63,180	57,015	56,185	830
<i>Total Sports Park Maintenance</i>	<u>272,975</u>	<u>268,980</u>	<u>256,563</u>	<u>12,417</u>
<i>Town Center Maintenance</i>				
<i>Operations and maintenance</i>	15,000	14,515	6,090	8,425
<i>Services and other</i>	163,950	139,975	132,806	7,169
<i>Total Town Center Maintenance</i>	<u>178,950</u>	<u>154,490</u>	<u>138,896</u>	<u>15,594</u>
<i>Total Recreation and Leisure</i>	<u>3,253,755</u>	<u>3,015,850</u>	<u>2,917,142</u>	<u>98,708</u>
<i>Non-departmental</i>	(158,815)	713,835	676,049	37,786
<i>Capital outlay</i>	<u>343,480</u>	<u>382,510</u>	<u>436,344</u>	<u>(53,834)</u>
<i>Total expenditures</i>	<u>18,993,435</u>	<u>18,969,135</u>	<u>18,338,033</u>	<u>631,102</u>

CITY OF KELLER, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	\$ (1,096,485)	\$ (643,145)	\$ 370,178	\$ 1,013,323
Other financing sources (uses):				
<i>Transfers in</i>	1,188,500	1,188,500	1,188,500	—
<i>Transfers out</i>	(225,370)	(225,370)	(225,370)	—
Total other financing sources (uses)	963,130	963,130	963,130	—
Net change in fund balances	(133,355)	319,985	1,333,308	1,013,323
Fund balances, October 1	2,683,269	3,718,011	3,718,011	—
Fund balances, September 30	\$ 2,549,914	\$ 4,037,996	\$ 5,051,319	\$ 1,013,323

CITY OF KELLER, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2003

(Unaudited)

Budgets are adopted in accordance with GAAP for Special Revenue Funds (excepting the Public Safety, and Crime Control Prevention District funds), the Debt Service funds, and certain Capital Project funds (Park Development, Street Improvements, and Capital Projects 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:		
Recreation Aquatic Center	\$	1,100
Debt Service Funds:		
Debt Service Fund		31,297
TownCenter TIF		115,773
Capital Projects Funds:		
Park Development		43,314

Fund Deficits – The Recreation/Aquatic Center special revenue fund had a deficit of \$392,423 which will be removed by future net revenues. The Parks Capital Project fund had a deficit of \$61,894 which will be removed with a transfer.

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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.
- 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.
- 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.
- 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.

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 1&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 Improvement Fund** - to account for revenues that are restricted for street 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, 2005

	Special Revenue Funds	Debt Service Fund Town Center TIF Interest and Sinking	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS				
<i>Cash and cash equivalents</i>	\$ 2,517	\$ 1,276	\$ 28,216	\$ 32,009
<i>Investments</i>	1,860,706	292,203	8,263,979	10,416,888
Receivables (net of allowances for uncollectibles):				
<i>Taxes</i>	—	415,101	—	415,101
<i>Interest</i>	4,077	1,060	59,137	64,274
<i>Other</i>	160,105	—	18,335	178,440
<i>Special assessments</i>	—	—	87,835	87,835
<i>Intergovernmental</i>	743,242	—	237,019	980,261
<i>Due from other funds</i>	510,648	265,710	499,093	1,275,451
<i>Advance to other funds</i>	42,250	—	—	42,250
<i>Prepaid items</i>	23,465	—	—	23,465
Total Assets	\$ 3,347,010	\$ 975,350	\$ 9,193,614	\$ 13,515,974
LIABILITIES AND FUND BALANCES				
Liabilities:				
<i>Accounts payable</i>	\$ 279,084	\$ —	\$ 352,855	\$ 631,939
<i>Accrued liabilities and other payables</i>	44,489	—	289,121	333,610
<i>Due to other funds</i>	109,224	—	56,817	166,041
<i>Advance from other funds</i>	42,250	—	—	42,250
<i>Deferred revenue</i>	635,718	415,101	87,835	1,138,654
<i>Compensated absences payable</i>	7,285	—	—	7,285
Total Liabilities	1,118,050	415,101	786,628	2,319,779
Fund Balances:				
Reserved Fund Balances				
<i>Reserved for encumbrances</i>	172,832	—	2,183,258	2,356,090
<i>Reserved for special uses</i>	40,580	—	—	40,580
<i>Reserved for interfund advances</i>	42,250	—	—	42,250
<i>Reserved for prepaid items</i>	23,465	—	—	23,465
<i>Reserved for debt service</i>	167,681	560,249	—	727,930
Unreserved, reported in:				
<i>Special Revenue Funds</i>	1,782,152	—	—	1,782,152
<i>Capital Projects Funds</i>	—	—	6,223,728	6,223,728
Total Fund Balances	2,228,960	560,249	8,406,986	11,196,195
Total Liabilities and Fund Balances	\$ 3,347,010	\$ 975,350	\$ 9,193,614	\$ 13,515,974

CITY OF KELLER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue Funds	Debt Service Fund Town Center TIF Interest and Sinking	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Taxes	\$ 2,846,728	\$ 1,490,896	\$ 402,351	\$ 4,739,975
Permits, licenses and fees	--	--	419,000	419,000
Intergovernmental	595,193	--	158,331	753,524
Charges for services	1,793,960	--	--	1,793,960
Fines	121,380	--	--	121,380
Special assessments and impact fees	--	--	1,168,283	1,168,283
Donations	173,387	--	130,291	303,678
Interest income	64,604	19,652	300,916	385,172
Miscellaneous	883,156	--	336,420	1,219,576
Total revenues	6,478,408	1,510,548	2,915,592	10,904,548
Expenditures:				
Current:				
General government	805,098	--	1,975	807,073
Public safety	48,363	--	--	48,363
Public works	--	--	2,914	2,914
Recreation and leisure	2,466,964	--	240	2,467,204
Capital outlay	3,042,544	--	4,158,113	7,200,657
Debt service:				
Principal	1,770,000	335,000	--	2,105,000
Interest and fiscal charges	859,817	1,641,693	--	2,501,510
Bond issuance costs	--	182,400	--	182,400
Total expenditures	8,992,786	2,159,093	4,163,242	15,315,121
Excess (deficiency) of revenues over (under) expenditures	(2,514,378)	(648,545)	(1,247,650)	(4,410,573)
Other financing sources (uses):				
Transfers in	713,770	290,000	196,510	1,200,280
Transfers out	(314,005)	--	(570,000)	(884,005)
Refunding bonds issued	--	17,400,000	--	17,400,000
Bond premium	--	707,108	--	707,108
Bond discount	--	(112,128)	--	(112,128)
Payment to refunded bond escrow agent	--	(17,800,956)	--	(17,800,956)
Total other financing sources (uses)	399,765	464,024	(373,490)	510,299
Net change in fund balances	(2,114,613)	(164,521)	(1,621,140)	(3,900,274)
Fund balances, October 1	4,343,573	724,770	10,028,126	15,096,469
Fund balances, September 30	\$ 2,228,960	\$ 560,249	\$ 8,406,986	\$ 11,196,195

CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2005

	Keller Development Corporation	Library	Recreation
ASSETS			
<i>Cash and cash equivalents</i>	\$ --	\$ --	\$ --
<i>Investments</i>	251,012	60,425	91,191
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Interest</i>	383	307	393
<i>Other</i>	20,970	--	--
<i>Intergovernmental</i>	409,144	--	--
<i>Due from other funds</i>	23,452	49,873	49,864
<i>Advance to other funds</i>	42,250	--	--
<i>Prepaid items</i>	16,010	--	--
Total Assets	\$ 763,221	\$ 110,605	\$ 141,448
 LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 85,903	\$ 1,646	\$ 14,213
<i>Accrued liabilities and other payables</i>	2,756	--	76
<i>Due to other funds</i>	--	--	--
<i>Advance from other funds</i>	--	--	--
<i>Deferred revenue</i>	--	--	--
<i>Compensated absences payable</i>	1,108	--	--
Total Liabilities	89,767	1,646	14,289
 Fund Balances:			
Reserved Fund Balances			
<i>Reserved for encumbrances</i>	114,326	--	--
<i>Reserved for special uses</i>	--	--	40,580
<i>Reserved for interfund advances</i>	42,250	--	--
<i>Reserved for prepaid items</i>	16,010	--	--
<i>Reserved for debt service</i>	167,681	--	--
Unreserved, reported in:			
<i>Special Revenue Funds</i>	333,187	108,959	86,579
Total Fund Balances (Deficit)	673,454	108,959	127,159
Total Liabilities and Fund Balances	\$ 763,221	\$ 110,605	\$ 141,448

Municipal Court	Public Safety	Teen Court	Public Arts	Crime Control Prevention District
\$ --	\$ --	\$ 50	\$ --	\$ --
250	56,119	1	70,665	874,299
626	--	--	244	476
--	55,284	--	--	--
--	71,955	30,632	--	231,511
228,205	--	--	31,933	57,769
--	--	--	--	--
--	--	6	--	--
\$ 229,081	\$ 183,358	\$ 30,689	\$ 102,842	\$ 1,164,055
\$ 3,651	\$ 46,233	\$ 568	\$ 3,384	\$ 13,198
--	7,381	1,365	140	--
--	90,526	15,642	--	3,056
--	--	--	--	--
--	--	--	--	--
--	--	220	--	--
3,651	144,140	17,795	3,524	16,254
19,218	7,397	1,380	--	2,458
--	--	--	--	--
--	--	6	--	--
--	--	--	--	--
206,212	31,821	11,508	99,318	1,145,343
225,430	39,218	12,894	99,318	1,147,801
\$ 229,081	\$ 183,358	\$ 30,689	\$ 102,842	\$ 1,164,055

CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2005

	Recreation/ Aquatic Center	Information Services	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS			
<i>Cash and cash equivalents</i>	\$ 2,467	\$ —	\$ 2,517
<i>Investments</i>	253,824	202,920	1,860,706
Receivables (net of allowances for uncollectibles):			
<i>Interest</i>	903	745	4,077
<i>Other</i>	83,851	—	160,105
<i>Intergovernmental</i>	—	—	743,242
<i>Due from other funds</i>	49,390	20,162	510,648
<i>Advance to other funds</i>	—	—	42,250
<i>Prepaid items</i>	412	7,037	23,465
	<u>\$ 390,847</u>	<u>\$ 230,864</u>	<u>\$ 3,347,010</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 77,985	\$ 32,303	\$ 279,084
<i>Accrued liabilities and other payables</i>	23,738	9,033	44,489
<i>Due to other funds</i>	—	—	109,224
<i>Advance from other funds</i>	42,250	—	42,250
<i>Deferred revenue</i>	635,718	—	635,718
<i>Compensated absences payable</i>	3,579	2,378	7,285
Total Liabilities	<u>783,270</u>	<u>43,714</u>	<u>1,118,050</u>
Fund Balances:			
Reserved Fund Balances			
<i>Reserved for encumbrances</i>	—	28,053	172,832
<i>Reserved for special uses</i>	—	—	40,580
<i>Reserved for interfund advances</i>	—	—	42,250
<i>Reserved for prepaid items</i>	412	7,037	23,465
<i>Reserved for debt service</i>	—	—	167,681
Unreserved, reported in:			
<i>Special Revenue Funds</i>	(392,835)	152,060	1,782,152
Total Fund Balances (Deficit)	<u>(392,423)</u>	<u>167,150</u>	<u>2,228,960</u>
	<u>\$ 390,847</u>	<u>\$ 230,864</u>	<u>\$ 3,347,010</u>
Total Liabilities and Fund Balances	<u>\$ 390,847</u>	<u>\$ 230,864</u>	<u>\$ 3,347,010</u>

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CITY OF KELLER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Keller Development Corporation	Library	Recreation
Revenues:			
Taxes	\$ 1,609,410	\$ --	\$ --
Intergovernmental	403,389	--	645
Charges for services	--	4,523	--
Fines	--	--	47,400
Donations	27,979	65,273	18,171
Interest income	10,381	2,179	2,131
Miscellaneous	1,495	--	79,441
Total revenues	<u>2,052,654</u>	<u>71,975</u>	<u>147,788</u>
Expenditures:			
Current:			
General government	--	--	--
Public safety	--	--	--
Recreation and leisure	186,604	8,242	89,083
Capital outlay	956,914	3,277	--
Debt service:			
Principal	470,000	--	--
Interest and fiscal charges	751,921	--	--
Total expenditures	2,365,439	11,519	<u>89,083</u>
Excess (deficiency) of revenues over (under) expenditures	(312,785)	60,456	<u>58,705</u>
Other financing sources (uses):			
Transfers in	--	--	--
Transfers out	(314,005)	--	--
Total other financing sources (uses)	<u>(314,005)</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(626,790)	60,456	58,705
Fund balances (deficit), October 1	1,300,244	48,503	68,454
Fund balances (deficit), September 30	<u>\$ 673,454</u>	<u>\$ 108,959</u>	<u>\$ 127,159</u>

Municipal Court	Public Safety	Teen Court	Public Arts	Crime Control Prevention District
\$ -	\$ -	\$ -	\$ -	\$ 1,237,318
-	143,924	47,235	-	-
-	-	-	-	-
73,980	-	-	-	-
-	60,081	-	-	-
4,225	171	11	1,219	32,726
-	4,125	42	163,572	75,961
<u>78,205</u>	<u>208,301</u>	<u>47,288</u>	<u>164,791</u>	<u>1,348,005</u>
5,559	-	68,726	31,570	-
-	48,363	-	-	-
-	-	-	-	-
8,164	121,792	-	64,145	1,831,438
-	-	-	-	1,300,000
-	-	-	-	107,896
<u>13,723</u>	<u>170,155</u>	<u>68,726</u>	<u>95,715</u>	<u>3,239,334</u>
<u>64,482</u>	<u>38,146</u>	<u>(21,438)</u>	<u>69,076</u>	<u>(1,893,329)</u>
-	-	24,720	-	-
-	-	-	-	-
-	-	24,720	-	-
64,482	38,146	3,282	69,076	(1,893,329)
160,948	1,072	9,612	30,242	3,041,130
<u>\$ 225,430</u>	<u>\$ 39,218</u>	<u>\$ 12,894</u>	<u>\$ 99,318</u>	<u>\$ 1,147,801</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, 2005**

	Recreation/ Aquatic Center	Information Services	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
<i>Taxes</i>	\$ --	\$ --	\$ 2,846,728
<i>Intergovernmental</i>	--	--	595,193
<i>Charges for services</i>	1,713,757	75,680	1,793,960
<i>Fines</i>	--	--	121,380
<i>Donations</i>	1,883	--	173,387
<i>Interest income</i>	5,254	6,307	64,604
<i>Miscellaneous</i>	547,332	11,188	883,156
Total revenues	<u>2,266,226</u>	<u>93,175</u>	<u>6,478,408</u>
Expenditures:			
Current:			
<i>General government</i>	--	699,243	805,098
<i>Public safety</i>	--	--	48,363
<i>Recreation and leisure</i>	2,183,035	--	2,466,964
<i>Capital outlay</i>	1,060	55,754	3,042,544
Debt service:			
<i>Principal</i>	--	--	1,770,000
<i>Interest and fiscal charges</i>	--	--	859,617
Total expenditures	<u>2,184,095</u>	<u>754,997</u>	<u>8,992,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>84,131</u>	<u>(661,822)</u>	<u>(2,514,378)</u>
Other financing sources (uses):			
<i>Transfers in</i>	--	689,050	713,770
<i>Transfers out</i>	--	--	(314,005)
Total other financing sources (uses)	<u>--</u>	<u>689,050</u>	<u>399,765</u>
Net change in fund balances	<u>84,131</u>	<u>27,228</u>	<u>(2,114,613)</u>
Fund balances (deficit), October 1	<u>(476,554)</u>	<u>159,922</u>	<u>4,343,573</u>
Fund balances (deficit), September 30	<u>\$ (392,423)</u>	<u>\$ 187,150</u>	<u>\$ 2,228,960</u>

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CITY OF KELLER, TEXAS
KELLER DEVELOPMENT CORPORATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 1,555,650	\$ 1,485,000	\$ 1,609,410	\$ 124,410
Intergovernmental	--	403,390	403,389	(1)
Donations	--	--	27,979	27,979
Interest income	10,000	10,450	10,381	(69)
Miscellaneous	--	4,000	1,495	(2,505)
Total revenues	1,565,650	1,902,840	2,052,654	149,814
Expenditures:				
Current:				
<i>Recreation and Leisure</i>				
<i>Keller Development Corporation</i>				
Personnel services	115,580	110,940	113,847	(2,907)
Operations and maintenance	55,420	55,175	46,572	8,603
Services and other	29,035	24,010	26,185	(2,175)
Total Keller Development Corporation	200,035	190,125	186,604	3,521
Total Recreation and Leisure	200,035	190,125	186,604	3,521
Capital outlay	377,920	986,445	956,914	29,531
Debt service:				
Principal	470,000	470,000	470,000	--
Interest and fiscal charges	754,110	754,110	751,921	2,189
Total Debt Service	1,224,110	1,224,110	1,221,921	2,189
Total expenditures	1,802,065	2,400,680	2,365,439	35,241
Excess (deficiency) of revenues over (under) expenditures	(236,415)	(497,840)	(312,785)	185,055
Other financing sources (uses):				
Transfers out	(314,005)	(314,005)	(314,005)	--
Total other financing sources (uses)	(314,005)	(314,005)	(314,005)	--
Net change in fund balances	(550,420)	(811,845)	(626,790)	185,055
Fund balances, October 1	894,844	1,300,244	1,300,244	--
Fund balances, September 30	\$ 344,424	\$ 488,399	\$ 673,454	\$ 185,055

CITY OF KELLER, TEXAS
LIBRARY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Charges for services</i>	\$ 5,000	\$ 5,000	\$ 4,523	\$ (477)
<i>Donations</i>	22,655	68,050	65,273	(2,777)
<i>Interest income</i>	300	700	2,179	1,479
Total revenues	<u>27,955</u>	<u>73,750</u>	<u>71,975</u>	<u>(1,775)</u>
Expenditures:				
Current:				
<i>Recreation and Leisure</i>				
<i>Library</i>				
<i>Operations and maintenance</i>	4,030	4,105	1,052	3,053
<i>Services and other</i>	1,700	9,800	7,190	2,610
Total Library	<u>5,730</u>	<u>13,905</u>	<u>8,242</u>	<u>5,663</u>
Total Recreation and Leisure	<u>5,730</u>	<u>13,905</u>	<u>8,242</u>	<u>5,663</u>
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>3,277</u>	<u>6,723</u>
Total expenditures	<u>15,730</u>	<u>23,905</u>	<u>11,519</u>	<u>12,386</u>
Net change in fund balances	<u>12,225</u>	<u>49,845</u>	<u>60,456</u>	<u>10,611</u>
Fund balances, October 1	50,801	48,503	48,503	--
Fund balances, September 30	\$ 63,026	\$ 98,348	\$ 108,959	\$ 10,611

CITY OF KELLER, TEXAS
RECREATION FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes				
Intergovernmental	\$ --	\$ --	\$ 645	\$ 645
Fines	--	--	47,400	47,400
Donations	18,750	18,615	18,171	(444)
Interest income	250	250	2,131	1,881
Miscellaneous	100,205	84,536	79,441	(5,095)
Total revenues	119,205	103,401	147,788	44,387
Expenditures:				
Current:				
Recreation and Leisure				
Recreation Program Activities				
Operations and maintenance	60,575	46,585	42,638	3,957
Services and other	58,225	55,705	46,445	9,260
Total Recreation Program Activities	118,800	102,300	89,083	13,217
Total Recreation and Leisure	118,800	102,300	89,083	13,217
Total expenditures	118,800	102,300	89,083	13,217
Net change in fund balances	405	1,101	58,705	57,604
Fund balances, October 1	34,605	68,455	68,454	(1)
Fund balances, September 30	\$ 35,010	\$ 69,556	\$ 127,159	\$ 57,603

CITY OF KELLER, TEXAS
MUNICIPAL COURT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Fines</i>	\$ 50,000	\$ 72,770	\$ 73,980	\$ 1,210
<i>Interest income</i>	2,000	2,900	4,225	1,325
Total revenues	<u>52,000</u>	<u>75,670</u>	<u>78,205</u>	<u>2,535</u>
Expenditures:				
Current:				
<i>General Government</i>				
<i>Building Security</i>				
<i>Operations and maintenance</i>	3,500	3,500	135	3,365
<i>Services and other</i>	800	800	--	800
Total Building Security	<u>4,300</u>	<u>4,300</u>	<u>135</u>	<u>4,165</u>
<i>Technology</i>				
<i>Operations and maintenance</i>	14,260	14,260	5,424	8,836
Total Technology	<u>14,260</u>	<u>14,260</u>	<u>5,424</u>	<u>8,836</u>
<i>School Crossing Guard</i>				
<i>Services and other</i>	2,500	2,500	--	2,500
Total School Crossing Guard	<u>2,500</u>	<u>2,500</u>	<u>--</u>	<u>2,500</u>
Total General Government	<u>21,060</u>	<u>21,060</u>	<u>5,559</u>	<u>15,501</u>
Capital outlay	<u>16,500</u>	<u>18,120</u>	<u>8,164</u>	<u>9,956</u>
Total expenditures	<u>37,560</u>	<u>39,180</u>	<u>13,723</u>	<u>25,457</u>
Net change in fund balances	<u>14,440</u>	<u>36,490</u>	<u>64,482</u>	<u>27,992</u>
Fund balances, October 1	<u>108,706</u>	<u>160,948</u>	<u>160,948</u>	<u>--</u>
Fund balances, September 30	<u>\$ 123,146</u>	<u>\$ 197,438</u>	<u>\$ 225,430</u>	<u>\$ 27,992</u>

CITY OF KELLER, TEXAS
TEEN COURT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Intergovernmental</i>	\$ 47,230	\$ 47,230	\$ 47,235	\$ 5
<i>Interest income</i>	200	100	11	(89)
<i>Miscellaneous</i>	--	--	42	42
Total revenues	<u>47,430</u>	<u>47,330</u>	<u>47,288</u>	<u>(42)</u>
Expenditures:				
Current:				
<i>General Government</i>				
<i>Administration</i>				
<i>Personnel services</i>	64,390	64,060	63,054	1,006
<i>Operations and maintenance</i>	1,600	1,800	1,984	(184)
<i>Services and other</i>	6,685	4,945	3,688	1,257
<i>Total Administration</i>	<u>72,675</u>	<u>70,805</u>	<u>68,726</u>	<u>2,079</u>
<i>Total General Government</i>	<u>72,675</u>	<u>70,805</u>	<u>68,726</u>	<u>2,079</u>
Total expenditures	<u>72,675</u>	<u>70,805</u>	<u>68,726</u>	<u>2,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,245)</u>	<u>(23,475)</u>	<u>(21,438)</u>	<u>2,037</u>
Other financing sources (uses):				
<i>Transfers in</i>	24,720	24,720	24,720	--
Total other financing sources (uses)	<u>24,720</u>	<u>24,720</u>	<u>24,720</u>	<u>--</u>
Net change in fund balances	<u>(525)</u>	<u>1,245</u>	<u>3,282</u>	<u>2,037</u>
Fund balances, October 1	<u>4,256</u>	<u>9,612</u>	<u>9,612</u>	<u>--</u>
Fund balances, September 30	<u>\$ 3,731</u>	<u>\$ 10,857</u>	<u>\$ 12,894</u>	<u>\$ 2,037</u>

CITY OF KELLER, TEXAS
PUBLIC ARTS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-10

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,500	\$ 1,500	\$ 1,219	\$ (281)
Miscellaneous	83,000	117,600	163,572	45,972
Total revenues	<u>84,500</u>	<u>119,100</u>	<u>164,791</u>	<u>45,691</u>
Expenditures:				
Current:				
General Government				
Administration				
Operations and maintenance	45,000	45,875	25,061	20,814
Services and other		675	6,509	(5,834)
Total Administration	<u>45,000</u>	<u>46,550</u>	<u>31,570</u>	<u>14,980</u>
Total General Government	<u>45,000</u>	<u>46,550</u>	<u>31,570</u>	<u>14,980</u>
Capital outlay	40,000	51,645	64,145	(12,500)
Total expenditures	<u>85,000</u>	<u>98,195</u>	<u>95,715</u>	<u>2,480</u>
Net change in fund balances	(500)	20,905	69,076	48,171
Fund balances, October 1	19,683	30,242	30,242	--
Fund balances, September 30	\$ <u>19,183</u>	\$ <u>51,147</u>	\$ <u>99,318</u>	\$ <u>48,171</u>

CITY OF KELLER, TEXAS
CRIME CONTROL PREVENTION DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-11

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Sales tax</i>	\$ --	\$ 1,140,000	\$ 1,237,318	\$ 97,318
<i>Interest income</i>	--	15,000	32,726	17,726
<i>Miscellaneous</i>	--	75,962	75,961	(1)
Total revenues	--	<u>1,230,962</u>	<u>1,346,005</u>	<u>115,043</u>
Capital outlay	--	<u>1,833,173</u>	<u>1,831,438</u>	<u>1,735</u>
Debt service:				
<i>Principal</i>	--	1,300,000	1,300,000	--
<i>Interest and fiscal charges</i>	--	109,350	107,896	1,454
Total Debt Service	--	<u>1,409,350</u>	<u>1,407,896</u>	<u>1,454</u>
Total expenditures	--	<u>3,242,523</u>	<u>3,239,334</u>	<u>3,189</u>
Net change in fund balances	--	(2,011,561)	(1,893,329)	118,232
Fund balances, October 1	--	<u>3,041,130</u>	<u>3,041,130</u>	--
Fund balances, September 30	\$ --	<u>\$ 1,029,569</u>	<u>\$ 1,147,801</u>	<u>\$ 118,232</u>

CITY OF KELLER, TEXAS
RECREATION/AQUATIC CENTER FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes				
Charges for services	\$ 1,475,680	\$ 1,171,440	\$ 1,713,757	\$ 542,317
Donations	--	--	1,883	1,883
Interest income	--	1,400	5,254	3,854
Miscellaneous	554,050	656,660	547,332	(108,328)
Total revenues	<u>2,029,730</u>	<u>1,828,500</u>	<u>2,268,226</u>	<u>439,726</u>
Expenditures:				
Current:				
Recreation and Leisure				
Parks and Recreation Administration				
Personnel services	994,520	1,190,380	1,139,183	51,197
Operations and maintenance	155,115	173,450	169,473	3,977
Services and other	863,450	818,105	874,379	(56,274)
Total Parks and Recreation Administration	<u>2,013,085</u>	<u>2,181,935</u>	<u>2,183,035</u>	<u>(1,100)</u>
Total Recreation and Leisure	<u>2,013,085</u>	<u>2,181,935</u>	<u>2,183,035</u>	<u>(1,100)</u>
Capital outlay	<u>7,710</u>	<u>1,060</u>	<u>1,060</u>	<u>--</u>
Total expenditures	<u>2,020,795</u>	<u>2,182,995</u>	<u>2,184,095</u>	<u>(1,100)</u>
Net change in fund balances	8,935	(354,495)	84,131	438,626
Fund balances (deficit), October 1	46,964	388,552	(476,554)	(865,106)
Fund balances (deficit), September 30	\$ <u>55,899</u>	\$ <u>34,057</u>	\$ <u>(392,423)</u>	\$ <u>(426,480)</u>

CITY OF KELLER, TEXAS
INFORMATION SERVICES FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-13

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 57,000	\$ 57,000	\$ 75,680	\$ 18,680
Interest income	1,500	2,850	6,307	3,457
Miscellaneous	--	--	11,188	11,188
Total revenues	<u>58,500</u>	<u>59,850</u>	<u>93,175</u>	<u>33,325</u>
Expenditures:				
Current:				
<i>General Government</i>				
<i>Finance and Accounting</i>				
<i>Information Services</i>				
Personnel services	286,800	259,270	263,491	(4,221)
Operations and maintenance	243,870	188,100	199,782	(11,682)
Services and other	142,730	136,165	148,258	(12,093)
Total Information Services	<u>673,400</u>	<u>583,535</u>	<u>611,531</u>	<u>(27,996)</u>
<i>Geographic Information Services</i>				
Personnel services	--	25,430	25,778	(348)
Operations and maintenance	8,750	7,650	1,214	6,436
Services and other	107,000	65,000	60,720	4,280
Total Geographic Information Services	<u>115,750</u>	<u>98,080</u>	<u>87,712</u>	<u>10,368</u>
Total Finance and Accounting	<u>789,150</u>	<u>681,615</u>	<u>699,243</u>	<u>(17,628)</u>
Total General Government	<u>789,150</u>	<u>681,615</u>	<u>699,243</u>	<u>(17,628)</u>
Capital outlay	<u>19,630</u>	<u>73,380</u>	<u>55,754</u>	<u>17,626</u>
Total expenditures	<u>808,780</u>	<u>754,995</u>	<u>754,997</u>	<u>(2)</u>
Excess (deficiency) of revenues over (under) expenditures	(750,280)	(695,145)	(661,822)	33,323
Other financing sources (uses):				
Transfers in	<u>689,050</u>	<u>692,280</u>	<u>689,050</u>	<u>(3,230)</u>
Total other financing sources (uses)	<u>689,050</u>	<u>692,280</u>	<u>689,050</u>	<u>(3,230)</u>
Net change in fund balances	(61,230)	(2,865)	27,228	30,093
Fund balances, October 1	<u>94,200</u>	<u>159,922</u>	<u>159,922</u>	<u>--</u>
Fund balances, September 30	\$ <u>32,970</u>	\$ <u>157,057</u>	\$ <u>187,150</u>	\$ <u>30,093</u>

CITY OF KELLER, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-14

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Ad valorem tax, penalty & interest</i>	\$ 3,835,000	\$ 3,860,000	\$ 3,957,365	\$ 97,365
<i>Special assessments and impact fees</i>	20,000	13,800	11,796	(2,004)
<i>Interest income</i>	52,800	20,000	19,050	(950)
Total revenues	<u>3,907,800</u>	<u>3,893,800</u>	<u>3,988,211</u>	<u>94,411</u>
Expenditures:				
Debt service:				
<i>Principal</i>	2,982,780	3,041,355	2,992,337	49,018
<i>Interest and fiscal charges</i>	2,229,935	1,991,100	1,960,680	30,420
<i>Bond issue costs</i>	--	--	110,735	(110,735)
Total Debt Service	<u>5,212,715</u>	<u>5,032,455</u>	<u>5,063,752</u>	<u>(31,297)</u>
Total expenditures	<u>5,212,715</u>	<u>5,032,455</u>	<u>5,063,752</u>	<u>(31,297)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,304,915)</u>	<u>(1,138,655)</u>	<u>(1,075,541)</u>	<u>63,114</u>
Other financing sources (uses):				
<i>Transfers in</i>	1,129,795	1,128,795	1,129,795	1,000
<i>Transfers out</i>	--	--	(165,400)	(165,400)
<i>Debt issue proceeds</i>	--	--	9,980,000	9,980,000
<i>Bond discount</i>	--	--	(62,986)	(62,986)
<i>Payment to refunded bond escrow agent</i>	--	--	(9,796,269)	(9,796,269)
Total other financing sources (uses)	<u>1,129,795</u>	<u>1,128,795</u>	<u>1,085,140</u>	<u>43,655</u>
Net change in fund balances	<u>(175,120)</u>	<u>(9,860)</u>	<u>9,599</u>	<u>19,459</u>
Fund balances, October 1	<u>610,095</u>	<u>918,058</u>	<u>768,058</u>	<u>(150,000)</u>
Fund balances, September 30	<u>\$ 434,975</u>	<u>\$ 908,198</u>	<u>\$ 777,657</u>	<u>\$ (130,541)</u>

CITY OF KELLER, TEXAS
TOWN CENTER TIF INTEREST AND SINKING
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 & interest</i>	\$ 1,587,765	\$ 1,895,671	\$ 1,490,896	\$ (404,775)
<i>Interest income</i>	700	12,500	19,652	7,152
Total revenues	<u>1,588,465</u>	<u>1,908,171</u>	<u>1,510,548</u>	<u>(397,623)</u>
Expenditures:				
Debt service:				
<i>Principal</i>	170,000	335,000	335,000	--
<i>Interest and fiscal charges</i>	1,872,820	1,708,320	1,641,693	66,627
<i>Bond issue costs</i>	--	--	182,400	(182,400)
Total Debt Service	<u>2,042,820</u>	<u>2,043,320</u>	<u>2,159,093</u>	<u>(115,773)</u>
Total expenditures	<u>2,042,820</u>	<u>2,043,320</u>	<u>2,159,093</u>	<u>(115,773)</u>
Excess (deficiency) of revenues over (under) expenditures	(454,355)	(135,149)	(648,545)	(513,396)
Other financing sources (uses):				
<i>Transfers in</i>	85,000	290,000	290,000	--
<i>Refunding bonds issued</i>	--	--	17,400,000	17,400,000
<i>Bond premium</i>	--	--	707,108	707,108
<i>Bond discount</i>	--	--	(112,128)	(112,128)
<i>Payment to refunded bond escrow agent</i>	--	--	(17,800,956)	(17,800,956)
Total other financing sources (uses)	<u>85,000</u>	<u>290,000</u>	<u>484,024</u>	<u>(194,024)</u>
Net change in fund balances	(369,355)	154,851	(164,521)	(319,372)
Fund balances, October 1	<u>492,609</u>	<u>724,770</u>	<u>724,770</u>	--
Fund balances, September 30	<u>\$ 123,254</u>	<u>\$ 879,621</u>	<u>\$ 560,249</u>	<u>\$ (319,372)</u>

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CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2005

	Town Center TIF District	Roadway Impact Fees	Park Development
ASSETS			
<i>Cash and cash equivalents</i>	\$ --	\$ --	\$ --
<i>Investments</i>	203	2,309,412	512,935
Receivables (net of allowances for uncollectibles):			
<i>Interest</i>	523	29,785	1,595
<i>Other</i>	--	--	18,335
<i>Special assessments</i>	--	--	--
<i>Intergovernmental</i>	--	--	158,331
<i>Due from other funds</i>	<u>81,612</u>	<u>70,974</u>	<u>63,503</u>
Total Assets	\$ <u>82,338</u>	\$ <u>2,410,171</u>	\$ <u>754,699</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ --	\$ 42,751	\$ 20,998
<i>Accrued liabilities and other payables</i>	--	--	10,886
<i>Due to other funds</i>	--	--	--
<i>Deferred revenue</i>	--	--	--
Total Liabilities	--	<u>42,751</u>	<u>31,884</u>
Fund Balances:			
Reserved Fund Balances			
<i>Reserved for encumbrances</i>	--	--	22,593
Unreserved, reported in:			
<i>Capital Projects Funds</i>	82,338	2,367,420	700,222
Total Fund Balances	<u>82,338</u>	<u>2,367,420</u>	<u>722,815</u>
Total Liabilities and Fund Balances	\$ <u>82,338</u>	\$ <u>2,410,171</u>	\$ <u>754,699</u>

Street Improvements	Equipment Replacement	Parks Capital Project	1996 Certificates of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ 28,216	\$ --	\$ --	\$ 28,216
974,070	311,194	295	4,155,870	8,263,979
2,829	728	--	23,677	59,137
--	--	--	--	18,335
87,835	--	--	--	87,835
78,688	--	--	--	237,019
19,525	216,240	--	47,239	499,093
<u>\$ 1,162,947</u>	<u>\$ 556,378</u>	<u>\$ 295</u>	<u>\$ 4,226,786</u>	<u>\$ 9,193,614</u>
\$ 8,121	\$ 60,588	\$ 5,427	\$ 214,970	\$ 352,855
149,503	--	--	128,732	289,121
--	--	56,762	55	56,817
87,835	--	--	--	87,835
<u>245,459</u>	<u>60,588</u>	<u>62,189</u>	<u>343,757</u>	<u>786,628</u>
55,693	71,321	102,760	1,930,891	2,183,258
861,795	424,469	(164,654)	1,952,138	6,223,728
<u>917,488</u>	<u>495,790</u>	<u>(61,894)</u>	<u>3,883,029</u>	<u>8,406,986</u>
<u>\$ 1,162,947</u>	<u>\$ 556,378</u>	<u>\$ 295</u>	<u>\$ 4,226,786</u>	<u>\$ 9,193,614</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, 2005**

	Town Center TIF District	Roadway Impact Fees	Park Development
Revenues:			
Taxes	\$ --	\$ --	\$ --
Permits, licenses and fees	--	--	419,000
Intergovernmental	--	--	158,331
Special assessments and impact fees	--	1,047,131	--
Donations	68,788	--	30,105
Interest income	7,278	88,860	11,246
Miscellaneous	--	--	--
Total revenues	<u>76,066</u>	<u>1,135,991</u>	<u>618,682</u>
Expenditures:			
Current:			
General government	--	7,001	--
Public works	--	--	--
Recreation and leisure	--	--	--
Capital outlay	--	87,559	383,774
Debt service:			
Total expenditures	<u>--</u>	<u>94,560</u>	<u>383,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,066</u>	<u>1,041,431</u>	<u>234,908</u>
Other financing sources (uses):			
Transfers in	--	--	--
Transfers out	(290,000)	(250,000)	--
Total other financing sources (uses)	<u>(290,000)</u>	<u>(250,000)</u>	<u>--</u>
Net change in fund balances	<u>(213,934)</u>	<u>791,431</u>	<u>234,908</u>
Fund balances, October 1	<u>296,272</u>	<u>1,575,989</u>	<u>487,907</u>
Fund balances, September 30	<u>\$ 82,338</u>	<u>\$ 2,367,420</u>	<u>\$ 722,815</u>

Street Improvements	Equipment, Replacement	Parks Capital Project	1996 Certificates of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 402,351	\$ --	\$ --	\$ --	\$ 402,351
--	--	--	--	419,000
--	--	--	--	158,331
121,152	--	--	--	1,168,283
--	15,440	--	15,958	130,291
29,993	6,427	4,305	152,807	300,916
--	170,420	166,000	--	336,420
<u>553,496</u>	<u>192,287</u>	<u>170,305</u>	<u>168,765</u>	<u>2,915,592</u>
--	--	(520)	(4,506)	1,975
2,914	--	--	--	2,914
--	--	240	--	240
687,660	330,178	201,383	2,487,559	4,158,113
<u>670,574</u>	<u>330,178</u>	<u>201,103</u>	<u>2,483,053</u>	<u>4,163,242</u>
<u>(117,078)</u>	<u>(137,891)</u>	<u>(30,798)</u>	<u>(2,314,288)</u>	<u>(1,247,650)</u>
--	196,510	--	--	196,510
(30,000)	--	--	--	(570,000)
<u>(30,000)</u>	<u>196,510</u>	<u>--</u>	<u>--</u>	<u>(373,490)</u>
(147,078)	58,619	(30,798)	(2,314,288)	(1,621,140)
1,064,566	437,171	(31,096)	6,197,317	10,028,126
<u>\$ 917,488</u>	<u>\$ 495,790</u>	<u>\$ (61,894)</u>	<u>\$ 3,883,029</u>	<u>\$ 6,406,986</u>

CITY OF KELLER, TEXAS
PARK DEVELOPMENT FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-18

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Permits, licenses and fees</i>	\$ 85,000	\$ 205,000	\$ 419,000	\$ 214,000
<i>Intergovernmental</i>	--	--	158,331	158,331
<i>Donations</i>	--	--	30,105	30,105
<i>Interest income</i>	2,800	6,000	11,246	5,246
Total revenues	<u>87,800</u>	<u>211,000</u>	<u>618,682</u>	<u>407,682</u>
Expenditures:				
Current:				
<i>Recreation and Leisure</i>				
<i>Parks and Recreation Administration</i>				
<i>Services and other</i>	--	25,000	--	25,000
<i>Total Parks and Recreation Administration</i>	--	25,000	--	25,000
<i>Total Recreation and Leisure</i>	--	25,000	--	25,000
Capital outlay	<u>189,600</u>	<u>315,460</u>	<u>383,774</u>	<u>(68,314)</u>
Total expenditures	<u>189,600</u>	<u>340,460</u>	<u>383,774</u>	<u>(43,314)</u>
Net change in fund balances	<u>(101,800)</u>	<u>(129,460)</u>	<u>234,908</u>	<u>364,368</u>
Fund balances, October 1	<u>125,532</u>	<u>487,907</u>	<u>487,907</u>	<u>--</u>
Fund balances, September 30	<u>\$ 23,732</u>	<u>\$ 358,447</u>	<u>\$ 722,815</u>	<u>\$ 364,368</u>

CITY OF KELLER, TEXAS
STREET IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-19

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Sales tax</i>	\$ 396,050	\$ 370,550	\$ 402,351	\$ 31,801
<i>Special assessments and impact fees</i>	50,000	74,000	121,152	47,152
<i>Interest income</i>	5,200	9,000	29,993	20,993
Total revenues	<u>451,250</u>	<u>453,550</u>	<u>553,496</u>	<u>99,946</u>
Expenditures:				
Current:				
<i>Public Works</i>				
<i>Engineering and Inspections</i>				
<i>Operations and maintenance</i>	--	--	2,914	(2,914)
Total Engineering and Inspections	<u>--</u>	<u>--</u>	<u>2,914</u>	<u>(2,914)</u>
Total Public Works	<u>--</u>	<u>--</u>	<u>2,914</u>	<u>(2,914)</u>
Capital outlay	<u>557,000</u>	<u>1,193,830</u>	<u>667,660</u>	<u>526,170</u>
Total expenditures	<u>557,000</u>	<u>1,193,830</u>	<u>670,574</u>	<u>523,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(105,750)</u>	<u>(740,280)</u>	<u>(117,078)</u>	<u>623,202</u>
Other financing sources (uses):				
<i>Transfers out</i>	(30,000)	(29,000)	(30,000)	(1,000)
Total other financing sources (uses)	<u>(30,000)</u>	<u>(29,000)</u>	<u>(30,000)</u>	<u>(1,000)</u>
Net change in fund balances	<u>(135,750)</u>	<u>(769,280)</u>	<u>(147,078)</u>	<u>622,202</u>
Fund balances, October 1	<u>346,525</u>	<u>1,064,586</u>	<u>1,064,586</u>	<u>--</u>
Fund balances, September 30	<u>\$ 210,775</u>	<u>\$ 295,286</u>	<u>\$ 917,488</u>	<u>\$ 622,202</u>

CITY OF KELLER, TEXAS
EQUIPMENT REPLACEMENT FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-20

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>				
<i>Donations</i>	\$ --	\$ 15,440	\$ 15,440	\$ --
<i>Interest income</i>	5,000	5,500	6,427	927
<i>Miscellaneous</i>	25,000	136,430	170,420	33,990
Total revenues	<u>30,000</u>	<u>157,370</u>	<u>192,287</u>	<u>34,917</u>
Expenditures:				
Current:				
<i>Public Safety</i>				
<i>Fire Department</i>				
<i>Administration</i>				
<i>Services and other</i>	--	16,515	--	16,515
<i>Total Administration</i>	--	16,515	--	16,515
<i>Total Fire Department</i>	--	16,515	--	16,515
<i>Total Public Safety</i>	--	16,515	--	16,515
Capital outlay	221,500	431,012	330,178	100,834
Total expenditures	<u>221,500</u>	<u>447,527</u>	<u>330,178</u>	<u>117,349</u>
Excess (deficiency) of revenues over (under) expenditures	(191,500)	(290,157)	(137,891)	152,266
Other financing sources (uses):				
<i>Transfers in</i>	31,110	31,110	196,510	165,400
<i>Capital lease proceeds</i>	165,400	165,400	--	(165,400)
Total other financing sources (uses)	<u>196,510</u>	<u>196,510</u>	<u>196,510</u>	<u>--</u>
Net change in fund balances	5,010	(93,647)	58,619	152,266
Fund balances, October 1	199,015	437,171	437,171	--
Fund balances, September 30	<u>\$ 204,025</u>	<u>\$ 343,524</u>	<u>\$ 495,790</u>	<u>\$ 152,266</u>

STATISTICAL SECTION

STATISTICAL SECTION

- Government-wide Expenses by Function
 - Government-wide Revenues
 - General Governmental Expenditures by Function
 - General Governmental Revenues by Source
 - Property Tax Levies and Collections
 - Assessed and Estimated Actual Value of Taxable Property
 - Property Tax Rates - All Overlapping Governments
 - Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt per Capita
 - Computation of Direct and Overlapping Debt
 - Ratio of Annual Debt Service Expenditures for Net General Bonded Debt to Total General Expenditures
 - Schedule of Revenue Bond Coverage
 - Schedule of Revenue Bond Coverages Including Impact Fees
 - Demographic Statistics
 - Principal Taxpayers
 - Property Value, Construction, and Bank Deposits
 - Computation of Legal Debt Margin
 - Miscellaneous Statistics
-

CITY OF KELLER, TEXAS

GOVERNMENT-WIDE EXPENSES BY FUNCTION
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE D-1

Fiscal Year	General Government	Planning & Comm. Deve/op.	Pub'c Safety	Public Works/	Recreation and Leisure	Non-Departmental	Interest on Long-Term Debt	Amortization	Water & Wastewater Operations	Drainage Utility	Total
1996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1997	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-	-	-
2003	3,888,912	962,273	8,376,754	4,721,525	4,140,744	717,155	4,084,465	66,058	11,702,639	1,523,516	40,184,041
2004	3,357,345	984,186	8,625,240	6,557,021	5,332,567	637,143	4,555,553	-	11,400,743	1,435,397	42,885,195
2005	4,103,531	1,128,547	9,889,821	7,402,595	7,322,427	1,140,907	4,458,890	-	13,267,173	1,717,054	50,430,945

The City implemented GASB-34 during 2003, information on ten year historical information will be accumulated from that year.

CITY OF KELLER, TEXAS
GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS
(Unaudited)

TABLE D-2

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Sales Taxes	Franchise Taxes	Miscellaneous and Other	Unrestricted Investment Earnings	
1996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1997	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-
2003	17,361,798	8,321	3,393,588	10,865,819	4,918,084	2,205,786	304,699	524,631	39,582,726
2004	18,231,656	218,851	1,669,524	12,217,245	5,590,869	2,347,256	244,612	550,197	41,070,210
2005	24,748,158	379,393	9,388,068	13,570,085	6,467,899	2,616,898	242,386	957,014	58,369,900

The City implemented GASB-34 during 2003. Information on ten year historical information will be accumulated from that year.

CITY OF KELLER, TEXAS

TABLE D-3

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>General Government</u>	<u>(1) Planning & Comm. Develop.</u>	<u>Public Safety</u>	<u>Public Works/ Nondepartmental</u>	<u>Recreation and Leisure</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1996	\$ 1,176,984	\$ -	\$ 2,567,154	\$ 1,012,214	\$ 580,719	\$ 102,729	\$ 1,609,343	\$ 7,049,143
1997	1,374,339	-	2,981,932	1,027,815	795,896	103,499	2,803,673	9,087,154
1998	1,265,427	445,942	3,361,301	1,091,516	1,018,064	149,666	2,611,101	9,943,017
1999	1,476,947	574,774	4,024,423	1,229,622	1,216,193	252,770	3,048,839	11,823,568
2000	1,670,173	662,488	4,668,698	1,300,286	1,461,524	753,247	4,066,351	14,582,767
2001	1,758,063	783,835	5,741,634	1,540,271	1,775,036	656,451	5,012,278	17,267,768
2002	2,140,178	937,924	6,885,018	2,194,877	2,253,372	360,785	5,807,062	20,579,216
2003	2,393,047	938,107	7,733,380	1,862,037	2,530,716	898,764	6,340,651	22,696,702
2004	2,403,052	957,446	7,998,116	2,249,142	2,599,204	322,646	4,637,857	21,167,463
2005	2,563,982	1,094,295	8,949,443	2,376,827	2,917,142	436,344	5,063,752	23,401,785

Note:

Includes General Fund and Debt Service Fund.

(1) Planning & Community Development was removed from General Government classification in 1998.

CITY OF KELLER, TEXAS

**GENERAL GOVERNMENTAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

TABLE D-4

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Permits, Licenses, and Fees</u>	<u>Inter-Governmental</u>	<u>Charges for Services and Fines</u>	<u>Interest on Investments</u>	<u>Donation and Miscellaneous</u>	<u>Total</u>
1996	\$ 5,526,432	\$ 757,023	\$ 29,845	\$ 362,920	\$ 80,494	\$ 79,855	\$ 6,836,569
1997	5,901,089	930,390	41,940	472,002	142,642	174,055	7,662,118
1998	6,797,499	1,756,317	11,655	567,768	236,300	199,407	9,568,946
1999	7,403,649	2,964,743	24,196	712,508	279,235	260,555	11,644,886
2000	9,509,291	2,808,133	21,746	768,723	362,464	267,963	13,738,320
2001	11,489,533	2,552,022	23,536	801,888	429,966	249,624	15,546,569
2002	13,644,038	2,098,686	193,471	803,644	221,950	146,055	17,107,844
2003	15,876,085	1,992,504	705,560	929,119	170,825	156,667	19,830,760
2004	16,326,834	2,223,221	731,720	1,013,378	209,818	136,041	20,641,012
2005	17,883,493	2,599,740	774,551	1,161,581	150,634	126,423	22,696,422

Note:

Includes General Fund and Debt Service Fund.

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

TABLE D-5

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1996	\$ 3,834,490	\$ 3,804,206	99.2%	\$ 52,113	\$ 3,856,319	100.6%	\$ 75,372	2.0%
1997	4,195,687	4,175,242	99.5%	23,938	4,199,180	100.1%	61,912	1.5%
1998	4,658,427	4,624,605	99.3%	20,972	4,645,577	99.7%	68,221	1.5%
1999	5,118,259	5,103,036	99.7%	28,270	5,131,306	100.3%	63,308	1.2%
2000	6,105,497	6,027,340	98.7%	109,075	6,136,415	100.5%	169,408	2.8%
2001	7,172,665	7,077,938	98.7%	78,460	7,156,398	99.8%	149,456	2.1%
2002	8,514,689	8,412,717	98.8%	111,775	8,524,492	100.1%	178,504	2.1%
2003	10,039,710	9,926,842	98.9%	105,265	10,032,107	99.9%	193,949	1.9%
2004	10,954,013	10,870,031	99.2%	128,553	10,998,584	100.4%	168,906	1.5%
2005	11,771,097	11,734,243	99.7%	143,626	11,877,869	100.9%	167,864	1.4%

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

TABLE D-6

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed Estimated Actual Value</u>
1996	\$ 776,448,273	\$ 776,448,273	100%
1997	858,382,029	858,382,029	100%
1998	970,546,033	970,546,033	100%
1999	1,117,523,858	1,117,523,858	100%
2000	1,347,791,867	1,347,791,867	100%
2001	1,622,068,109	1,622,068,109	100%
2002	1,943,992,842	1,943,992,842	100%
2003	2,292,171,343	2,292,171,343	100%
2004	2,500,916,238	2,500,916,238	100%
2005	2,661,363,572	2,661,363,572	100%

Note:

Assessed values are established by the central appraisal district on the basis of 100% of appraised values. The value of property within the appraisal district has been appraised every three years beginning in 1984.

CITY OF KELLER, TEXAS

TABLE D-7

PROPERTY TAX RATES
 DIRECT AND OVERLAPPING GOVERNMENTS
 PER \$100 OF ASSESSED VALUE
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	General Fund	Service Fund	Total City	(1) School	County	Total
1996	\$ 0.33347	\$ 0.16038	\$ 0.49385	\$ 1.50000	\$ 0.56109	\$ 2.55494
1997	0.30404	0.18475	0.48879	1.50000	0.55663	2.54542
1998	0.30679	0.17319	0.47998	1.50000	0.55660	2.53658
1999	0.31019	0.14781	0.45800	1.51000	0.60532	2.57332
2000	0.29282	0.16018	0.45300	1.47500	0.60532	2.53332
2001	0.29095	0.15205	0.44300	1.52270	0.61527	2.58097
2002	0.28065	0.15735	0.43800	1.52890	0.61527	2.58217
2003	0.28249	0.15551	0.43800	1.65190	0.64428	2.73418
2004	0.29912	0.13888	0.43800	1.67620	0.64728	2.76148
2005	0.29765	0.14648	0.44413	1.69750	0.64727 (2)	2.78890

Source:

1. Keller Independent School District (including County Education District through 1995)
2. Tarrant County for 2005 (\$0.27250, Tarrant County Hospital District (\$0.235390), Tarrant County College District (\$0.13938)

CITY OF KELLER, TEXAS

TABLE D-8

*RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(Unaudited)*

<u>Fiscal Year</u>	<u>1-Jan Estimated Population</u>	<u>Assessed Value</u>	<u>Net General Bonded Debt</u>	<u>Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1996	19,350	\$ 776,448,273	\$ 26,342,622	3.39%	\$ 1,361
1997	20,775	858,382,029	26,940,788	3.14%	1,297
1998	22,475	970,546,033	27,680,664	2.85%	1,232
1999	24,500	1,117,523,858	35,786,964	3.20%	1,461
2000	27,345	1,347,791,867	35,702,336	2.65%	1,306
2001	28,066	1,622,068,109	34,735,204	2.14%	1,238
2002	29,915	1,943,992,842	40,827,341	2.10%	1,365
2003	31,814	2,292,171,343	39,790,933	1.74%	1,251
2004	33,112	2,500,916,238	40,342,584	1.61%	1,218
2005	34,224	2,661,363,572	40,888,859	1.54%	1,195

Note: Net general bonded debt is total general bonded debt less amount to be paid by component unit and amount available in debt service fund.

CITY OF KELLER, TEXAS

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 SEPTEMBER 30, 2005
 (Unaudited)

TABLE D-9

Jurisdiction	Net Debt Outstanding (1)	Percentage Applicable to City of Keller (2)	Amount Applicable to City of Keller
City of Keller	\$ 40,888,859	100.00%	<u>\$ 40,888,859</u>
Keller Independent School District	489,492,981	36.23%	177,343,307
Tarrant County	165,340,000	2.05%	3,389,470
Tarrant County Hospital District	38,305,000	2.05%	785,253
Tarrant County Junior College District	63,713,727	2.05%	1,306,131
Total Overlapping Governments			<u>182,824,161</u>
Total direct and overlapping debt - before TIRZ debt			<u>223,713,020</u>
Ratio of direct and overlapping bonded debt to taxable assessed valuation			<u>8.41%</u>
Per capita direct and overlapping bonded debt			<u>\$ 6,537</u>
City of Keller, Texas, Tax Increment Reinvestment Zone (3)	32,675,000	100.00%	<u>32,675,000</u>
Total direct and overlapping debt			<u>\$ 256,388,020</u>
Ratio of direct and overlapping bonded debt to taxable assessed valuation			<u>9.63%</u>
Total per capita direct and overlapping bonded debt			<u>\$ 7,491</u>

Source

- (1) Respective taxing jurisdictions, less self-supporting debt.
- (2) North Central Texas Council of Governments.
- (3) City of Keller, Texas Tax Increment Reinvestment Zone debt is self supported
- (4) Although there are other independent school districts within the city limits of Keller, over 97% of Keller residents pay property taxes to the Keller Independent School District.

CITY OF KELLER, TEXAS

TABLE D-10

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR NET GENERAL BONDED DEBT
TO TOTAL GENERAL EXPENDITURES
LAST TEN YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
1996	\$ 652,662	\$ 956,681	\$ 1,609,343	\$ 7,049,143	23%
1997	1,208,093	1,595,580	2,803,673	9,087,154	31%
1998	1,145,625	1,465,476	2,611,101	9,943,017	26%
1999	1,219,448	1,689,374	2,908,822	11,823,568	25%
2000	1,617,851	1,827,290	3,445,141	14,582,767	24%
2001	2,042,037	2,900,237	4,942,274	17,267,768	29%
2002	2,038,377	1,742,927	3,781,304	20,579,216	18%
2003	2,518,739	2,046,953	4,565,692	22,696,702	20%
2004	1,944,945	2,661,785	4,606,730	21,167,463	22%
2005	2,982,780	2,223,935	5,206,715	23,401,785	22%

Note:

Includes General Fund and Debt Service Fund excluding payments by component unit.

CITY OF KELLER, TEXAS
SCHEDULE OF REVENUE BOND
COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

TABLE D-11

<u>Fiscal Year</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Funds Generated for Debt Service</u>	<u>Principal (3)</u>	<u>Interest and Fiscal Charges (3)</u>	<u>Debt Service Total</u>	<u>Coverage Ratio</u>
1996	\$ 6,584,698	\$ 4,596,393	\$ 1,988,305	\$230,000	\$ 105,810	\$ 335,810	5.92
1997	5,877,434	5,052,054	1,825,380	245,000	85,021	330,021	5.53
1998	8,782,519	6,118,638	2,663,881	255,000	63,968	318,968	8.35
1999	9,602,080	6,732,212	2,869,868	265,000	36,706	301,706	9.51
2000	11,371,190	7,725,802	3,645,388	90,000	26,223	116,223	31.37
2001	13,431,833	8,021,166	5,410,667	100,000	21,345	121,345	44.59
2002	12,956,656	8,766,276	4,190,380	115,000	10,336	125,336	33.43
2003	12,569,818	8,553,444	4,016,374	115,000	1,500	116,500	34.48
2004	12,531,249	9,345,862	3,185,387	-	-	-	N/A
2005	15,590,888	10,024,962	5,565,926	-	-	-	N/A

Notes:

1. Operating and nonoperating revenues of the Water and Sewer Fund.
2. Total operating expenses of Water and Sewer Fund plus interest and fiscal charges (excluding revenue bond interest and fiscal charges), and excluding depreciation.
3. Revenue supported debt only, amount does not include combination tax and revenue supported obligations.

CITY OF KELLER, TEXAS

**SCHEDULE OF REVENUE BOND COVERAGES -
INCLUDING IMPACT FEES
LAST TEN FISCAL YEARS
(Unaudited)**

TABLE D-12

Fiscal Year	Gross Revenue (2)	Contributed Capital (1)	Direct Operating Expenses (3)	Net Funds Generated for Debt Service	Principal (4)	Interest and Fiscal Charges (4)	Debt Service Total	Coverage Ratio
1996	\$ 6,584,698	\$ 677,816	\$ 4,068,353	\$ 3,194,161	\$230,000	\$ 105,810	\$ 335,810	9.51
1997	6,877,434	828,822	4,596,393	3,109,863	245,000	85,021	330,021	9.42
1998	8,782,519	926,671	5,072,651	4,636,539	255,000	63,968	318,968	14.54
1999	9,602,080	1,196,875	6,649,816	4,149,139	265,000	36,706	301,706	13.75
2000	11,371,190	1,196,875	7,258,881	5,309,184	90,000	26,223	116,223	45.68
2001	13,431,833	1,374,709	8,258,254	6,548,288	100,000	21,345	121,345	53.96
2002	12,956,656	3,577,808	9,302,083	7,232,381	115,000	10,336	125,336	57.70
2003	12,569,818	3,061,073	8,536,073	7,094,818	115,000	1,500	116,500	60.90
2004	12,531,249	1,151,738	9,078,575	4,604,412	-	-	-	N/A
2005	15,590,888	2,786,354	11,389,831	6,987,411	-	-	-	N/A

Notes:

1. Table D-11 has been modified in this table to reflect the effect on the coverage ratio for revenue bonds by including the portion of contributed capital applied to revenue debt.
2. Operating and nonoperating revenues of the Water and Sewer Fund.
3. Total operating expenses of the Water and Sewer Fund excluding depreciation and including the City's portion of principal and interest paid on Trinity River Authority (TRA) debt. (Refer to Note 6C of notes to Basic Financial Statements for a more detailed explanation of the contractual relationship with TRA).
4. Revenue bond debt only, amount does not include combination tax and revenue obligations.

CITY OF KELLER, TEXAS
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

TABLE D-13

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1996	19,350	\$ 20,231	12,026	1.8%
1997	20,775	20,231	13,075	1.8%
1998	22,475	20,231	13,072	1.6%
1999	24,500	28,850	14,094	1.4%
2000	27,345	31,986	16,300	1.6%
2001	28,066	31,986	18,429	2.1%
2002	29,915	31,986	20,097	2.9%
2003	31,814	31,986	20,032	2.7%
2004	33,112	31,986	23,663	4.1%
2005	34,224	31,986	25,644	3.4%

Sources:

1. Bureau of Census - Official Census Numbers (1994 - 1998, and 2000 - 2003); 1999 estimate -- "Keller Community Profile," City of Keller Economic Development Department.
2. Keller Independent School District.
3. Texas Workforce Commission.

CITY OF KELLER, TEXAS

TABLE D-14

PRINCIPAL TAXPAYERS

SEPTMBER 30, 2005

(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation (000's)</u>	<u>Percentage of Total Assessed Valuation</u>
Town Center LP	Multi Family Development	\$ 18,900	0.71%
Lowe's Home Centers	Building Supply Store	15,586	0.59%
Regency Centers, LP	Land Development	12,150	0.46%
Home Depot USA	Building Supply	12,061	0.45%
Keller Partners LP	Multi Family Development	11,550	0.43%
Oncor Electric Delivery	Electric Utility	10,370	0.39%
Margaux Keller	Retail Shopping Center	9,704	0.36%
General Telephone Company/Verizon	Telephone Utility	8,219	0.31%
Kohl's Department Store	Retail Store	7,901	0.30%
Wal-Mart Real Estate	Retail Development	7,874	0.30%
Total of principal taxpayers		114,315	4.30%
Remaining taxpayers		2,547,049	95.70%
Total		<u>\$ 2,661,364</u>	<u>100.00%</u>

CITY OF KELLER, TEXAS

TABLE D-15

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(Unaudited)**

Calendar Year	Bank Deposits (1)	Property Value (2)	Construction (3)				Total Value
			Residential		Non-Residential		
			Number of Units	Value	Number of Units	Value	
1996	\$ 64,667,755	\$ 776,448,273	503	\$ 70,170,000	10	\$ 1,877,147	\$ 72,047,147
1997	62,836,000	858,382,029	569	82,019,000	10	1,235,000	83,254,000
1998	92,673,153	970,546,033	731	128,966,000	33	13,744,000	142,710,000
1999	N/A	1,117,523,858	816	182,974,000	58	22,269,150	185,243,150
2000	N/A	1,347,791,867	561	132,333,470	49	16,923,317	149,256,787
2001	N/A	1,622,068,109	625	144,665,295	52	24,261,690	168,926,985
2002	N/A	1,943,992,842	408	110,848,520	49	46,254,527	157,103,047
2003	N/A	2,292,171,343	391	108,787,805	58	36,139,177	144,926,982
2004	N/A	2,500,916,238	363	112,154,345	57	34,691,609	146,845,954
2005 (4)	N/A	2,661,363,572	391	124,531,005	57 (4)	37,053,800	161,584,805

Notes:

1. Source: Through 1998 - Frost Bank (formerly Keller State Bank). After 1998 – information is not available.
2. Property values are September 30 fiscal year end amounts.
3. Source: City records. Years 1994 through 2001 include calendar year information excluding construction values of tax exempt entities. 2002 and later information is summarized by fiscal year, and includes construction values of tax exempt entities.
4. FY2005 excludes 4 multi-family construction units with a value of \$9,899,999.

CITY OF KELLER, TEXAS

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2005

(Unaudited)

TABLE D-16

The City Charter of the City of Keller, Texas, does not provide for a debt limit. Under the provisions of the state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation.

Tax Rate Limit	\$ 2.50000
Current Tax Rate	<u>0.44413</u>
Available Tax Rate	\$ <u>2.05587</u>

CITY OF KELLER, TEXAS
MISCELLANEOUS STATISTICS
September 30, 2005
(Unaudited)

TABLE D-17

Date of Incorporation	November 16, 1955
Form of government	Council/Manager
Area (square miles)	18.17
Miles of streets	250
Number of street lights	1,820
Fire protection:	
Number of stations	2
Number of firefighters and officers (exclusive of volunteer firefighters)	44
Paramedics (also included above)	39
Police protection:	
Number of stations	1
Number of police officers (total)	52
Number of patrol units on duty at any one time	4 to 6
Municipal water department:	
Average daily consumption (gallons)	8,039,100
Water mains (miles)	440
Number of water customers	13,376
Peak day water usage (August, 2005)	17,858,000
Sewer:	
Sanitary sewers (miles)	280
Storm sewers (miles)	43
Number of sewer customers	10,156
Average daily wastewater treated (gallons)	2,620,000
Employees: (number of full time equivalents)	307
Elections:	
Registered voters	22,031
Number of votes cast in last municipal election	841
Percent of votes cast to number of registered voters	3.8%
Library:	
Number of Libraries	1
Number of volumes	84,500
Total annual circulation	371,000
Parks:	
Number of park areas	12
Total park acreage	433