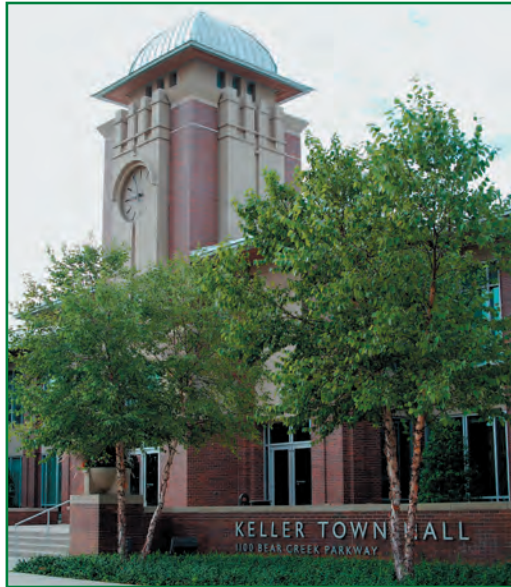




Comprehensive Annual Financial Report

*For Fiscal Year Ended
September 30, 2008*



Mayor and City Council

Pat McGrail, Mayor

Ray Brown, City Council - Place 1

John Baker, City Council - Place 2

Tom Cawthra, City Council - Place 3

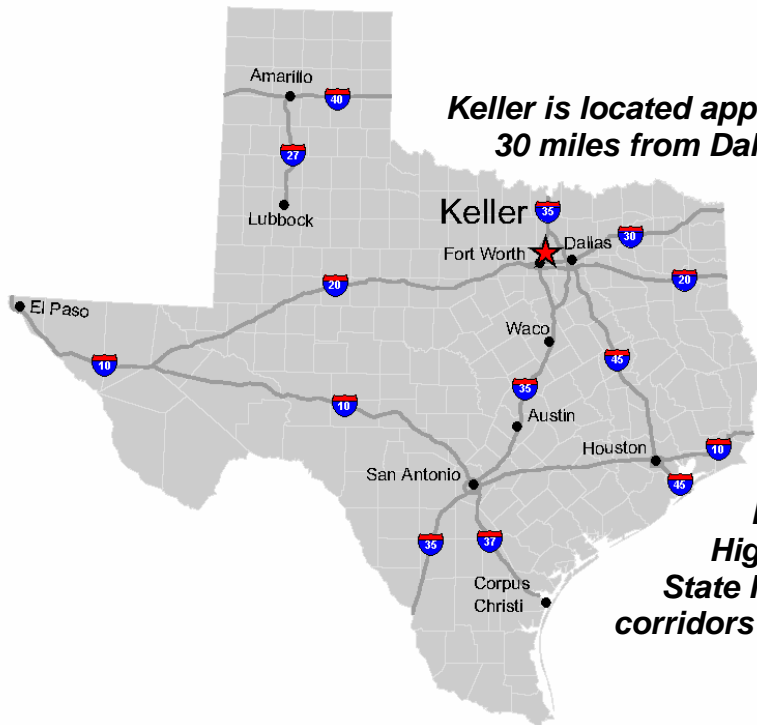
Jim Thompson, City Council - Place 4

Mitch Holmes, City Council - Place 5 and Mayor Pro Tem

Administrative Officials

Dan O'Leary, City Manager

Johnny Phifer, Director of Finance



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

CITY OF KELLER, TEXAS

*COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008*

Prepared by the
CITY OF KELLER
FINANCE DEPARTMENT

CITY COUNCIL

Pat McGrail, Mayor

Mitch Holmes, Mayor Pro-Tem

Ray Brown
John Baker
Tom Cawthra
Jim Thompson

CITY MANAGER

Dan O'Leary

DIRECTOR OF FINANCE

Johnny L. Phifer, CGFO

CITY OF KELLER, TEXAS
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INTRODUCTORY SECTION



March 9, 2009

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

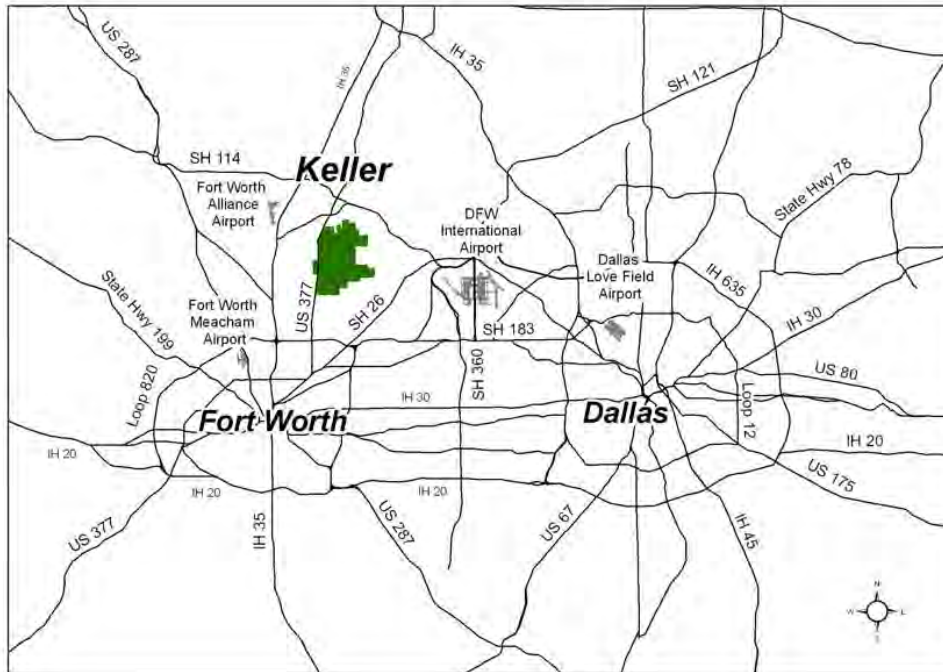
The Comprehensive Annual Financial Report for the City of Keller, Texas (the City) for the fiscal year ended September 30, 2008, is hereby submitted. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditors, in accordance with §103.001 of the Texas Local Government Code and Article VIII, Section 15 of the Charter of the City of Keller. The purpose of the report is to provide the City Council, management, staff, the public, and other interested parties with detailed information reflecting the City's financial condition.

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

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

City Profile

The City was incorporated on November 16, 1955, under the general laws of the State of Texas, and the current home-rule charter was approved by the voters in 1982. The City operates under the Council-Manager form of government. The City Council is comprised of a mayor and five Council members, who enact local legislation, determine overall City policies, pass ordinances, appoint committees, and adopt the City's budget. The Mayor and Council Members are all elected at-large on a non-partisan basis. Council members are elected for a two-year term on a rotating basis, with the Mayor and two Council members elected in odd-numbered years, and the remaining three Council members elected on even-numbered years. The City Manager is appointed by the Mayor and City Council and is responsible to them for proper administration of the daily affairs of the City, and appointment of 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 6.1 million. The City limits of Keller currently encompasses approximately 19 square miles.

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

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

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

Budgetary reporting is provided at the department level within the individual fund. Transfers of budget appropriations within departments may occur with the approval of the City Manager provided there is no increase in overall expenditures. Transfers of budget appropriations between funds and/or departments, as well as any increase in total appropriations, require a formal budget amendment adopted by the City Council. Unless otherwise noted, except for capital projects funds, all appropriations lapse at year-end and excess funds become available for re-appropriation in the subsequent year. At year end, encumbrances are recorded as a reservation of fund balance, and then reappropriated 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, 2008, a revised budget was approved by the City Council on September 18, 2008. The revised budget amounts are used throughout this report where applicable in the budget to actual comparisons. The report provides comparative information on the original adopted and revised budget where applicable.

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

For fiscal year 2008-2009, the City adopted a tax rate of \$0.43219 per \$100 of taxable value, unchanged from the previous year. All applicable financial targets were met or exceeded. Additional information regarding the annual budget is provided in the MD&A.

Factors Affecting Financial Condition

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

Keller, part of the Dallas/Fort Worth Metroplex, maintains a very strong economy and is ranked as one of the fastest growing cities in the Metroplex. The City is located mid way between Dallas/Fort Worth International Airport and Alliance Airport. A favorable personal and corporate tax climate, excellent schools, favorable right to work laws and a strong continuing commitment to business have made the City and State of Texas positive areas in which businesses can locate.

Local Economy. In order to keep pace with rapid residential growth and expanding commercial areas, infrastructure improvements continue to be a high priority. Highway 377 was widened recently in North Keller between Johnson Road and Highway 170, drastically improving traffic flow in the area. To help alleviate traffic congestion, plans are underway to widen Rufe Snow Drive between Bear Creek Parkway and Rapp Road. Both of these transportation projects will boost commercial development opportunities in Keller. In terms of commercial and residential development, Marshall Ridge has become one of the fastest growing residential developments in the DFW Metroplex. Plans to develop over 400,000 square feet of commercial space along Highway 377 in front of Marshall Ridge are also underway that will include retailers, service businesses, restaurants, and a hotel. A concept plan for the Marshall Ridge Commercial Center has been approved that will include about 60,000 square-feet of retail/office space. Zaxby's Restaurant was completed at the end of 2008. The Shops at Cindy, a 10,000 square-foot retail shopping center project, is currently under construction.

Development continues to boom in Keller Town Center. The Arthouse at Keller Town Center, which is a \$26 million mixed-use development, was completed last year. Apartment units are already 70% occupied after one year, and several retail businesses have located in the development. Construction began last year on Phase I of the \$42 million Uptown at Keller Town Center-- the first four of 48 live-work units on the west side of Countrybrook Lane. Phase II of Uptown at Keller Town Center was also approved and will consist of a three-story 54,411 square-foot mixed-use building with 24 live-work units. The Square at Keller Town Center recently commenced construction on the first phase of 77,600 square-feet of retail/office space. Other recent projects in Keller Town Center include a 4,043 square-foot Wachovia Bank and the 10,000 square-foot Pecan Office Park. Keller anticipates more projects coming forward in 2009 that will continue to enhance the quality of life and tax base of the City.

Residential growth remains strong both in terms of quantity and value of new development. The City issued 260 residential building permits having an average construction permit value in excess of \$303,000. In addition, the continued increase in population as depicted below combined with over 13,190 households has stimulated steady commercial and retail growth. The permit value of new commercial/retail business completions (certificates of occupancy) totaled over \$24.6 million.

According to the Texas Workforce Commission, the City's civilian labor force was 20,120 in September 2008, compared to a total civilian labor force for Tarrant County of 894,397. Keller's unemployment rate in September 2008 was 4.3%, compared to the Tarrant County rate of 5.1%, a statewide rate of 5.1%, and a nationwide rate of 6.2%.

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 2008 population estimate was 38,400, representing an increase of 24,717 (180%) over 1990, and 11,055 (40.4%) increase since 2000. The following table presents Keller's official Census population since 1970, as well as the current year estimated population.

	<u>Population</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
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%
2008 Estimate	38,400	11,055	40.4%

Since 1970, the total population increase exceeds 36,900. This increasing population trend is anticipated to continue for several years, although at a more reasonable pace. The City's estimated population by 2010 is 40,127. Tarrant County has experienced similar growth during the last 30 years, increasing from 715,587 in 1970 to 1,410,740 in 2000, an increase of over 97%. According to the North Central Texas Council of Governments population projections, the population of Tarrant County in 2010 is anticipated to be 1,746,082, an increase of approximately 20% over 2000.

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

<u>Year Ended</u>	<u>Market Value (000s)</u>	<u>Percent Change</u>
2000	\$ 1,507,880	18.7%
2001	1,808,570	19.9%
2002	2,181,556	20.6%
2003	2,539,751	16.4%
2004	2,763,867	8.8%
2005	2,939,038	6.3%
2006	3,187,969	8.5%
2007	3,496,065	9.7%
2008	3,865,714	10.6%

The rate of increase in the City's total market value has slowed from a five-year average rate of increase of 18.9% from fiscal year 1999-2000 through fiscal year 2002-2003, to an increase of 10.6% for fiscal year 2008. The reduction in the rate of increase in taxable values has also impacted the City's General Fund operations, since property tax revenues comprise over 42% of the total revenue for the General Fund. City management will continue to monitor local economic trends, in order to maintain adequate fund balance reserve levels, and to meet policy targets.

The value of new construction is included in both market and net taxable values. The amount of new construction added in calendar year 2006 (fiscal year 2007-2008) was \$188 million, compared to \$186 million added in calendar year 2005 (fiscal year 2006-2007).

The net assessed taxable value for calendar year 2007 (fiscal year 2008) increased 10.3% over calendar year 2006 (fiscal year 2007), compared to the prior year's increase of 10.5%. The growth in revenue produced the funding necessary to meet most of the significant 2008 goals of the City Council, while maintaining the property tax rate at \$0.43219 per \$100 of taxable value; adhering to the financial/budget targets to ensure the fiscal stability of the City's operations; and preserving the employee compensation plan.

The one-eighth of one percent local option sales tax for maintenance and rehabilitation of existing streets was approved by voters in November 2003. Tax collections by businesses commenced in April 2004, and the City received the first rebate in June 2004. Use of this non-property tax revenue has enabled the city to increase funding for street maintenance and repairs. In November 2007, this tax was re-authorized by voters for an additional four years at one quarter of one percent, effective April 1, 2008.

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

The five-year capital improvements program (CIP) for fiscal years 2009-10 through 2013-14 is currently being reviewed by City staff and the City Council. The CIP identifies the estimated costs of proposed future capital projects, and the anticipated method of funding for each project. The CIP is anticipated to be completed and adopted by the City Council during fiscal year 2008-2009.

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

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

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

The average book value of the City's investment portfolio for fiscal year 2008 was approximately \$41.99 million, and the overall portfolio provided \$1,470,668 in unrestricted investment income, compared to \$2,201,321 in 2007, a decrease of approximately 32%. The average yield to maturity on the portfolio for fiscal year 2008 was 3.8874%, compared to the City's targeted return of 2.1708%. The average yield to maturity on the portfolio for fiscal year 2007 was 5.2456%, compared to the targeted return of 4.8457%.

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, 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; the City contributed the employer's contribution rate of 11.88% for calendar year 2007, and 12.38% for calendar year 2008. City employees also participate in the U. S. Social Security Administration system. The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, which is available to all employees, permits employees to defer a portion of their salary until future years.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2007; a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for 19 consecutive fiscal years (FY1989 through FY2007). 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 2008 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 12 consecutive years (1997 – 2008). 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.

On February 7, 2009, both Moody's and Standard & Poor's upgraded the City's bond ratings. Moody's increased the City's rating one step from A1 to Aa3, while Standard & Poor's increased the City's bond ratings by two steps, from A+ to AA. Both rating categories now classify the City's debt obligations as high-quality investment grade. This is the 6th ratings upgrade since 2000. Both rating agencies emphasized the City's stable economic environment, strong wealth and income levels, along with a consistent historical pattern of annual increases in the amount of reserves (fund balance) in the City's General Fund.

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 Pattillo, Brown & Hill, L.L.P., 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 City Manager, Dan O'Leary for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Johnny Phifer
Director of Finance



Vivian Leverington
Chief Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Keller
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

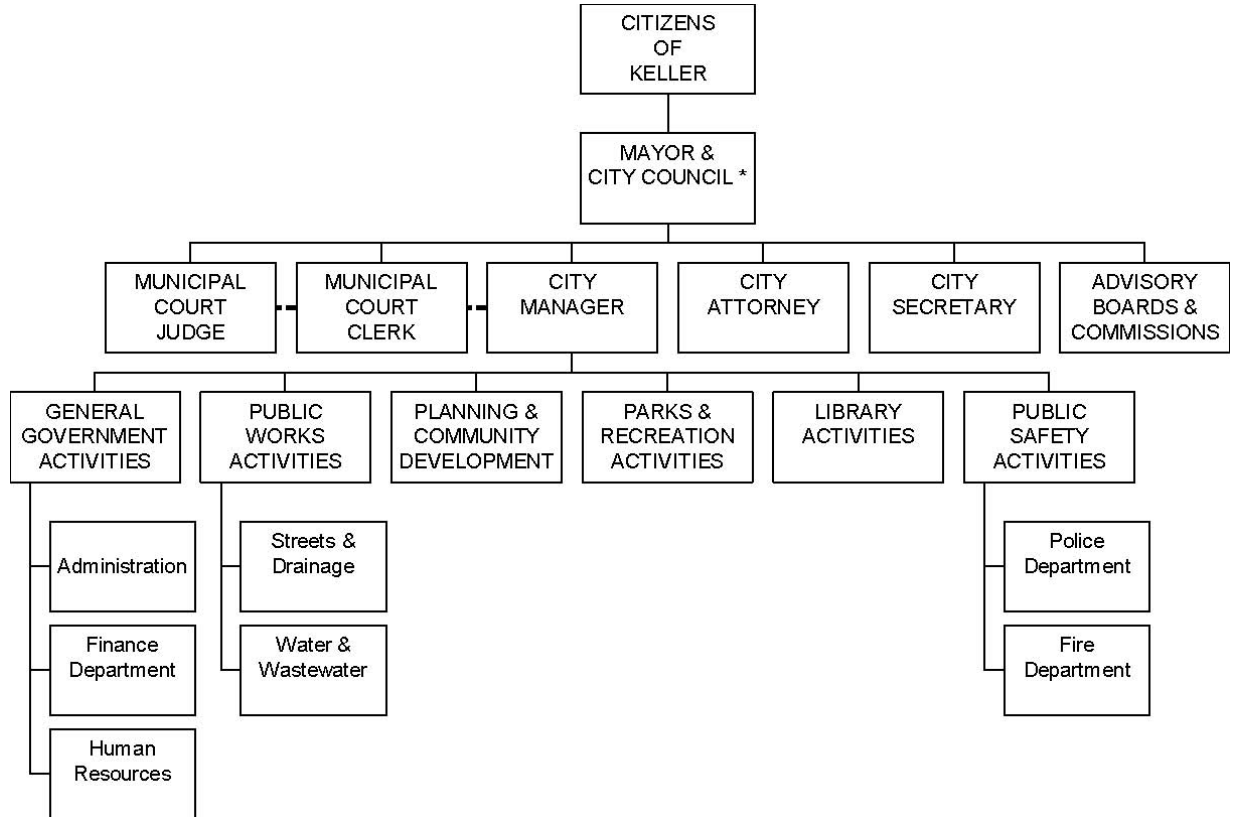
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF KELLER, TEXAS ORGANIZATION CHART



* Denotes elected positions.

CITY OF KELLER, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2008

<u>Name</u>	<u>Title</u>
<u>Elected Officials:</u>	
Pat McGrail	Mayor
Ray Brown	Council Member, Place 1
John Baker	Council Member, Place 2
Tom Cawthra	Council Member, Place 3
Jim Thompson	Council Member, Place 4
Mitch Holmes	Council Member, Place 5 and Mayor Pro Tem
<u>Appointed Officials:</u>	
Dan O'Leary	City Manager
Chris Fuller	Assistant City Manager
Steve Polasek	Assistant City Manager
Sheila Stephens	City Secretary
Charles Blankenship	Interim Fire Chief
Greg Dickens	Director of Public Works
Joseph Grisham	Director of Economic Development
Mark Hafner	Police Chief
Dona Roth Kinney	Director of Parks and Recreation
Michael Newman	Municipal Court Judge
Carolyn J. Nivens	Director of Human Resources
Johnny L. Phifer	Director of Finance
Jana Prock	Library Director
Jeanie Roumell	Municipal Court Clerk
<u>Other Appointed Officials:</u>	
Boyle and Lowry, L.L.P.	City Attorney
First Southwest Company	Financial Advisors
First Southwest Asset Management, Inc.	Investment Advisors
McCall, Parkhurst & Horton, L.L.P.	Bond Counsel

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the 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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Keller, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, based on our audit and the report of other auditors, 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, 2008, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2009, on our consideration of the City of Keller, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control of financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

The management's discussion and analysis on pages 12 through 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors, have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pattillo, Brown & Hill, L.L.P.

March 11, 2009

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Keller, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Keller exceeded its liabilities at the close of the fiscal year ended September 30, 2008, by \$168,435,350 (net assets). Of this amount, \$15,192,640 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$11,711,803, or 7.47% for the year ended September 30, 2008. The net assets of governmental activities increased \$6,430,621, or approximately 7.48%. This increase in net assets resulted in part from slight increases in ad valorem (property) taxes and sales, combined with increases in developer contributions. The assets of business-type activities increased by \$5,281,182, or 7.47%. The increase was due in part to weather conditions which resulted in increased water usage and associated water revenues, combined with increases in developer contributions.
- As of September 30, 2008, the City's governmental funds reported combined ending fund balances of \$19,172,325. Approximately 43.27% of this total amount, \$8,296,578, is unreserved and available for use within the City's designation and policies. Reservations for (1) encumbrances, \$4,966,179; (2) inventories and prepaid items, \$59,897; (3) debt service, \$1,325,140; and (4) other purposes, \$4,524,531, total \$10,875,747, and represent 56.73% of the total fund balance.
- Total cost of all the City's programs was \$59,242,134 in 2008, compared to \$55,532,963 in 2007.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$7,779,047 or 32.27% of total expenditures. This represents an increase of \$1,158,900, or 17.51% from the prior fiscal year due mainly to planned (budget) increases in property, sales, and franchise taxes, combined with planned (budget) increases in general fund expenditures.
- The City's total debt outstanding (excluding bond premiums and discounts) decreased by \$7,334,576, or 6.65% during the current fiscal year, primarily the result of retirement of existing debt. The City issued no certificates of obligation or general obligation bonds during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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 Statement of Net Assets presents information on all of 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 serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

- **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 on pages 23 – 25 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 of Keller, 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 of Keller can be divided into two categories: governmental funds and proprietary funds. The fund financial statements provide more detailed information about the City's most significant funds and will be more familiar to traditional users of government financial statements. The focus is now on major funds rather than fund types.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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, General Obligation Debt Service, and Recreation/Aquatic Center Funds, all of which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds** – There are two types of proprietary funds, Enterprise Funds and Internal Service Funds. The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for both the Water and Sewer, and Drainage Utilities. The City has no Internal Service Funds.

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

The City's basic proprietary fund financial statements can be found on pages 32 – 35 of this report.

Notes to the 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 the financial statements can be found immediately following the basic financial statements on pages 36 – 60 of this report.

Other Information

In addition to the basic financial statements and accompany notes, this report also presents certain required supplementary information concerning the City of Keller's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 61 – 62. 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 \$168,435,350 as of September 30, 2008.

The largest portion of the City's net assets, \$132.9 million (78.88%), 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, \$20.4 million (12.10%), represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$15.2 million (9.02%), may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities total assets increased by \$1,723,833, or 0.98% during fiscal year 2008. The increase in total assets of governmental activities results primarily from an increase in net capital assets. The increase in net capital assets of \$3,001,565 (2.01%) is net of accumulated depreciation, a non-cash expense. During the year, completed capital assets were transferred from the construction in process category, where assets are not depreciated, to completed construction, where assets are depreciated. Total liabilities of governmental activities decreased \$4,706,787, or 5.25%. Non-current liabilities of governmental activities decreased by \$5,232,867 or 6.10%. The reduction in liabilities of governmental activities is primarily due to the retirement of outstanding debt service.

Total assets of business-type activities increased by \$2,156,598, or 2.18%. Total current assets decreased \$912,527, 4.03%, while total capital assets increased \$3,069,125, 4.02%, respectively. Net assets of business-type activities increased \$5,281,182, or 7.47%. The decrease in current and other assets is primarily due to a decrease in investments, used in part to acquire new capital assets. Total capital assets increased as a result of the construction of new capital projects for water and wastewater improvements. The total liabilities for business-type activities decreased \$3,124,584, or 11.10% primarily due to the retirement of outstanding debt service.

The following table reflects the condensed Statement of Net Assets:

CITY OF KELLER'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 24,821,206	\$ 26,098,938	\$ 21,718,896	\$ 22,631,423	\$ 46,540,102	\$ 48,730,361
Capital assets	<u>152,526,736</u>	<u>149,525,171</u>	<u>79,323,157</u>	<u>76,254,032</u>	<u>231,849,893</u>	<u>225,779,203</u>
Total assets	<u>177,347,942</u>	<u>175,624,109</u>	<u>101,042,053</u>	<u>98,885,455</u>	<u>278,389,995</u>	<u>274,509,564</u>
Long-term liabilities	80,502,032	85,734,899	22,436,822	24,538,531	102,938,854	110,273,430
Other liabilities	<u>4,418,994</u>	<u>3,892,914</u>	<u>2,596,797</u>	<u>3,619,672</u>	<u>7,015,791</u>	<u>7,512,586</u>
Total liabilities	<u>84,921,026</u>	<u>89,627,813</u>	<u>25,033,619</u>	<u>28,158,203</u>	<u>109,954,645</u>	<u>117,786,016</u>
Net assets:						
Invested in capital assets, net of related debt	74,502,492	64,573,383	58,364,350	53,805,294	132,866,842	118,378,677
Restricted	10,921,916	11,798,349	9,453,952	518,135	20,375,868	12,316,484
Unrestricted	<u>7,002,508</u>	<u>9,624,564</u>	<u>8,190,132</u>	<u>16,403,823</u>	<u>15,192,640</u>	<u>26,028,387</u>
Total net assets	<u>\$ 92,426,916</u>	<u>\$ 85,996,296</u>	<u>\$ 76,008,434</u>	<u>\$ 70,727,252</u>	<u>\$ 168,435,350</u>	<u>\$ 156,723,548</u>

Analysis of the City's Operations – The following table provides a summary of the City's operations for year ended September 30, 2008. Overall, the City had an increase in net assets of \$11,711,803.

CITY OF KELLER'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 7,247,960	\$ 10,122,119	\$ 19,294,547	\$ 15,956,011	\$ 26,542,507	\$ 26,078,130
Operating grants and contributions	2,483,052	241,636	-	-	2,483,052	241,636
Capital grants and contributions	6,297,308	2,640,281	5,351,853	2,579,605	11,649,161	5,219,886
General revenues:						
Ad valorem taxes	17,325,312	16,079,035	-	-	17,325,312	16,079,035
Sales taxes	8,654,735	8,294,981	-	-	8,654,735	8,294,981
Other taxes	2,631,858	3,236,163	-	-	2,631,858	3,236,163
Investment earnings	859,258	1,253,401	611,410	947,920	1,470,668	2,201,321
Miscellaneous	65,260	314,929	37,408	66,392	102,668	381,321
Gain (loss) on sale of capital assets	26,973	(155,856)	67,003	(7,652)	93,976	(163,508)
Total revenues	<u>45,591,716</u>	<u>42,026,689</u>	<u>25,362,221</u>	<u>19,542,276</u>	<u>70,953,937</u>	<u>61,568,965</u>
Expenses:						
General government	5,630,782	5,495,707	-	-	5,630,782	5,495,707
Public safety	13,969,085	12,162,131	-	-	13,969,085	12,162,131
Public works	9,067,983	7,800,979	-	-	9,067,983	7,800,979
Community development	1,291,819	1,231,365	-	-	1,291,819	1,231,365
Recreation and leisure	8,592,564	8,449,576	-	-	8,592,564	8,449,576
Interest on long-term debt	3,794,400	3,909,308	-	-	3,794,400	3,909,308
Water and sewer	-	-	15,056,060	14,664,225	15,056,060	14,664,225
Drainage utility	-	-	1,839,441	1,819,672	1,839,441	1,819,672
Total expenses	<u>42,346,633</u>	<u>39,049,066</u>	<u>16,895,501</u>	<u>16,483,897</u>	<u>59,242,134</u>	<u>55,532,963</u>
Increases in net assets before transfers	3,245,083	2,977,623	8,466,720	3,058,379	11,711,803	6,036,002
Transfers	<u>3,185,538</u>	<u>1,892,406</u>	<u>(3,185,538)</u>	<u>(1,892,406)</u>	-	-
Change in net assets	6,430,621	4,870,029	5,281,182	1,165,973	11,711,803	6,036,002
Net assets, beginning	<u>85,996,295</u>	<u>81,126,266</u>	<u>70,727,252</u>	<u>69,561,279</u>	<u>156,723,547</u>	<u>150,687,545</u>
Net assets, ending	<u>\$ 92,426,916</u>	<u>\$ 85,996,295</u>	<u>\$ 76,008,434</u>	<u>\$ 70,727,252</u>	<u>\$ 168,435,350</u>	<u>\$ 156,723,547</u>

Government Activities

Government activities increased the City's net assets by \$6,430,621, or 7.48% from the prior year. Total governmental revenues increased \$3,565,027 (8.48%). Major increases in revenues were ad valorem taxes (\$1,246,277); sales tax revenues (\$359,754); and developer contributions (\$3,657,027), combined with minor decreases in other revenues. Ad valorem taxes increased because of the increase in taxable values from the prior year by approximately 10.6%. Sales taxes increased due to an increase in retail establishments and related taxable sales, resulting from continuing economic development activity. Developer contributions increased due primarily to an increase in street infrastructure provided by developers. Interest earnings decreased because of decreasing market rates throughout the year. The average yield to maturity on the City's portfolio for fiscal year 2007-2008 was 3.89%, compared to the prior year yield to maturity of 5.25%.

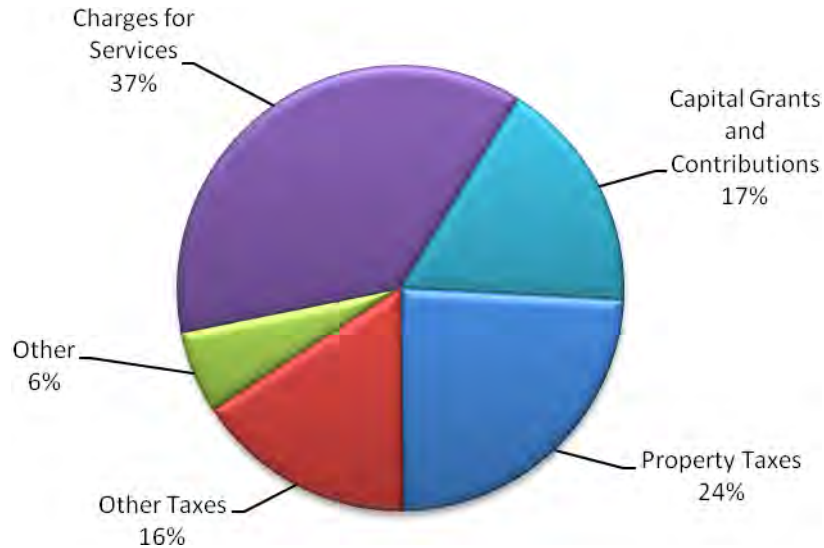
Total governmental expenses increased by \$3,297,567 (8.44%). The largest change in expenses was an increase of \$1,806,954 or 14.86% in public safety expenses. This increase is primarily due to full year funding for the addition of new dispatchers and jailers related to the new Keller/Southlake combined jail and dispatch operations, as well as the addition of 6 new firefighters, in anticipation of the addition of Fire Station No. 4 (the City of Southlake is reimbursing the City of Keller for all additional costs related to the combined jail/dispatch operations). Public works expenditures increased by \$1,267,004, or 16.24%, primarily for increased funding for street improvements. Interest expense decreased \$114,908, or 2.94%, primarily due to a combination of retirement of long-term debt and no issuance of new debt during the year.

Business-type Activities

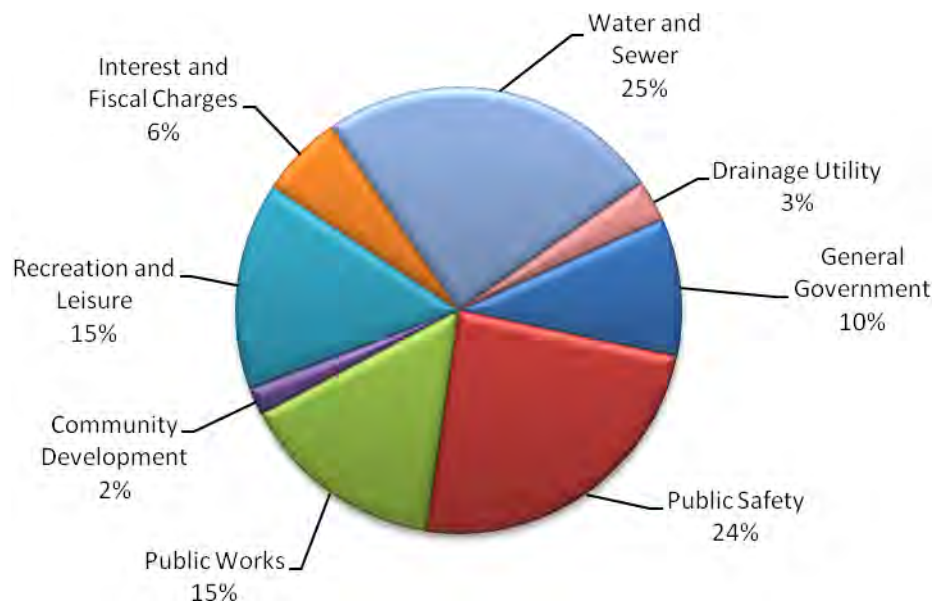
Net assets from business-type activities increased by \$5,281,182, or 7.47%. Total expenses increased by \$411,604, or 2.50%. Total revenues increased \$5,819,945 (29.78%), including an increase of \$3,338,536 (20.92%) in charges for services, related to an increased in demand for water usage by City of Keller customers, when compared to the previous year. Capital grants and contributions increased by \$2,772,248 (107.47%), primarily because of an increase in developer contributions related to new residential development.

The following table provides a summary of the City's operations for the year ended September 30, 2008.

Revenues by Source (\$70,953,937)



Expenses by Activity (\$59,242,134)



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Keller uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus on 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 \$19,172,325, a decrease of \$1,329,146 (6.48%) in comparison with the prior year. Approximately 56.73%, or \$10,875,747 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 (\$4,966,179); 2) for inventories and prepaid items (\$59,897); 3) to pay for debt service (\$1,325,140); and 4) for other purposes (\$4,524,531). Approximately 43.27% of the total amount (\$8,296,578) 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 for a fund balance decrease in the current year of \$118,285. One of the City's financial policies requires that the City maintain an undesignated fund balance equal to ten percent, or thirty-six days, of operating expenditures. Due to overall actual revenues exceeding the final budget revenues, combined with actual expenditures less than final budget expenditures, the actual fund balance increased by \$1,187,206. Total expenditures were under the final budget by \$1,326,561 due to overall efforts by all departments to keep actual expenditures below the final budgeted expenditures. Actual expenditures of all departments were below the final budget amounts. The most significant revenue variance is \$133,581, due primarily to an increase in ambulance revenue over the final budget amount. The amount of excess fund balance exceeding the fiscal year 2008 budget will be addressed during fiscal year 2010 budget deliberations.

The Debt Service Fund balance increased by \$398,380 in 2008, primarily due to a \$450,000 transfer from the General Fund to be used toward increased debt service requirements in fiscal year 2009. The City is anticipating the issuance of approximately \$12.5 million of tax-supported debt in fiscal year 2009. The increase in fund balance will be addressed in fiscal year 2010 budget deliberations.

The Recreation/Aquatic Center Fund balance increased by \$175,129, primarily due to total expenditures being less than the final budget amount by \$307,458. This fund balance increase in 2008 will be addressed during the 2010 budget deliberations.

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 \$8,190,132. Unrestricted net assets of the respective funds are: Water and Wastewater, \$7,958,060; and Drainage Utility, \$232,072. The Water and Wastewater operations had an increase in net assets of \$3,968,836, while the Drainage Utility had an increase in net assets of \$1,312,346. The increase in net assets of the Drainage Utility resulted primarily from an increase in capital contributions from developers over the previous year of \$1,902,912, combined with a slight increase in service charges, as well as a decrease in transfers. The increase in water and wastewater net assets is due primarily to an increase in service charges for water and wastewater services (\$3,438,005), resulting from increased customer demand for water, combined with an increase in capital contributions from developers.

General Fund Budgetary Highlights

In fiscal year 2008, the City Council approved revisions to the original budget appropriations. Although not required by official City policy or Charter, the annual budget is traditionally amended by the City Council toward the end of the fiscal year, in conjunction with the review and adoption of the subsequent year's budget. During the current year review process, all revenue sources and line-item expenditures are reviewed and adjusted to account for increases and/or decreases occurring during the year. As a result, a revised (final) budget, which reflects the recommended changes made to the original adopted budget, is usually adopted each September. The revised budget amounts are used throughout this report as the amended adopted (final) budget.

Significant budget changes were:

- The original General Fund adopted budget included a net decrease of \$146,347 in the unreserved fund balance, while the final budget reflected a decrease of \$118,285 in the unreserved fund balance, a difference of \$28,062.
- The original budget included a total ending fund balance of \$6,950,843, while the final budget total ending fund balance was \$6,978,905, an increase of \$28,062, or .004%.
- The final budgeted increase in fund balance was part of the City's plan to maintain the current property tax rate, while also meeting the City's financial policy target balance of 13% of operating expenditures.
- Total final budgeted revenues (including transfers in) increased \$240,348 from the original budget. The primary increase occurred in sales tax revenue (\$345,270).
- Significant revenue decreases included building permits/fees and development fees (\$638,000) due to a decrease in development activity from prior years.
- Total final budgeted expenditures (including transfers out) increased by \$219,286 over the original budget.
- The most significant increase in budgeted expenditures included a \$450,000 transfer to the debt service fund, in anticipation of new tax-supported debt obligations to be issued in fiscal year 2008-2009. This increase was combined with other decreases in expenditures throughout all City departments.

Significant budget variances were:

- Total actual revenues and transfers exceeded the final budgeted amounts by \$307,134, or 1.14%.
- The most significant variance was charges for services of \$133,581, a 17.63% increase over the final budget amount, resulting primarily from an increase in ambulance fees.
- The most significant negative variance was interest income, which was below the final budget amount by \$53,152, or 12.51%, resulting primarily from decreased market rates.
- The positive total actual expenditure various from the final budget was primarily due to efforts of all department managers to keep actual expenditures below the final budgeted expenditures, as all departments completed the year with actual expenditures less than the final budget.

As a measure of liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 32.27% (financial policy target = 10%) of total fund expenditures, while the total fund balance represents 34.36% of that same amount. The actual total ending fund balance of \$8,284,216 at September 30, 2008, is an increase of \$1,305,311 (18.72%) over the final adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$231,849,893 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, improvements other than buildings, and construction in progress. The total increase in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$6,070,690, or 2.69% (a 2.01% increase in capital assets for governmental activities and 4.02% increase in capital assets for business-type activities, respectively).

Capital asset contributions, primarily from developers, for fiscal year 2008, were \$5,398,776, an increase of \$2,819,172, or 109.29% from the prior year.

Major capital asset events during the current fiscal year included the following (in thousands):

- Acquisition of fire apparatus for new Fire Station No. 4, \$894
- Park land acquisition in North Keller, \$1,198; and
- New residential street improvements provided by developers, \$4,770.

Ongoing projects include (in thousands):

- Pearson Pump Station expansion and improvements, \$1,793
- Keller Public Library renovation/expansion design, \$112; and
- Design and construction of new Fire Station No. 4, \$1,564.

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

The five-year capital improvements program (CIP) for fiscal years 2009-10 through 2013-14 is currently being reviewed by City staff and the City Council. The CIP identifies the estimated costs of proposed future capital projects, and the anticipated method of funding for each project. The CIP is anticipated to be completed and adopted by the City Council during fiscal year 2008-2009.

CITY OF KELLER'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 21,294,313	\$ 19,268,180	\$ 1,249,747	\$ 1,153,640	\$ 22,544,060	\$ 20,421,820
Buildings	48,152,453	48,090,028	-	-	48,152,453	48,090,028
Equipment	11,498,807	9,683,204	2,541,808	2,221,583	14,040,615	11,904,787
Improvements	159,749,993	154,826,281	101,578,473	96,178,438	261,328,466	251,004,719
Capacity rights	-	-	6,281,781	6,281,781	6,281,781	6,281,781
Construction in progress	4,295,750	1,453,333	2,486,253	1,458,609	6,782,003	2,911,942
Less: accumulated depreciation	<u>92,464,579</u>	<u>83,795,855</u>	<u>34,814,905</u>	<u>31,040,019</u>	<u>127,279,484</u>	<u>114,835,874</u>
Total capital assets	\$ <u>152,526,737</u>	\$ <u>149,525,171</u>	\$ <u>79,323,157</u>	\$ <u>76,254,032</u>	\$ <u>231,849,894</u>	\$ <u>225,779,203</u>

Additional information regarding the City's capital assets can be found in Note IV on pages 48 – 50 of this report.

Long-term Debt

At September 30, 2008, the City of Keller had total bonded debt outstanding of \$102,515,534. Of this amount, \$79,851,215 represents bonds secured by the full faith and credit of the City, and \$22,664,319 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues. Total outstanding debt of governmental activities decreased \$5,677,177 (6.64%), while total outstanding debt of business-type activities decreased \$2,184,707 (8.79%).

CITY OF KELLER'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligations	\$ 17,883,020	\$ 19,577,410	\$ 7,761,982	\$ 8,782,587	\$ 25,645,002	\$ 28,359,997
Revenue bonds payable	660,000	775,000	-	-	660,000	775,000
Certificates of obligation	60,800,000	64,590,000	14,130,000	14,850,000	74,930,000	79,440,000
Contractual obligations	-	-	772,337	1,216,439	772,337	1,216,439
Capital leases	508,195	585,982	-	-	508,195	585,982
	<u>\$ 79,851,215</u>	<u>\$ 85,528,392</u>	<u>\$ 22,664,319</u>	<u>\$ 24,849,026</u>	<u>\$ 102,515,534</u>	<u>\$ 110,377,418</u>

As of September 30, 2008, of the \$79,851,215 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 57.68%, or \$33,796,215 is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1, \$29,230,000; and
Keller Development Corporation, \$16,825,000.

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

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

Revenue Bonds

As of September 30, 2008, the only remaining revenue bond debt outstanding is \$660,000 Keller Development Corporation Sales Tax Revenue Refunding Bonds, Series 2005.

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

Additional information on the City of Keller's long-term debt can be found in Note IV on pages 51 – 55 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2008-09 budget, general fund revenues (including transfers in) were budgeted to increase by \$961,862 (3.6%) from the revised 2007-08 budget, with general property taxes comprising about 43% of General Fund budgeted revenues and transfers in. Certified taxable assessed valuations (after adjustments) increased 9.7% over the prior year, compared to an increase of 11% last year. Projected increases in sales tax receipts (3%) continue in fiscal year 2007-08 because of new retail outlets opening in Keller, and continued increases in historical growth trends, although a more moderate rate of growth was anticipated. Development-related budgeted revenues for 2007-08 fiscal year were increased slightly by \$134,000, or 8.4% over fiscal year 2007-08 as rate of growth in development activity, has also moderated.

These revenue projections, combined with an effort to maintain ending fund balances as required by the City's financial policies, resulted in an increase in the projected ending fund balance at September 30, 2008. Budgeted expenditures increased by 3%, primarily as a result of an increase in capital outlay expenditures primarily for street improvements and replacement of essential equipment and maintaining the employee compensation plan. The adopted budget maintains the required ending fund balance at September 30, 2008 of 13% of operating expenditures (actual of 26.1%). The City's property tax rate of \$0.43219 cents per \$100 of assessed value was unchanged from the previous year.

Major items funded in the General Fund for fiscal year 2008-09 are:

- Funding for street improvements, \$757,385;
- All-terrain emergency response vehicle for Emergency Medical Services, \$25,960;
- Furniture, fixtures and equipment for Library expansion/renovation, \$21,000; and
- Public arts purchases, \$32,500.

Significant items in other funds include:

Information Services Fund:

- Replace networking equipment/servers at Keller Town Hall, \$42,000; and
- Replace network backup system at Keller Town Hall, \$20,000.

Keller Development Corporation:

- Funding for park land acquisition, \$400,000;
- Mowing equipment for Keller Sports Park-\$94,950; and
- Replacement maintenance utility vehicle, \$26,500.

Recreation Fund:

- Purchase of a mobile event stage, with 50% participation from the City of Southlake, \$136,000.

Park Development Fee Fund:

- Funding for park land acquisition, \$116,000;
- Trail development and extensions; \$49,000; and
- Overton Ridge Park improvements, \$40,000.

Street/Drainage Improvements Fund:

- Provide street, curb, gutter and sidewalk improvements totaling \$1,251,650 from the one quarter of one percent (0.25%) street maintenance sales tax.

Keller Crime Control Prevention District:

- Provide (set aside) contingency funding for jail improvements, \$700,000;
- Vehicle replacements, \$172,000; and
- Technology improvements, \$13,500.

The City's financial position continues to improve because of an expanding tax base, a growing retail base, and a competitive tax rate (the City's property tax rate for 2008-09 rates the third lowest among 12 Tarrant County area cities).

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Finance Department, City of Keller, P. O. Box 770, Keller, Texas 76244-0770, call (817) 743-4025, or email at finance@cityofkeller.com.

**BASIC
FINANCIAL STATEMENTS**

CITY OF KELLER, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 30,719	\$ 400	\$ 31,119
Investments	20,435,006	3,936,406	24,371,412
Receivables	4,054,409	2,718,803	6,773,212
Due from other governmental agencies	164,176	6,090	170,266
Internal balances	(673,217)	673,217	-
Inventories	32,281	415,413	447,694
Prepaid items	27,616	9,812	37,428
Deferred charges	750,216	262,070	1,012,286
Restricted assets:			
Investments	-	13,696,685	13,696,685
Capital assets:			
Land	21,294,313	1,249,747	22,544,060
Construction in progress	4,295,750	2,486,253	6,782,003
Buildings and improvements	38,102,738	-	38,102,738
Improvements	84,363,748	-	84,363,748
Water and sewer system	-	71,318,465	71,318,465
Machinery and equipment	4,470,187	728,433	5,198,620
Capacity rights	-	3,540,259	3,540,259
Total capital assets	<u>152,526,736</u>	<u>79,323,157</u>	<u>231,849,893</u>
Total assets	<u>177,347,942</u>	<u>101,042,053</u>	<u>278,389,995</u>
LIABILITIES			
Cash overdraft	119,589	-	119,589
Accounts payable and accrued expenses	3,019,126	1,703,766	4,722,892
Unearned revenues	774,674	-	774,674
Accrued interest	469,995	121,284	591,279
Customer deposits	35,610	771,747	807,357
Noncurrent liabilities:			
Due within one year	6,530,436	1,995,183	8,525,619
Due in more than one year	73,971,596	20,441,639	94,413,235
Total liabilities	<u>84,921,026</u>	<u>25,033,619</u>	<u>109,954,645</u>
NET ASSETS			
Invested in capital assets, net of related debt	74,502,492	58,364,350	132,866,842
Restricted for:			
Capital projects	6,396,820	9,453,952	15,850,772
Debt service	1,325,140	-	1,325,140
Other purposes	3,199,956	-	3,199,956
Unrestricted	<u>7,002,508</u>	<u>8,190,132</u>	<u>15,192,640</u>
Total net assets	<u>\$ 92,426,916</u>	<u>\$ 76,008,434</u>	<u>\$ 168,435,350</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 5,630,782	\$ 350,300	\$ -	\$ -
Public safety	13,969,085	1,934,306	2,230,777	-
Public works	9,067,983	42,787	-	6,297,308
Community development	1,291,819	1,673,380	-	-
Recreation and leisure	8,592,564	3,247,187	252,275	-
Interest and fiscal charges	3,794,400	-	-	-
Total governmental activities	<u>42,346,633</u>	<u>7,247,960</u>	<u>2,483,052</u>	<u>6,297,308</u>
Business-type activities:				
Water and wastewater utility	15,056,060	18,403,123	-	2,895,103
Drainage utility	1,839,441	891,424	-	2,456,750
Total business-type activities	<u>16,895,501</u>	<u>19,294,547</u>	<u>-</u>	<u>5,351,853</u>
Total primary government	<u>\$ 59,242,134</u>	<u>\$ 26,542,507</u>	<u>\$ 2,483,052</u>	<u>\$ 11,649,161</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Alcoholic beverage taxes

Investment earnings

Miscellaneous

Gain (loss) on sale of asset

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$(5,280,482)	\$ -	\$(5,280,482)
(9,804,002)	-	(9,804,002)
(2,727,888)	-	(2,727,888)
381,561	-	381,561
(5,093,102)	-	(5,093,102)
(3,794,400)	-	(3,794,400)
<u>(26,318,313)</u>	<u>-</u>	<u>(26,318,313)</u>
-	6,242,166	6,242,166
-	1,508,733	1,508,733
-	<u>7,750,899</u>	<u>7,750,899</u>
<u>(26,318,313)</u>	<u>7,750,899</u>	<u>(18,567,414)</u>
17,325,312	-	17,325,312
8,654,735	-	8,654,735
2,579,383	-	2,579,383
52,475	-	52,475
859,258	611,410	1,470,668
65,260	37,408	102,668
26,973	67,003	93,976
<u>3,185,538</u>	<u>(3,185,538)</u>	<u>-</u>
<u>32,748,934</u>	<u>(2,469,717)</u>	<u>30,279,217</u>
6,430,621	5,281,182	11,711,803
<u>85,996,295</u>	<u>70,727,252</u>	<u>156,723,547</u>
<u>\$ 92,426,916</u>	<u>\$ 76,008,434</u>	<u>\$ 168,435,350</u>

CITY OF KELLER, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	<u>General Fund</u>	<u>G.O. Debt Service</u>	<u>Recreation/ Aquatic Center</u>
ASSETS			
Cash and cash equivalents	\$ 27,911	\$ -	\$ 1,800
Investments	9,275,921	931,910	837,884
Receivables, net of allowances for uncollectibles			
Taxes	1,577,745	69,455	-
Accounts	445,811	-	20,506
Interest	57,304	4,296	6,092
Other	745,724	-	-
Special assessments	-	-	-
Due from other funds	-	74,289	75,404
Due from other governments	25,194	-	-
Inventory	32,281	-	-
Prepaid items	<u>17,421</u>	<u>-</u>	<u>340</u>
 Total assets	 <u>\$ 12,205,312</u>	 <u>\$ 1,079,950</u>	 <u>\$ 942,026</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash overdraft	\$ 119,589	\$ -	\$ -
Accounts payable	1,118,701	-	153,848
Accrued liabilities	660,604	-	48,865
Due to other funds	1,424,723	-	-
Deferred revenue	566,786	59,828	773,120
Customer deposits	<u>30,693</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,921,096</u>	<u>59,828</u>	<u>975,833</u>
Fund balances:			
Reserved for:			
Inventories	32,281	-	-
Encumbrances	376,598	-	-
Prepaid items	17,421	-	340
Debt service	-	1,020,122	-
Other purposes	78,869	-	-
Unreserved:			
Undesignated, reported in:			
General fund	7,779,047	-	-
Special revenue funds	-	-	(34,147)
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,284,216</u>	<u>1,020,122</u>	<u>(33,807)</u>
 Total liabilities and fund balances	 <u>\$ 12,205,312</u>	 <u>\$ 1,079,950</u>	 <u>\$ 942,026</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,008	\$ 30,719
9,389,291	20,435,006
756,382	2,403,582
-	466,317
59,842	127,534
304,579	1,050,303
6,673	6,673
1,057,122	1,206,815
138,982	164,176
-	32,281
<u>9,855</u>	<u>27,616</u>
<u>\$ 11,723,734</u>	<u>\$ 25,951,022</u>
\$ -	\$ 119,589
998,364	2,270,913
38,744	748,213
455,309	1,880,032
324,606	1,724,340
4,917	35,610
<u>1,821,940</u>	<u>6,778,697</u>
-	32,281
4,589,581	4,966,179
9,855	27,616
305,018	1,325,140
4,445,662	4,524,531
-	7,779,047
3,053,213	3,019,066
(2,501,535)	(2,501,535)
<u>9,901,794</u>	<u>19,172,325</u>
<u>\$ 11,723,734</u>	<u>\$ 25,951,022</u>

CITY OF KELLER, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

SEPTEMBER 30, 2008

Total fund balance, governmental funds	\$ 19,172,325
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	152,526,736
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	949,666
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(80,221,811)
Net assets of governmental activities in the Statement of Net Assets	\$ <u>92,426,916</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	G.O. Debt Service	Recreation/ Aquatic Center
REVENUES			
Taxes:			
Property	\$ 11,252,820	\$ 4,330,119	\$ -
Sales	4,360,294	-	-
Franchise	2,579,383	-	-
Other	52,475	-	-
Permits, licenses and fees	1,715,127	-	-
Intergovernmental	2,017,712	-	-
Charges for services	891,081	-	3,038,341
Fines and forfeitures	956,146	-	-
Special assessments and impact fees	-	-	-
Donations	101,010	-	3,430
Investment earnings	371,848	50,810	26,754
Miscellaneous	270,838	-	4,921
Total revenues	<u>24,568,734</u>	<u>4,380,929</u>	<u>3,073,446</u>
EXPENDITURES			
Current:			
General government	3,551,827	-	-
Public safety	12,700,339	-	-
Public works	2,048,563	-	-
Community development	1,265,371	-	-
Recreation and leisure	3,570,559	-	2,736,252
Capital outlay	972,649	-	146,390
Debt service:			
Principal	-	3,052,177	-
Interest and other charges	-	1,486,827	-
Total expenditures	<u>24,109,308</u>	<u>4,539,004</u>	<u>2,882,642</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>459,426</u>	<u>(158,075)</u>	<u>190,804</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from disposal of assets	8,250	-	-
Transfers in	2,330,573	1,057,580	-
Transfers out	(1,611,223)	(501,125)	(15,675)
Total other financing sources and uses	<u>727,600</u>	<u>556,455</u>	<u>(15,675)</u>
NET CHANGE IN FUND BALANCES	1,187,026	398,380	175,129
FUND BALANCES, BEGINNING	<u>7,097,190</u>	<u>621,742</u>	<u>(208,936)</u>
FUND BALANCES, ENDING	<u>\$ 8,284,216</u>	<u>\$ 1,020,122</u>	<u>\$ (33,807)</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 2,115,260	\$ 17,698,199
4,294,441	8,654,735
-	2,579,383
-	52,475
38,070	1,753,197
225,963	2,243,675
80,065	4,009,487
103,662	1,059,808
794,323	794,323
191,439	295,879
409,846	859,258
<u>92,952</u>	<u>368,711</u>
<u>8,346,021</u>	<u>40,369,130</u>
1,313,349	4,865,176
188,449	12,888,788
99,368	2,147,931
-	1,265,371
341,808	6,648,619
6,690,121	7,809,160
2,625,000	5,677,177
<u>2,107,740</u>	<u>3,594,567</u>
<u>13,365,835</u>	<u>44,896,789</u>
(5,019,814)	(4,527,659)
18,723	26,973
2,293,803	5,681,956
(382,393)	(2,510,416)
<u>1,930,133</u>	<u>3,198,513</u>
(3,089,681)	(1,329,146)
<u>12,991,475</u>	<u>20,501,471</u>
<u>\$ 9,901,794</u>	<u>\$ 19,172,325</u>

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, 2008

Net change in fund balances - total governmental funds:	\$(1,329,146)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,001,566
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(365,650)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	5,677,177
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	<u>(553,326)</u>
Change in net assets of governmental activities	<u>\$ 6,430,621</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	Water and Wastewater Utilities	Drainage Utility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalent:	\$ 400	\$ -	\$ 400
Investments	3,742,146	194,260	3,936,406
Receivables, net of allowances for uncollectible			
Accounts	2,547,573	45,936	2,593,509
Interest	111,548	1,914	113,462
Other	11,832	-	11,832
Deferred charges	262,070	-	262,070
Due from other funds	600,133	109,484	709,617
Due from other governments	6,090	-	6,090
Inventory	415,413	-	415,413
Prepaid items	9,763	49	9,812
Restricted assets:			
Investments	13,696,685	-	13,696,685
Total current assets	21,403,653	351,643	21,755,296
Non-current assets:			
Capital assets			
Land	1,222,747	27,000	1,249,747
Water and sewer system	78,852,217	22,726,256	101,578,473
Machinery and equipment	2,049,706	492,102	2,541,808
Capacity rights	6,281,781	-	6,281,781
Construction in progress	2,486,253	-	2,486,253
Less accumulated depreciation	(25,637,354)	(9,177,551)	(34,814,905)
Total non-current assets	65,255,350	14,067,807	79,323,157
Total assets	86,659,003	14,419,450	101,078,453
LIABILITIES			
Current liabilities			
Accounts payable	1,486,483	8,674	1,495,157
Accrued liabilities	191,424	17,185	208,609
Due to other funds	-	36,400	36,400
Accrued interest payable	121,284	-	121,284
Customer deposits	731,747	40,000	771,747
Compensated absences	17,349	2,885	20,234
Certificates of obligation	760,000	-	760,000
General obligation bond:	740,250	-	740,250
Contractual obligations	474,699	-	474,699
Total current liabilities	4,523,236	105,144	4,628,380
Non-current liabilities			
Compensated absences	86,747	14,427	101,174
Certificates of obligation	13,370,000	-	13,370,000
General obligation bonds	6,672,827	-	6,672,827
Contractual obligations	297,638	-	297,638
Total non-current liabilities	20,427,212	14,427	20,441,639
Total liabilities	24,950,448	119,571	25,070,019
NET ASSETS			
Invested in capital assets, net of related del	44,296,543	14,067,807	58,364,350
Restricted for capital projects	9,453,952	-	9,453,952
Unrestricted	7,958,060	232,072	8,190,132
Total net assets	\$ 61,708,555	\$ 14,299,879	\$ 76,008,434

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Water and Wastewater Utilities	Drainage Utility	Total Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Water revenue	\$ 13,185,185	\$ -	\$ 13,185,185
Sewer revenue	4,961,146	-	4,961,146
Drainage revenue	-	881,384	881,384
Tap and connection fees	115,704	-	115,704
Intergovernmental	141,088	10,040	151,128
Miscellaneous revenues	<u>37,382</u>	<u>26</u>	<u>37,408</u>
Total operating revenues	<u>18,440,505</u>	<u>891,450</u>	<u>19,331,955</u>
OPERATING EXPENSES			
Personnel services	2,791,804	530,242	3,322,046
Supplies and maintenance	621,185	115,073	736,258
Services and other	943,821	54,122	997,943
Wholesale water purchases	5,075,159	-	5,075,159
Wastewater services contracted	1,640,214	-	1,640,214
Depreciation and amortization	<u>2,999,300</u>	<u>1,140,004</u>	<u>4,139,304</u>
Total operating expenses	<u>14,071,483</u>	<u>1,839,441</u>	<u>15,910,924</u>
OPERATING INCOME (LOSS)	<u>4,369,022</u>	<u>(947,991)</u>	<u>3,421,031</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenues	600,957	10,453	611,410
Gain (loss) on disposal of assets	65,046	1,957	67,003
Interest expense	<u>(984,577)</u>	<u>-</u>	<u>(984,577)</u>
Total non-operating revenues (expenses)	<u>(318,574)</u>	<u>12,410</u>	<u>(306,164)</u>
INCOME (LOSS) BEFORE TRANSFERS	4,050,448	(935,581)	3,114,867
Capital contributions	2,942,026	2,456,750	5,398,776
Transfers in	22,567	-	22,567
Transfers out	<u>(3,046,205)</u>	<u>(208,823)</u>	<u>(3,255,028)</u>
CHANGE IN NET ASSETS	3,968,836	1,312,346	5,281,182
TOTAL NET ASSETS, BEGINNING	<u>57,739,719</u>	<u>12,987,533</u>	<u>70,727,252</u>
TOTAL NET ASSETS, ENDING	<u>\$ 61,708,555</u>	<u>\$ 14,299,879</u>	<u>\$ 76,008,434</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 18,549,950	\$ 891,162	\$ 19,441,112
Cash payments for goods and services	(9,413,190)	(166,626)	(9,579,816)
Cash payments to employees/retirees	(2,760,256)	(522,050)	(3,282,306)
Net cash provided by operating activities	<u>6,376,504</u>	<u>202,486</u>	<u>6,578,990</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other funds	56,229	-	56,229
Cash paid to other funds	(434,236)	(142,705)	(576,941)
Transfers from other funds	22,567	-	22,567
Transfers to other funds	(3,048,160)	(208,823)	(3,256,983)
Net cash used by noncapital financing activities	<u>(3,403,600)</u>	<u>(351,528)</u>	<u>(3,755,128)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal repayments on bonds	(2,202,374)	-	(2,202,374)
Interest and fiscal charges on debt	(988,511)	-	(988,511)
Acquisition and construction of capital assets	(1,839,481)	(53,316)	(1,892,797)
Disposal of capital assets	<u>229,609</u>	<u>1,957</u>	<u>231,566</u>
Net cash used by capital and related financing activities	<u>(4,800,757)</u>	<u>(51,359)</u>	<u>(4,852,116)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(15,320,189)	(169,951)	(15,490,140)
Proceeds from sale and maturities of securities	16,411,433	356,598	16,768,031
Interest on investments	<u>736,609</u>	<u>13,754</u>	<u>750,363</u>
Net cash provided by investing activities	<u>1,827,853</u>	<u>200,401</u>	<u>2,028,254</u>
NET INCREASE (DECREASE) IN CASH	-	-	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>400</u>	<u>-</u>	<u>400</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ 400</u>

(continued)

CITY OF KELLER, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 4,369,022	\$(947,991)	\$ 3,421,031
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,999,300	1,140,004	4,139,304
Provision for bad debts	(186,026)	-	(186,026)
Change in assets and liabilities:			
Decrease (increase) in assets:			
Customer receivables	21,991	(288)	21,703
Due from other governments	239,608	-	239,608
Prepaid items	1,915	-	1,915
Inventory	(99,934)	-	(99,934)
Increase (decrease) in liabilities:			
Accounts payable	(1,034,792)	2,569	(1,032,223)
Accrued liabilities	94,008	1,285	95,293
Unearned revenue	(85,093)	-	(85,093)
Customer deposits	33,872	-	33,872
Compensated absences	22,633	6,907	29,540
Total adjustments	<u>2,007,482</u>	<u>1,150,477</u>	<u>3,157,959</u>
Net cash provided by operating activities	<u>\$ 6,376,504</u>	<u>\$ 202,486</u>	<u>\$ 6,578,990</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

The City of Keller is a home rule municipality governed by an elected mayor and five-member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic 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.

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

(continued)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Reporting Entity** (Continued)

Blended Component Units (Continued)

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

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

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

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

Separate financial statements for the component units are not prepared.

B. **Government-wide and Fund Financial Statements**

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

(continued)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Government-wide and Fund Financial Statements** (Continued)

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The **Recreation/Aquatic Center Fund** accounts for the resources derived from user fees and other revenues to be used to fund the operation of a recreation and aquatic facility.

(continued)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**
(Continued)

The City reports the following major proprietary funds:

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

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

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and demand deposits.

The City's investment policy is more restrictive than required 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; (7) commercial paper that has a stated maturity of 270 days or less from the date of its issuance, and is rated not less than A-1 or P-1 or an equivalent rating; and (8) repurchase agreements, reverse repurchase agreements, and bankers' acceptances, to the extent they are contained in the portfolios of approved public funds investment pools in which the City invests.

2. *Receivables and Payables*

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

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 County 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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

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 debt issues because their use is limited by applicable bond covenants. Accumulated impact fees are restricted for debt service or construction of water or wastewater system. Assets are also restricted for payments of principal and interest due on certain water and wastewater debt.

5. *Capital Assets*

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	20 - 40
Improvements other than buildings	20 - 40
Water and sewer system infrastructure	20 - 40
Storm drainage system infrastructure	20 - 40
Capacity rights	40
Heavy equipment	10 - 15
Fire trucks and ambulances	15 - 20
Furniture and fixtures	5 - 10
Machinery and equipment	5 - 10
Police pursuit vehicles	3
Other vehicles	3 - 6

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Vacation benefits are accrued at 6.67, 10.00, or 13.34 hours per month for employees with less than 5, 10, or more than 10 years of service, respectively. Regular full-time employees having 5 years of service or less may accrue up to 160 hours; 6 - 10 years of service, 240 hours; 11 - 20 years of service; 320 hours; and over 20 years of service, 400 hours respectively. Directors shall accrue at the same rate as all regular fulltime employees but may accrue up to a maximum of 400 hours. Sick leave is accrued at 8.0 hours per month without limitation. Upon termination or retirement, any accumulated sick leave expires. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are matured, for example, unused reimbursable leave payable as a result of employee resignations and retirements.

7. *Long-term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. *Fund Equity*

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental 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, "Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bond payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets." The details of this \$(80,221,811) difference are as follows:

(continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Explanation of Certain Differences Between the Government Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

General obligation bonds	\$(17,883,020)
Certificates of obligation	(60,800,000)
Revenue bonds	(660,000)
Discounts on bonds	(451,440)
Deferred loss on refunding	1,082,024
Accrued interest payable	(469,995)
Capitalized lease obligations	(508,195)
Compensated absences	(1,281,401)
Deferred charge for bond issuance costs	<u>750,216</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$(80,221,811)</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,001,566 difference are as follows:

Capital outlay	\$ 11,806,355
Depreciation expense	<u>(8,804,789)</u>
 Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	 <u>\$ 3,001,566</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(365,650) difference are as follows:

Property taxes	\$(392,108)
Ambulance fees	73,674
Court fines	<u>(47,216)</u>
 Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	 <u>\$(365,650)</u>

(continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$5,677,177 difference are as follows:

Principal repayments:	
Capital leases	\$ 77,787
General obligation debt	<u>5,599,390</u>
 Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	 <u>\$ 5,677,177</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(553,326) difference are as follows:

Compensated absences	\$(353,493)
Amortization of issuance costs	6,712
Amortization of deferred charge on refunding	(129,747)
Amortization of issuance costs	(115,728)
Amortization of bond discounts/premiums	<u>38,930</u>
 Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	 <u>\$(553,326)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balances

As of September 30, 2008, the following funds had deficit fund balances:

Special revenue funds	
Recreation/Aquatic Center	\$(33,807)
Library	(1,241)
 Capital projects	
Parks capital improvements	(396,574)

These deficits are expected to be funded with future revenues in their respective funds.

(continued)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Budgetary Controls

The City Charter of the City of Keller establishes the fiscal year as October 1 through September 30. The Charter requires the City Manager to submit a proposed budget and accompanying budget message to the City Council each year. The proposed budget is presented to the City Council by the City Manager and Department Directors at a series of budget work sessions. Copies of the proposed budget are made available to the public and the press and the public hearing schedule is confirmed. Before the public hearings are held, notices of the public hearings on the proposed budget are posted and published in the newspaper. Following a public hearing at a regular City Council meeting, the Council may adopt the proposed budget, with or without an amendment. The budget ordinance is to be adopted no later than the 27th day of September and requires an affirmation vote of a majority of the Council. The City maintains budgetary control by adopting an annual operating budget for the General Fund, Debt Service Funds, Special Revenue Funds (excepting the Public Safety Fund), and certain Capital Projects Funds (Park Development, Street/Sidewalk Improvements, and Equipment Replacement Funds). Revisions that increase the total expenditures of any fund must be approved by Council.

C. Expenditures in Excess of Appropriations

The following governmental funds had expenditures in excess of appropriations:

Special revenue funds	
Library	\$(512)
Capital projects	
Park development fee	(719)
Equipment replacement	(8,842)

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Rating Agency</u>	<u>Rating</u>
U. S. Agency Discount/Callable Notes	\$ 25,126,969	317.6	Standard & Poor's	AAAm
TexPool	7,447,735	45	Standard & Poor's	AAAm
LOGIC	5,382,970	37	Standard & Poor's	AAAm
Money Market Mutual Funds	110,423	18	Standard & Poor's	AAAm

Investments in the local government investment pools, TexPool and LOGIC, and the money market mutual funds are stated at fair value which is the same as the value of the pool and fund shares.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The Public Funds Investment Act (government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

Local Government Investment Cooperative (LOGIC) is also an external investment pool governed by the Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act. It operates in a manner consistent with 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.

Custodial Credit Risk. 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. State and City statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2008, \$283,519 of the City's \$383,519 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$100,000, was covered by FDIC insurance.

Under a contractual agreement with Trinity River Authority, depository accounts are maintained by TRA for interest sinking, debt and construction reserves totaling \$480,877, 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.

Credit Risk. It is the City's policy to limit its investments to investment types with an investment quality rating not less than AAA or its equivalent by a nationally recognized statistical rating organization. The City's investment pools are rated AAAM by Standard & Poor's Investors Service.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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. Direct investment in commercial paper is limited to 10% of the City's total portfolio.

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.

B. Receivables

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

	Governmental				Proprietary		Total
	General	G. O. Debt Service	Recreation/ Aquatic Center	Other Governmental	Water and Wastewater Operations	Drainage Utility	
Receivables:							
Property taxes	\$ 178,704	\$ 77,062	\$ -	\$ 29,410	\$ -	\$ -	\$ 285,176
Sales taxes	741,359	-	-	726,972	-	-	1,468,331
Franchise taxes	662,273	-	-	-	-	-	662,273
Alcoholic beverage taxes	13,080	-	-	-	-	-	13,080
Ambulance	1,153,571	-	-	-	-	-	1,153,571
Municipal court fines	144,846	-	-	-	-	-	144,846
Customer accounts	14,568	-	20,506	-	2,650,206	71,538	2,756,818
Intergovernmental	25,194	-	-	138,982	6,090	-	170,266
Interest	57,304	4,296	6,092	59,842	111,548	1,914	240,996
Special assessments	-	-	-	11,016	-	-	11,016
Other	<u>745,724</u>	<u>-</u>	<u>-</u>	<u>304,579</u>	<u>11,832</u>	<u>-</u>	<u>1,062,135</u>
Gross receivables	3,736,623	81,358	26,598	1,270,801	2,779,676	73,452	7,968,508
Less: allowance for uncollectibles	<u>884,845</u>	<u>7,607</u>	<u>-</u>	<u>4,343</u>	<u>102,633</u>	<u>25,602</u>	<u>1,025,030</u>
Net total receivables	<u>\$ 2,851,778</u>	<u>\$ 73,751</u>	<u>\$ 26,598</u>	<u>\$ 1,266,458</u>	<u>\$ 2,677,043</u>	<u>\$ 47,850</u>	<u>\$ 6,943,478</u>

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

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

	<u>Unavailable</u>	<u>Unearned</u>
General fund:		
Delinquent property taxes receivable	\$ 136,081	\$ -
Ambulance revenue receivable	389,202	-
Municipal court fines receivable	<u>41,503</u>	<u>-</u>
Total general fund	<u>566,786</u>	<u>-</u>
General obligation debt service fund:		
Delinquent property taxes receivable	<u>59,828</u>	<u>-</u>
Total general obligation debt service fund	<u>59,828</u>	<u>-</u>
Recreation/Aquatic Center Fund:		
Recreation membership dues	<u>-</u>	<u>773,120</u>
Total Recreation/Aquatic Center Fund	<u>-</u>	<u>773,120</u>
Other governmental funds:		
Delinquent TIF taxes	29,410	-
Assessments receivable	293,642	-
Grants	-	758
Recreation fees	<u>-</u>	<u>796</u>
Total other governmental funds	<u>323,052</u>	<u>1,554</u>
Total governmental funds	<u>\$ 949,666</u>	<u>\$ 774,674</u>

C. Capital Assets

Capital assets activity for the year ended September 30, 2008, are as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 19,268,180	\$ 2,007,110	\$ -	\$ 19,023	\$ 21,294,313
Construction in progress	<u>1,453,333</u>	<u>3,667,175</u>	<u>(795,821)</u>	<u>(28,937)</u>	<u>4,295,750</u>
Total assets not being depreciated	<u>20,721,513</u>	<u>5,674,285</u>	<u>(795,821)</u>	<u>(9,914)</u>	<u>25,590,063</u>
Capital assets, being depreciated:					
Buildings	48,090,028	61,525	-	900	48,152,453
Improvements	154,826,281	4,923,713	-	(1)	159,749,993
Machinery and equipment	<u>9,683,204</u>	<u>1,944,798</u>	<u>(224,120)</u>	<u>94,925</u>	<u>11,498,807</u>
Total capital assets being depreciated	<u>212,599,513</u>	<u>6,930,036</u>	<u>(224,120)</u>	<u>95,824</u>	<u>219,401,253</u>
Less accumulated depreciation:					
Buildings	(8,483,010)	(1,566,705)	-	-	(10,049,715)
Improvements	(69,174,412)	(6,211,835)	-	3	(75,386,244)
Machinery and equipment	<u>(6,138,434)</u>	<u>(1,026,249)</u>	<u>224,120</u>	<u>(88,057)</u>	<u>(7,028,620)</u>
Total accumulated depreciation	<u>(83,795,856)</u>	<u>(8,804,789)</u>	<u>224,120</u>	<u>(88,054)</u>	<u>(92,464,579)</u>
Total capital assets being depreciated, net	<u>128,803,657</u>	<u>(1,874,753)</u>	<u>-</u>	<u>7,770</u>	<u>126,936,674</u>
Governmental activities capital assets, net	<u>\$ 149,525,170</u>	<u>\$ 3,799,532</u>	<u>\$ (795,821)</u>	<u>\$ (2,144)</u>	<u>\$ 152,526,737</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,153,640	\$ 103,976	\$ -	\$(7,869)	\$ 1,249,747
Construction in progress	<u>1,458,609</u>	<u>1,193,394</u>	<u>-</u>	<u>(165,750)</u>	<u>2,486,253</u>
Total assets not being depreciated	<u>2,612,249</u>	<u>1,297,370</u>	<u>-</u>	<u>(173,619)</u>	<u>3,736,000</u>
Capital assets, being depreciated:					
Improvements other than buildings	96,178,438	5,597,243	(347,198)	149,990	101,578,473
Machinery and equipment	2,221,583	396,959	(223,142)	146,408	2,541,808
Capacity rights	<u>6,281,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,281,781</u>
Total capital assets being depreciated	<u>104,681,802</u>	<u>5,994,202</u>	<u>(570,340)</u>	<u>296,398</u>	<u>110,402,062</u>
Less accumulated depreciation:					
Improvements other than buildings	(26,899,636)	(3,551,436)	191,064	-	(30,260,008)
Machinery and equipment	(1,555,906)	(351,546)	214,712	(120,635)	(1,813,375)
Capacity rights	<u>(2,584,477)</u>	<u>(157,045)</u>	<u>-</u>	<u>-</u>	<u>(2,741,522)</u>
Total accumulated depreciation	<u>(31,040,019)</u>	<u>(4,060,027)</u>	<u>405,776</u>	<u>(120,635)</u>	<u>(34,814,905)</u>
Total capital assets being depreciated, net	<u>73,641,783</u>	<u>1,934,175</u>	<u>(164,564)</u>	<u>175,763</u>	<u>75,587,157</u>
Business-type activities capital assets, net	<u>\$ 76,254,032</u>	<u>\$ 3,231,545</u>	<u>\$(164,564)</u>	<u>\$ 2,144</u>	<u>\$ 79,323,157</u>

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

Governmental activities:	
General government	\$ 711,058
Public safety	809,682
Public works	5,457,638
Community development	7,900
Recreation and leisure	<u>1,818,511</u>
Total depreciation expense - governmental activities	<u>\$ 8,804,789</u>
Business-type activities:	
Water and wastewater utilities	\$ 2,920,023
Drainage utilities	<u>1,140,004</u>
Total depreciation expense - business-type activities	<u>\$ 4,060,027</u>

Construction Commitments

The City has active construction projects as of September 30, 2008. The projects include land acquisition, street construction, park improvements, water system improvements, and sewer system improvements.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Construction Commitments (Continued)

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 commitments 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.

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fire department facilities expansion (Station No. 4)	\$ 1,532,366	\$ 2,290,774
Library facilities expansion	111,569	291,921
Pearson Pump Station water improvements	54,811	12,389
Highland Oaks channel improvements	274,500	94,450
Daryll and Garden Lane drainage improvements (design)	203,176	39,764
Rufe Snow Drive Phase 3 improvements	401,136	522,314
Keller Smithfield Road South improvements	-	121,006
North Tarrant Parkway road improvements	145,982	216,518
Big Bear East Branch sewer system improvements	132,168	306,932
Traffic signalization improvements	78,438	75,502
Miscellaneous park improvements	18,341	163,709
Miscellaneous water system improvements	273,773	121,094
Miscellaneous sewer system improvements	76,075	90,708
Miscellaneous drainage system improvements	50,198	28,562
Miscellaneous street improvements	<u>318,461</u>	<u>811,561</u>
Total	<u>\$ 3,670,994</u>	<u>\$ 5,187,204</u>

D. Interfund Receivables, Payables and Transfers

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

The composition of interfund balances as of September 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General obligation debt service	General	\$ 74,289
Recreation/aquatic center	General	75,404
Nonmajor governmental	General	601,813
Nonmajor governmental	Nonmajor governmental	455,309
Water and wastewater utilities	General	563,733
Water and wastewater utilities	Drainage utility	36,400
Drainage utility	General	<u>109,484</u>
		<u>\$ 1,916,432</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made; and unsettled overdrafts of pooled cash which will be removed by rebalancing the funds' share of pooled cash and investments.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables and Transfers (Continued)

The following schedule briefly summarizes the City's transfer activity:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General	Water and wastewater utilities	\$ 2,019,000
	Drainage utility	89,400
	Nonmajor governmental	222,173
General obligation debt service	General	450,000
	Water and wastewater utilities	462,410
	Nonmajor governmental	145,170
Nonmajor governmental	General	1,161,223
	General obligation debt service	500,000
	Recreation/aquatic center	15,675
	Water and wastewater utilities	547,430
	Drainage utility	54,425
Water and wastewater utilities	General obligation debt service	1,125
	Nonmajor governmental	15,050
	Drainage utility	<u>21,442</u>
		<u>\$ 5,704,523</u>

Transfers are used to: 1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them; and 2) fund the City's match portion for grants.

Total transfers out in the Water and Wastewater Utilities Fund shown above of \$3,028,840 is lower than the amount shown on the Statement of Revenues, Expenses and Changes in Fund Net Assets of \$3,046,205 by \$17,365. For the Drainage Utilities Fund the difference is \$43,556. These differences resulted from the transfer of existing capital assets to governmental activities. No amounts were reported in the governmental funds, as the transaction did not involve the transfer of financial resources. However, the Water and Wastewater Utilities and Drainage Utility Funds did report a transfer out for the capital resources removed.

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.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

General debt currently outstanding is as follows:

Governmental Activities Debt:

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/08
General obligation bonds:					
City:					
Improvements	\$ 1,150,000	1981	2020	5.00%	\$ 650,000
Refunding	2,297,976	1999	2020	3.75% - 5.00%	1,303,020
Refunding	700,000	2002	2014	3.00% - 4.00%	345,000
Refunding	11,125,000	2004	2017	3.00% - 4.00%	5,905,000
Refunding	9,980,000	2005	2014	3.00% - 4.20%	9,680,000
					<u>17,883,020</u>
Certificates of obligation:					
City:					
Improvements	3,000,000	1998	2019	4.00% - 6.00%	805,000
Improvements	8,100,000	2000	2220	5.20% - 6.00%	350,000
Improvements	8,615,000	2002	2022	4.00% - 5.00%	6,925,000
Improvements	1,690,000	2003	2023	2.50% - 4.25%	1,065,000
Improvements	6,540,000	2004	2024	4.00% - 5.00%	6,090,000
Improvements	270,000	2006	2026	4.25% - 5.37%	170,000
Keller TIRZ (TIF)					
Improvements	6,825,000	1999	2018	5.10% - 6.10%	835,000
Improvements	17,095,000	2000	2018	5.00% - 5.75%	3,500,000
Improvements	8,735,000	2001	2018	4.25% - 5.25%	7,495,000
Refunding	17,400,000	2005	2018	3.50% - 5.00%	17,400,000
Keller Development Corp.					
Improvements	18,120,000	2003	2023	2.50% - 4.25%	15,750,000
Improvements	755,000	2004	2024	4.00% - 5.00%	415,000
					<u>60,800,000</u>
Revenue bonds:					
Keller Development Corp.					
Refunding	890,000	2006	2013	4.20%	660,000
					<u>451,440</u>
					(<u>1,082,024</u>)
Total governmental activities debt					\$ <u>78,712,436</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Business-type Activities Debt:

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/08
General obligation bonds:					
City:					
Refunding	\$ 3,222,024	1999	2020	3.75% - 5.00%	\$ 1,826,982
Refunding	5,360,000	2002	2013	3.00% - 4.00%	2,450,000
Refunding	440,000	2004	2017	3.00% - 4.00%	170,000
Refunding	3,390,000	2004	2020	3.00% - 4.20%	<u>3,315,000</u>
					<u>7,761,982</u>
Certificates of obligation:					
City:					
Improvements	4,575,000	2000	2020	5.00% - 6.50%	200,000
Improvements	11,310,000	2004	2024	4.00% - 5.00%	9,930,000
Improvements	4,255,000	2006	2026	4.25% - 5.37%	<u>4,000,000</u>
					<u>14,130,000</u>
Contractual obligations:					
City:					
Improvements	3,679,920	1996	2011	3.60% - 5.20%	891,734
Refunding	697,116	2005	2013	2.50% - 3.50%	<u>416,880</u>
					<u>1,308,614</u>
					(65,006)
					(471,271)
					(536,277)
					(16,233)
					(332,672)
					(348,905)
Total business-type activities debt					<u>22,315,414</u>
Total long-term debt					<u>\$ 101,027,850</u>

Annual debt service requirements to maturity for general debt:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 6,189,417	\$ 3,291,199	\$ 1,540,584	\$ 936,635
2010	6,312,743	3,037,983	1,577,258	871,367
2011	6,116,069	2,773,795	1,623,932	807,365
2012	6,379,395	2,518,360	1,695,606	740,797
2013	6,126,608	2,279,528	1,543,392	675,135
2014-2018	33,703,490	7,309,399	6,121,509	2,559,386
2019-2023	13,315,298	1,480,691	5,984,701	1,100,053
2024-2026	<u>540,000</u>	<u>13,500</u>	<u>1,805,000</u>	<u>83,797</u>
Total	<u>\$ 78,683,020</u>	<u>\$ 22,704,455</u>	<u>\$ 21,891,982</u>	<u>\$ 7,774,535</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Annual debt services requirements for revenue bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 125,000	\$ 25,155	\$ 486,279	\$ 48,729
2010	130,000	19,787	510,788	25,220
2011	130,000	14,314	137,849	10,414
2012	135,000	8,736	85,691	6,080
2013	140,000	2,947	88,008	3,080
Total	\$ 660,000	\$ 70,939	\$ 1,308,615	\$ 93,523

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:

Year Ending September 30,	Lease Obligation
2009	\$ 105,048
2010	105,048
2011	105,048
2012	105,048
2013 - 2014	169,420
	589,612
Less interest portion	(81,417)
Obligations under capital leases	\$ 508,195

Changes in Long-term Liabilities

During the year ended September 30, 2008, the following changes occurred in general government long-term debt:

Description	Balance 09/30/07	Additions	Retirements	Balance 09/30/08	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 19,577,410	\$ -	\$ (1,694,390)	\$ 17,883,020	\$ 1,834,417
Certificates of obligation	64,590,000	-	(3,790,000)	60,800,000	4,355,000
Revenue bonds	775,000	-	(115,000)	660,000	125,000
Deferred loss on refunding	(1,211,771)	-	129,747	(1,082,024)	(129,747)
Bond premiums/discounts	490,370	-	(38,930)	451,440	38,930
Total bonds payable	84,221,009	-	(5,508,573)	78,712,436	6,223,600
Capital lease obligation	585,982	-	(77,787)	508,195	81,402
Compensated absences	927,908	1,303,602	(950,109)	1,281,401	225,434
	\$ 85,734,899	\$ 1,303,602	\$ (6,536,469)	\$ 80,502,032	\$ 6,530,436

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Description	Balance 09/30/07	Additions	Retirements	Balance 09/30/08	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 8,782,587	\$ -	\$(1,020,605)	\$ 7,761,982	\$ 780,584
Certificates of obligation	14,850,000	-	(720,000)	14,130,000	760,000
Deferred loss on refunding	(373,348)	-	40,676	(332,672)	(40,675)
Bond premiums/discounts	<u>(15,892)</u>	<u>-</u>	<u>(341)</u>	<u>(16,233)</u>	<u>341</u>
Total bonds payable	23,243,347	-	(1,700,270)	21,543,077	1,500,250
Contractual obligations	1,216,439	-	(444,102)	772,337	474,699
Compensated absences	<u>91,868</u>	<u>158,102</u>	<u>(128,562)</u>	<u>121,408</u>	<u>20,234</u>
	<u>\$ 24,551,654</u>	<u>\$ 158,102</u>	<u>\$(2,272,934)</u>	<u>\$ 22,436,822</u>	<u>\$ 1,995,183</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Advance and Current Refunding of Debt

In previous years, the City has issued refunding bonds to provide resources to purchase U. S. Government, State and Local Government Series securities that were placed in irrevocable trusts for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements. At year-end, the City had \$25,535,000 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, 2008, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$32,240,000.

Subsequent Event

On November 6, 2007, Keller voters authorized the sale of \$4,000,000 in general obligation bonds for the renovation and expansion of the Keller Public Library located at 640 Johnson Road. The bonds were authorized for sale by the City Council on March 6, 2009.

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 basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

B. Contingent Liabilities and Commitments

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

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

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 fulltime employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of over 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007, valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report which can be obtained by writing to P. O. Box 149153, Austin, Texas, 78714-9153, or by accessing the CAFR online at www.tMrs.org.

(continued)

V. **OTHER INFORMATION** (Continued)

C. **Employee Retirement Systems and Pension Plans** (Continued)

Plan Description (Continued)

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 to 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.

Changes in Actuarial Funding and Assumptions

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

(continued)

V. **OTHER INFORMATION** (Continued)

C. **Employee Retirement Systems and Pension Plans** (Continued)

Changes in Actuarial Funding and Assumptions (Continued)

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$7,702,424 and the funded ratio would have been 75.7%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in City contribution rates, following the December 31, 2009 actuarial valuation.

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, 2007, valuation is effective for rates beginning January 2009.

Schedule of Actuarial Liabilities and Funding Progress

Actual Valuation Date	12/031/05	12/031/06	12/031/07
Actuarial value of assets	\$ 18,778,912	\$ 21,488,831	\$ 24,027,689
Actuarial accrued liability	23,965,739	28,054,723	37,714,732
Percent funded	78.4%	76.6%	63.7%
Unfunded (overfunded) actuarial accrued liability (UAAL)	5,186,827	6,565,892	13,687,043
Annual covered payroll	12,094,482	13,401,562	14,811,568
UAAL as a percentage of covered payroll	42.9%	49.0%	92.4%

(continued)

V. **OTHER INFORMATION** (Continued)

C. **Employee Retirement Systems and Pension Plans** (Continued)

Actuarial Assumptions

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	30 Years - Closed Period
Asset Valuation Method	-	Amortized Cost (to accurately reflect the requirements of GASB Statement No. 25, paragraphs 36e and 138)
Amortization Period	-	Open
Investment Rate of Return	-	7%
Projected Salary Increases	-	None
Includes Inflation at	-	3.0%
Cost-of-living Adjustments	-	2.1% (3.0% CPI)

D. **Other Postemployment Benefits**

In April 2004, the GASB issued Statement No. 43, *financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB Statement No. 43 addresses the financial reporting for other postemployment benefits plans. The City was not required to implement this statement as of September 30, 2007.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. GASB 45 requires employer governments to account for and report the annual cost of other postemployment benefits in the same manner as they do for pensions. This statement is effective for the City's financial statements for periods beginning after December 15, 2006.

The City provides COBRA health care benefits for its terminated employees. Terminated employees meeting certain qualifications are eligible to participate in the City Health Insurance Program along with the City's active employees as long as they pay their own premiums. Once an employee is terminated, the City does not share in the cost of the monthly premium for dependents' health insurance premiums. Terminated employees do benefit, however, from an implicit subsidy of premium that arises from blending all age groups of active City employees, as well as, usual co-pay and deductible benefits. Health care coverage provided by the City to terminated employees is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

In 2007, the City contracted with the actuarial firm, Gabriel Roeder Smith & Company, to determine its preliminary liability assuming no changes to the benefit package in place at the time. The preliminary results yielded an actuarial accrued liability (AAL) of \$228,032 with an annual required contribution (ARC) of \$39,844 for fiscal year 2008. Over half of the AAL related to the Employer Normal Cost (\$25,879) with amortization of UAL equaling \$13,965.

The City has made no changes to policy regarding health care benefits for its employees, but has made changes to the level of benefits provided in two plans and their respective premiums. The City has not established a trust account, nor sold debt to cover the ultimate cost of benefits promised.

(continued)

V. **OTHER INFORMATION** (Continued)

D. **Other Postemployment Benefits**

Actuarial Methods and Assumptions

The following information about actuarial methods and assumptions for the Employees Postemployment Benefits Plan is as of the most recent actuarial valuation:

Employees OPEB Plan

Actuarial valuation date	-	03/31/07
Actuarial cost method	-	Projected Unit Credit
Amortization method	-	Level dollar
Remaining amortization period	-	30 Years
Asset valuation method	-	Market Value
Actuarial assumptions:		
Investment rate of return ^a	-	4.5% ^b
Projected salary increases ^a	-	4.0%
Health care inflation rate ^a	-	10% initial, 4.5% ultimate

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes:				
Property	\$ 11,100,000	\$ 11,241,000	\$ 11,252,820	\$ 11,820
Sales	4,060,730	4,406,000	4,360,294	(45,706)
Franchise	2,633,820	2,534,810	2,579,383	44,573
Other	69,760	52,350	52,475	125
Permits, licenses and fees	2,286,200	1,635,700	1,715,127	79,427
Intergovernmental	1,839,560	1,950,940	2,017,712	66,772
Charges for services	542,500	757,500	891,081	133,581
Fines and forfeitures	930,500	941,000	956,146	15,146
Donations	25,000	74,350	101,010	26,660
Investment earnings	375,000	425,000	371,848	(53,152)
Miscellaneous	<u>196,000</u>	<u>242,950</u>	<u>270,838</u>	<u>27,888</u>
Total revenues	<u>24,059,070</u>	<u>24,261,600</u>	<u>24,568,734</u>	<u>307,134</u>
EXPENDITURES				
Current:				
General government	3,941,287	3,831,910	3,551,827	280,083
Public safety	13,402,410	12,863,980	12,700,339	163,641
Public works	2,091,750	2,118,825	2,048,563	70,262
Community development	1,386,099	1,351,340	1,265,371	85,969
Recreation and leisure	3,766,936	3,649,675	3,570,559	79,116
Capital outlay	<u>1,082,615</u>	<u>1,313,005</u>	<u>972,649</u>	<u>340,356</u>
Total expenditures	<u>25,671,097</u>	<u>25,128,735</u>	<u>24,109,308</u>	<u>1,019,427</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,612,027)</u>	<u>(867,135)</u>	<u>459,426</u>	<u>1,326,561</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of assets	22,500	29,500	8,250	(21,250)
Transfers in	2,292,755	2,330,573	2,330,573	-
Transfers out	<u>(849,575)</u>	<u>(1,611,223)</u>	<u>(1,611,223)</u>	<u>-</u>
Total other financing sources and uses	<u>1,465,680</u>	<u>748,850</u>	<u>727,600</u>	<u>(21,250)</u>
NET CHANGE IN FUND BALANCES	<u>(146,347)</u>	<u>(118,285)</u>	<u>1,187,026</u>	<u>1,305,311</u>
FUND BALANCES, BEGINNING	<u>7,097,190</u>	<u>7,097,190</u>	<u>7,097,190</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 6,950,843</u>	<u>\$ 6,978,905</u>	<u>\$ 8,284,216</u>	<u>\$ 1,305,311</u>

CITY OF KELLER, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2008

BUDGETARY INFORMATION

Annual appropriated budgets are legally adopted for the General Fund, Debt Service Funds, Special Revenue Funds (excepting the Public Safety Fund), and certain Capital Projects Funds (Park Development, Street/Sidewalk Improvements, and Equipment Replacement Funds) on a basis consistent with generally accepted accounting principles. An annual non-appropriated budget is adopted for the City's Water and Wastewater Utilities and Drainage Utility Enterprise Funds on a non-GAAP basis for managerial control. Project length budgets are adopted for certain Capital Projects Funds (Capital Projects, TIF #1 Capital Projects, Roadway Impact fee, and Parks Capital Improvements Funds), and Public Safety Fund and amended on an annual basis to reflect the uncompleted portion of the projects. These funds adopt their budget based on individual projects that cross fund years. An annual comparison does not fairly represent the budgetary results for multiple year projects.

The original budget is adopted by the City Council prior to the beginning of the fiscal year. Amendments are made during the year, provided amendments do not result in an increase in total expenditures. All budget amendments resulting in an increase in total expenditures require approval by the City Council. Unused budget appropriations lapse at year-end unless carried forward to the next year by Council action. The final budget is legally adopted by the Council prior to September 30 of each year.

The City Manager has the authority to transfer appropriation balances from one expenditure category to another within a department. Although costs are monitored by expenditure category, the legal level of control (level at which expenditures may not exceed budget) is the department level. The reported budgetary data has been revised for amendments authorized during the year.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

Recreation Fund – This fund is used to account for resources derived from donations or user charges which are specifically designated for recreation programs or special events.

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

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

Joint Teen Court Fund – This fund accounts 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 – This fund is to account for resources specifically designated for the acquisition and promotion of public art.

Crime Control Prevention District – This fund is to account for collection of sales and use taxes, in accordance with Section 363 of the Texas Local Government Code, to be used to public safety crime control and prevention programs.

Information Services Fund – This fund is 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 FUND

Debt Service Funds are used to 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.

Tax Increment Financing Zone Interest and Sinking Fund – This fund is to account for accumulation of incremental property taxes from within the zone for payment of TIF debt.

CAPITAL PROJECTS FUND

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.

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

Town Center TIF District Fund – This fund is used to account for construction financed with proceeds from tax increment debt.

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

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

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

Equipment Replacement Fund – This fund is used to account for capital equipment acquisitions that are financed by either intergovernmental transfers, short-term debt (debt maturing in five years or less), or a combination of both.

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

CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	Special Revenue Funds			
	Keller Development Corporation	Library	Recreation	Municipal Court
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	209,805	960	157,231	480
Receivables, net of allowances for uncollectibles				
Taxes	370,679	-	-	-
Interest	1,739	96	1,344	1,692
Other	933	-	-	-
Special assessments	-	-	-	-
Due from other funds	99,660	-	48,955	259,798
Due from other governments	-	-	-	-
Prepaid expenses	12	-	-	6
	<u>682,828</u>	<u>1,056</u>	<u>207,530</u>	<u>261,976</u>
Total assets	<u>\$ 682,828</u>	<u>\$ 1,056</u>	<u>\$ 207,530</u>	<u>\$ 261,976</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,863	\$ 546	\$ 19,777	\$ -
Accrued liabilities	4,746	-	197	1,553
Due to other funds	-	993	-	-
Deferred revenue	-	758	796	-
Customer deposits	-	-	4,917	-
	<u>9,609</u>	<u>2,297</u>	<u>25,687</u>	<u>1,553</u>
Total liabilities	<u>9,609</u>	<u>2,297</u>	<u>25,687</u>	<u>1,553</u>
Fund balances:				
Reserved for:				
Encumbrances	-	-	39,879	-
Prepaid expenses	12	-	-	6
Debt service	89,000	-	-	-
Other purposes	-	-	90,668	-
Unreserved	584,207	(1,241)	51,296	260,417
	<u>673,219</u>	<u>(1,241)</u>	<u>181,843</u>	<u>260,423</u>
Total fund balances	<u>673,219</u>	<u>(1,241)</u>	<u>181,843</u>	<u>260,423</u>
Total liabilities and fund balances	<u>\$ 682,828</u>	<u>\$ 1,056</u>	<u>\$ 207,530</u>	<u>\$ 261,976</u>

Special Revenue Funds					Debt Service Fund
Public Safety	Joint Teen Court	Public Arts	Crime Control Prevention District	Information Services	Town Center TIF #1
\$ 958	\$ 50	\$ -	\$ -	\$ -	\$ -
1	12,196	-	1,427,760	488,882	83,173
-	-	-	170,953	-	29,410
-	327	-	440	3,600	-
-	-	16,500	-	-	-
-	-	-	-	-	-
-	34,770	-	50,004	42,311	132,845
136,450	1,432	-	-	-	-
3,000	210	-	-	6,627	-
<u>\$ 140,409</u>	<u>\$ 48,985</u>	<u>\$ 16,500</u>	<u>\$ 1,649,157</u>	<u>\$ 541,420</u>	<u>\$ 245,428</u>
\$ 1,772	\$ 652	\$ -	\$ 99,683	\$ 38,877	\$ -
9,224	2,389	-	-	20,635	-
48,527	-	-	-	-	-
-	-	-	-	-	29,410
-	-	-	-	-	-
<u>59,523</u>	<u>3,041</u>	<u>-</u>	<u>99,683</u>	<u>59,512</u>	<u>29,410</u>
-	-	-	-	6,341	-
3,000	210	-	-	6,627	-
-	-	-	-	-	216,018
-	-	-	-	-	-
<u>77,886</u>	<u>45,734</u>	<u>16,500</u>	<u>1,549,474</u>	<u>468,940</u>	<u>-</u>
<u>80,886</u>	<u>45,944</u>	<u>16,500</u>	<u>1,549,474</u>	<u>481,908</u>	<u>216,018</u>
<u>\$ 140,409</u>	<u>\$ 48,985</u>	<u>\$ 16,500</u>	<u>\$ 1,649,157</u>	<u>\$ 541,420</u>	<u>\$ 245,428</u>

(continued)

CITY OF KELLER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2008

	Capital Project Funds			
	Capital Projects	TIF #1 Capital Projects	Roadway Impact Fee	Park Development Fee
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	783,062	26,241	4,424,457	64,167
Receivables, net of allowances for uncollectibles				
Taxes	-	-	-	-
Interest	6,352	186	29,763	1,802
Other	-	-	287,146	-
Special assessments	-	-	-	-
Due from other funds	83,784	1,932	116,425	14,373
Due from other governments	1,100	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 874,298</u>	<u>\$ 28,359</u>	<u>\$ 4,857,791</u>	<u>\$ 80,342</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 496,078	\$ -	\$ 229,411	\$ 5,554
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	287,146	-
Customer deposits	-	-	-	-
Total liabilities	<u>496,078</u>	<u>-</u>	<u>516,557</u>	<u>5,554</u>
Fund balances:				
Reserved for:				
Encumbrances	2,770,058	-	793,026	-
Prepaid expenses	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	4,354,994	-
Unreserved	<u>(2,391,838)</u>	<u>28,359</u>	<u>(806,786)</u>	<u>74,788</u>
Total fund balances	<u>378,220</u>	<u>28,359</u>	<u>4,341,234</u>	<u>74,788</u>
Total liabilities and fund balances	<u>\$ 874,298</u>	<u>\$ 28,359</u>	<u>\$ 4,857,791</u>	<u>\$ 80,342</u>

Capital Project Funds

<u>Street/ Sidewalk Improvements</u>	<u>Equipment Replacement</u>	<u>Parks Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 1,008
1,079,057	622,604	9,215	9,389,291
185,340	-	-	756,382
7,710	4,791	-	59,842
-	-	-	304,579
6,673	-	-	6,673
57,895	114,370	-	1,057,122
-	-	-	138,982
-	-	-	9,855
<u>\$ 1,336,675</u>	<u>\$ 741,765</u>	<u>\$ 9,215</u>	<u>\$ 11,723,734</u>
\$ 101,151	\$ -	\$ -	\$ 998,364
-	-	-	38,744
-	-	405,789	455,309
6,496	-	-	324,606
-	-	-	4,917
<u>107,647</u>	<u>-</u>	<u>405,789</u>	<u>1,821,940</u>
816,568	-	163,709	4,589,581
-	-	-	9,855
-	-	-	305,018
-	-	-	4,445,662
<u>412,460</u>	<u>741,765</u>	<u>(560,283)</u>	<u>551,678</u>
<u>1,229,028</u>	<u>741,765</u>	<u>(396,574)</u>	<u>9,901,794</u>
<u>\$ 1,336,675</u>	<u>\$ 741,765</u>	<u>\$ 9,215</u>	<u>\$ 11,723,734</u>

CITY OF KELLER, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds			
	Keller Development Corporation	Library	Recreation	Municipal Court
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Sales	2,180,147	-	-	-
Permits, licenses and fees	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	3,217	76,848	-
Fines and forfeitures	-	-	8,200	89,877
Special assessments and impact fees	-	-	-	-
Donations	-	29,661	109,674	-
Investment earnings	10,231	364	6,303	12,923
Miscellaneous	23,200	-	6,431	-
Total revenues	<u>2,213,578</u>	<u>33,242</u>	<u>207,456</u>	<u>102,800</u>
EXPENDITURES				
Current:				
General government	-	-	-	75,412
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and leisure	143,989	17,737	174,200	-
Capital outlay	184,979	-	-	-
Debt service:				
Principal	1,000,000	-	-	-
Interest and other charges	640,660	-	-	-
Total expenditures	<u>1,969,628</u>	<u>17,737</u>	<u>174,200</u>	<u>75,412</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>243,950</u>	<u>15,505</u>	<u>33,256</u>	<u>27,388</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of assets	-	-	-	-
Transfers in	-	-	11,353	-
Transfers out	<u>(168,670)</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(168,670)</u>	<u>(15,000)</u>	<u>11,353</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	75,280	505	44,609	27,388
FUND BALANCES, BEGINNING	<u>597,939</u>	<u>(1,746)</u>	<u>137,234</u>	<u>233,035</u>
FUND BALANCES, ENDING	<u>\$ 673,219</u>	<u>\$ (1,241)</u>	<u>\$ 181,843</u>	<u>\$ 260,423</u>

Special Revenue Funds					Debt Service Fund
Public Safety	Joint Teen Court	Public Arts	Crime Control Prevention District	Information Services	Town Center TIF #1
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,115,260
-	-	-	1,289,690	-	-
-	-	-	-	-	-
141,531	48,502	-	-	-	-
-	-	-	-	-	-
-	5,585	-	-	-	-
-	-	-	-	-	-
35,604	-	16,500	-	-	-
1,346	2,222	-	33,511	20,800	15,484
314	-	-	-	60,177	-
<u>178,795</u>	<u>56,309</u>	<u>16,500</u>	<u>1,323,201</u>	<u>80,977</u>	<u>2,130,744</u>
-	76,018	-	-	1,161,919	-
45,054	-	-	143,395	-	-
-	-	-	-	-	-
-	-	-	-	-	-
122,300	-	-	341,838	56,098	-
-	-	-	-	-	1,625,000
-	-	-	-	-	1,467,080
<u>167,354</u>	<u>76,018</u>	<u>-</u>	<u>485,233</u>	<u>1,218,017</u>	<u>3,092,080</u>
<u>11,441</u>	<u>(19,709)</u>	<u>16,500</u>	<u>837,968</u>	<u>(1,137,040)</u>	<u>(961,336)</u>
-	-	-	-	-	-
-	27,045	-	-	1,175,975	930,000
-	(50)	(183,673)	-	-	-
<u>-</u>	<u>26,995</u>	<u>(183,673)</u>	<u>-</u>	<u>1,175,975</u>	<u>930,000</u>
11,441	7,286	(167,173)	837,968	38,935	(31,336)
<u>69,445</u>	<u>38,658</u>	<u>183,673</u>	<u>711,506</u>	<u>442,973</u>	<u>247,354</u>
<u>\$ 80,886</u>	<u>\$ 45,944</u>	<u>\$ 16,500</u>	<u>\$ 1,549,474</u>	<u>\$ 481,908</u>	<u>\$ 216,018</u>

(continued)

CITY OF KELLER

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS
(Continued)**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Capital Project Funds			
	Capital Projects	TIF #1 Capital Projects	Roadway Impact Fee	Park Development Fee
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Permits, licenses and fees	-	-	-	38,070
Intergovernmental	35,930	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Special assessments and impact fees	-	26,840	727,526	-
Donations	-	-	-	-
Investment earnings	74,950	1,011	134,849	20,537
Miscellaneous	-	-	-	-
Total revenues	110,880	27,851	862,375	58,607
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	5,882
Capital outlay	3,106,190	-	775,943	803,187
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	3,106,190	-	775,943	809,069
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,995,310)	27,851	86,432	(750,462)
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of assets	-	-	-	-
Transfers in	45,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	45,000	-	-	-
NET CHANGE IN FUND BALANCES	(2,950,310)	27,851	86,432	(750,462)
FUND BALANCES, BEGINNING	3,328,530	508	4,254,802	825,250
FUND BALANCES, ENDING	\$ 378,220	\$ 28,359	\$ 4,341,234	\$ 74,788

Capital Project Funds

<u>Street/ Sidewalk Improvements</u>	<u>Equipment Replacement</u>	<u>Parks Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 2,115,260
824,604	-	-	4,294,441
-	-	-	38,070
-	-	-	225,963
-	-	-	80,065
-	-	-	103,662
39,957	-	-	794,323
-	-	-	191,439
39,049	26,770	9,496	409,846
2,830	-	-	92,952
<u>906,440</u>	<u>26,770</u>	<u>9,496</u>	<u>8,346,021</u>
-	-	-	1,313,349
-	-	-	188,449
99,368	-	-	99,368
-	-	-	341,808
499,165	68,757	731,664	6,690,121
-	-	-	2,625,000
-	-	-	2,107,740
<u>598,533</u>	<u>68,757</u>	<u>731,664</u>	<u>13,365,835</u>
<u>307,907</u>	<u>(41,987)</u>	<u>(722,168)</u>	<u>(5,019,814)</u>
-	18,723	-	18,723
-	104,430	-	2,293,803
<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(382,393)</u>
<u>(15,000)</u>	<u>123,153</u>	<u>-</u>	<u>1,930,133</u>
292,907	81,166	(722,168)	(3,089,681)
<u>936,121</u>	<u>660,599</u>	<u>325,594</u>	<u>12,991,475</u>
<u>\$ 1,229,028</u>	<u>\$ 741,765</u>	<u>\$ (396,574)</u>	<u>\$ 9,901,794</u>

**BUDGETARY
COMPARISON SCHEDULES**

CITY OF KELLER, TEXAS

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

G.O. DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 4,266,000	\$ 4,338,320	\$ 4,330,119	\$(8,201)
Investment earnings	<u>50,000</u>	<u>65,000</u>	<u>50,810</u>	<u>(14,190)</u>
Total revenues	<u>4,316,000</u>	<u>4,403,320</u>	<u>4,380,929</u>	<u>(22,391)</u>
EXPENDITURES				
Debt service:				
Principal	3,052,180	3,108,410	3,052,177	56,233
Interest and other charges	<u>1,489,655</u>	<u>1,489,580</u>	<u>1,486,827</u>	<u>2,753</u>
Total expenditures	<u>4,541,835</u>	<u>4,597,990</u>	<u>4,539,004</u>	<u>58,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(225,835)</u>	<u>(194,670)</u>	<u>(158,075)</u>	<u>36,595</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	607,580	1,057,580	1,057,580	-
Transfers out	<u>(400,000)</u>	<u>(500,000)</u>	<u>(501,125)</u>	<u>(1,125)</u>
Total other financing sources and uses	<u>207,580</u>	<u>557,580</u>	<u>556,455</u>	<u>(1,125)</u>
NET CHANGE IN FUND BALANCES	<u>(18,255)</u>	362,910	398,380	35,470
FUND BALANCES, BEGINNING	<u>621,742</u>	<u>621,742</u>	<u>621,742</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 603,487</u>	<u>\$ 984,652</u>	<u>\$ 1,020,122</u>	<u>\$ 35,470</u>

CITY OF KELLER, TEXAS

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

RECREATION/AQUATIC CENTER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Charges for services	\$ 3,390,845	\$ 3,077,930	\$ 3,038,341	\$(39,589)
Donations	15,000	9,735	3,430	(6,305)
Investment earnings	10,000	17,820	26,754	8,934
Miscellaneous	<u>3,145</u>	<u>3,640</u>	<u>4,921</u>	<u>1,281</u>
Total revenues	<u>3,418,990</u>	<u>3,109,125</u>	<u>3,073,446</u>	<u>(35,679)</u>
EXPENDITURES				
Current:				
Recreation and leisure	3,344,895	3,032,255	2,736,252	296,003
Capital outlay	<u>25,000</u>	<u>157,845</u>	<u>146,390</u>	<u>11,455</u>
Total expenditures	<u>3,369,895</u>	<u>3,190,100</u>	<u>2,882,642</u>	<u>307,458</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>49,095</u>	<u>(80,975)</u>	<u>190,804</u>	<u>271,779</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(17,950)</u>	<u>(15,675)</u>	<u>(15,675)</u>	<u>-</u>
Total other financing sources and uses	<u>(17,950)</u>	<u>(15,675)</u>	<u>(15,675)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	31,145	(96,650)	175,129	271,779
FUND BALANCES, BEGINNING	<u>(208,936)</u>	<u>(208,936)</u>	<u>(208,936)</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(177,791)</u>	<u>\$(305,586)</u>	<u>\$(33,807)</u>	<u>\$ 271,779</u>

CITY OF KELLER, TEXAS

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

KELLER DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Sales	\$ 2,030,300	\$ 2,203,000	\$ 2,180,147	\$(22,853)
Investment earnings	8,500	8,500	10,231	1,731
Miscellaneous	<u>18,535</u>	<u>18,535</u>	<u>23,200</u>	<u>4,665</u>
Total revenues	<u>2,057,335</u>	<u>2,230,035</u>	<u>2,213,578</u>	<u>(16,457)</u>
EXPENDITURES				
Current:				
Recreation and leisure	164,550	162,360	143,989	18,371
Capital outlay	166,500	187,275	184,979	2,296
Debt service:				
Principal	1,000,000	1,000,000	1,000,000	-
Interest and other charges	<u>641,855</u>	<u>641,405</u>	<u>640,660</u>	<u>745</u>
Total expenditures	<u>1,972,905</u>	<u>1,991,040</u>	<u>1,969,628</u>	<u>21,412</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>84,430</u>	<u>238,995</u>	<u>243,950</u>	<u>4,955</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(168,670)</u>	<u>(168,670)</u>	<u>(168,670)</u>	<u>-</u>
Total other financing sources and uses	<u>(168,670)</u>	<u>(168,670)</u>	<u>(168,670)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(84,240)	70,325	75,280	4,955
FUND BALANCES, BEGINNING	<u>597,939</u>	<u>597,939</u>	<u>597,939</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 513,699</u>	<u>\$ 668,264</u>	<u>\$ 673,219</u>	<u>\$ 4,955</u>

CITY OF KELLER, TEXAS

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

LIBRARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Charges for services	\$ 3,000	\$ 3,560	\$ 3,217	\$(343)
Donations	21,000	31,670	29,661	(2,009)
Investment earnings	<u>5,000</u>	<u>2,500</u>	<u>364</u>	<u>(2,136)</u>
Total revenues	<u>29,000</u>	<u>37,730</u>	<u>33,242</u>	<u>(4,488)</u>
EXPENDITURES				
Current:				
Recreation and leisure	<u>29,000</u>	<u>17,225</u>	<u>17,737</u>	<u>(512)</u>
Total expenditures	<u>29,000</u>	<u>17,225</u>	<u>17,737</u>	<u>(512)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>20,505</u>	<u>15,505</u>	<u>(5,000)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	5,505	505	(5,000)
FUND BALANCES, BEGINNING	<u>(1,746)</u>	<u>(1,746)</u>	<u>(1,746)</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(1,746)</u>	<u>\$ 3,759</u>	<u>\$(1,241)</u>	<u>\$(5,000)</u>

CITY OF KELLER, TEXAS

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

RECREATION FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 90,980	\$ 80,495	\$ 76,848	\$(3,647)
Fines and forfeitures	5,000	8,200	8,200	-
Donations	20,650	116,153	109,674	(6,479)
Investment earnings	3,500	6,000	6,303	303
Miscellaneous	<u>22,900</u>	<u>9,000</u>	<u>6,431</u>	<u>(2,569)</u>
Total revenues	<u>143,030</u>	<u>219,848</u>	<u>207,456</u>	<u>(12,392)</u>
EXPENDITURES				
Current:				
Recreation and leisure	<u>167,253</u>	<u>187,490</u>	<u>174,200</u>	<u>13,290</u>
Total expenditures	<u>167,253</u>	<u>187,490</u>	<u>174,200</u>	<u>13,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(24,223)</u>	<u>32,358</u>	<u>33,256</u>	<u>898</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>11,353</u>	<u>11,353</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>11,353</u>	<u>11,353</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(24,223)</u>	<u>43,711</u>	<u>44,609</u>	<u>898</u>
FUND BALANCES, BEGINNING	<u>137,234</u>	<u>137,234</u>	<u>137,234</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 113,011</u>	<u>\$ 180,945</u>	<u>\$ 181,843</u>	<u>\$ 898</u>

CITY OF KELLER, TEXAS

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

MUNICIPAL COURT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Fines and forfeitures	\$ 106,790	\$ 106,790	\$ 89,877	\$(16,913)
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>12,923</u>	<u>2,923</u>
Total revenues	<u>116,790</u>	<u>116,790</u>	<u>102,800</u>	<u>(13,990)</u>
EXPENDITURES				
Current:				
General government	95,535	90,910	75,412	15,498
Capital outlay	<u>32,100</u>	<u>32,100</u>	<u>-</u>	<u>32,100</u>
Total expenditures	<u>127,635</u>	<u>123,010</u>	<u>75,412</u>	<u>47,598</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,845)</u>	<u>(6,220)</u>	<u>27,388</u>	<u>33,608</u>
NET CHANGE IN FUND BALANCES	<u>(10,845)</u>	<u>(6,220)</u>	<u>27,388</u>	<u>33,608</u>
FUND BALANCES, BEGINNING	<u>233,035</u>	<u>233,035</u>	<u>233,035</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 222,190</u>	<u>\$ 226,815</u>	<u>\$ 260,423</u>	<u>\$ 33,608</u>

CITY OF KELLER, TEXAS

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

JOINT TEEN COURT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 48,502	\$ 48,500	\$ 48,502	\$ 2
Fines and forfeitures	5,000	5,000	5,585	585
Investment earnings	<u>3,000</u>	<u>3,000</u>	<u>2,222</u>	(778)
Total revenues	<u>56,502</u>	<u>56,500</u>	<u>56,309</u>	(191)
EXPENDITURES				
Current:				
General government	<u>79,280</u>	<u>76,890</u>	<u>76,018</u>	<u>872</u>
Total expenditures	<u>79,280</u>	<u>76,890</u>	<u>76,018</u>	<u>872</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(22,778)	(20,390)	(19,709)	<u>681</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	27,045	27,045	27,045	-
Transfers out	(60)	(50)	(50)	-
Total other financing sources and uses	<u>26,985</u>	<u>26,995</u>	<u>26,995</u>	-
NET CHANGE IN FUND BALANCES	4,207	6,605	7,286	681
FUND BALANCES, BEGINNING	<u>38,658</u>	<u>38,658</u>	<u>38,658</u>	-
FUND BALANCES, ENDING	<u>\$ 42,865</u>	<u>\$ 45,263</u>	<u>\$ 45,944</u>	<u>\$ 681</u>

CITY OF KELLER, TEXAS

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

PUBLIC ARTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Donations	\$ -	\$ -	\$ 16,500	\$ 16,500
Total revenues	<u>-</u>	<u>-</u>	<u>16,500</u>	<u>16,500</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>16,500</u>	<u>16,500</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(145,855)	(183,673)	(183,673)	-
Total other financing sources and uses	<u>(145,855)</u>	<u>(183,673)</u>	<u>(183,673)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(145,855)	(183,673)	(167,173)	16,500
FUND BALANCES, BEGINNING	<u>183,673</u>	<u>183,673</u>	<u>183,673</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 37,818</u>	<u>\$ -</u>	<u>\$ 16,500</u>	<u>\$ 16,500</u>

CITY OF KELLER, TEXAS

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

CRIME CONTROL PREVENTION DISTRICT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Sales	\$ 1,492,600	\$ 1,200,000	\$ 1,289,690	\$ 89,690
Intergovernmental	59,000	49,700	-	(49,700)
Investment earnings	8,000	30,000	33,511	3,511
Total revenues	<u>1,559,600</u>	<u>1,279,700</u>	<u>1,323,201</u>	<u>43,501</u>
EXPENDITURES				
Current:				
Public safety	232,530	221,925	143,395	78,530
Capital outlay	1,468,040	1,233,470	341,838	891,632
Total expenditures	<u>1,700,570</u>	<u>1,455,395</u>	<u>485,233</u>	<u>970,162</u>
NET CHANGE IN FUND BALANCES	(140,970)	(175,695)	837,968	1,013,663
FUND BALANCES, BEGINNING	<u>711,506</u>	<u>711,506</u>	<u>711,506</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 570,536</u>	<u>\$ 535,811</u>	<u>\$ 1,549,474</u>	<u>\$ 1,013,663</u>

CITY OF KELLER, TEXAS

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

INFORMATION SERVICES FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
REVENUES				
Investment earnings	\$ 25,000	\$ 23,000	\$ 20,800	\$(2,200)
Miscellaneous	<u>52,500</u>	<u>52,500</u>	<u>60,177</u>	<u>7,677</u>
Total revenues	<u>77,500</u>	<u>75,500</u>	<u>80,977</u>	<u>5,477</u>
EXPENDITURES				
Current:				
General government	1,163,115	1,171,130	1,161,919	9,211
Capital outlay	<u>54,500</u>	<u>58,000</u>	<u>56,098</u>	<u>1,902</u>
Total expenditures	<u>1,217,615</u>	<u>1,229,130</u>	<u>1,218,017</u>	<u>11,113</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,140,115)</u>	<u>(1,153,630)</u>	<u>(1,137,040)</u>	<u>16,590</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,169,605</u>	<u>1,175,975</u>	<u>1,175,975</u>	<u>-</u>
Total other financing sources and uses	<u>1,169,605</u>	<u>1,175,975</u>	<u>1,175,975</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	29,490	22,345	38,935	16,590
FUND BALANCES, BEGINNING	<u>442,973</u>	<u>442,973</u>	<u>442,973</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 472,463</u>	<u>\$ 465,318</u>	<u>\$ 481,908</u>	<u>\$ 16,590</u>

CITY OF KELLER, TEXAS

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

TOWN CENTER TIF #1 I&S FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 2,144,840	\$ 2,125,380	\$ 2,115,260	\$(10,120)
Investment earnings	<u>15,000</u>	<u>12,000</u>	<u>15,484</u>	<u>3,484</u>
Total revenues	<u>2,159,840</u>	<u>2,137,380</u>	<u>2,130,744</u>	<u>(6,636)</u>
EXPENDITURES				
Debt service:				
Principal	1,625,000	1,625,000	1,625,000	-
Interest and other charges	<u>1,468,000</u>	<u>1,467,280</u>	<u>1,467,080</u>	<u>200</u>
Total expenditures	<u>3,093,000</u>	<u>3,092,280</u>	<u>3,092,080</u>	<u>200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(933,160)	(954,900)	(961,336)	(6,436)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>565,300</u>	<u>930,000</u>	<u>930,000</u>	<u>-</u>
Total other financing sources and uses	<u>565,300</u>	<u>930,000</u>	<u>930,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(367,860)	(24,900)	(31,336)	(6,436)
FUND BALANCES, BEGINNING	<u>247,354</u>	<u>247,354</u>	<u>247,354</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(120,506)</u>	<u>\$ 222,454</u>	<u>\$ 216,018</u>	<u>\$(6,436)</u>

CITY OF KELLER, TEXAS

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

PARK DEVELOPMENT FEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Permits, licenses and fees	\$ 200,000	\$ 100,000	\$ 38,070	\$ (61,930)
Investment earnings	<u>20,000</u>	<u>25,000</u>	<u>20,537</u>	<u>(4,463)</u>
Total revenues	<u>220,000</u>	<u>125,000</u>	<u>58,607</u>	<u>(66,393)</u>
EXPENDITURES				
Current:				
Recreation and leisure	-	5,885	5,882	3
Capital outlay	<u>744,700</u>	<u>802,465</u>	<u>803,187</u>	<u>(722)</u>
Total expenditures	<u>744,700</u>	<u>808,350</u>	<u>809,069</u>	<u>(719)</u>
NET CHANGE IN FUND BALANCES	(524,700)	(683,350)	(750,462)	(67,112)
FUND BALANCES, BEGINNING	<u>825,250</u>	<u>825,250</u>	<u>825,250</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 300,550</u>	<u>\$ 141,900</u>	<u>\$ 74,788</u>	<u>\$ (67,112)</u>

CITY OF KELLER, TEXAS

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

STREET/SIDEWALK IMPROVEMENTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Taxes:				
Sales	\$ 507,550	\$ 740,900	\$ 824,604	\$ 83,704
Special assessments and impact fees	75,000	40,500	39,957	(543)
Investment earnings	52,500	51,200	39,049	(12,151)
Miscellaneous	-	-	2,830	2,830
Total revenues	<u>635,050</u>	<u>832,600</u>	<u>906,440</u>	<u>73,840</u>
EXPENDITURES				
Current:				
Public works	60,000	104,230	99,368	4,862
Capital outlay	<u>1,430,000</u>	<u>1,616,735</u>	<u>499,165</u>	<u>1,117,570</u>
Total expenditures	<u>1,490,000</u>	<u>1,720,965</u>	<u>598,533</u>	<u>1,122,432</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(854,950)	(888,365)	<u>307,907</u>	<u>1,196,272</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources and uses	(15,000)	(15,000)	(15,000)	-
NET CHANGE IN FUND BALANCES	(869,950)	(903,365)	292,907	1,196,272
FUND BALANCES, BEGINNING	<u>936,121</u>	<u>936,121</u>	<u>936,121</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 66,171</u>	<u>\$ 32,756</u>	<u>\$ 1,229,028</u>	<u>\$ 1,196,272</u>

CITY OF KELLER, TEXAS

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

EQUIPMENT REPLACEMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Investment earnings	\$ 30,000	\$ 30,000	\$ 26,770	\$(3,230)
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>26,770</u>	<u>(3,230)</u>
EXPENDITURES				
Capital outlay	<u>61,950</u>	<u>59,915</u>	<u>68,757</u>	<u>(8,842)</u>
Total expenditures	<u>61,950</u>	<u>59,915</u>	<u>68,757</u>	<u>(8,842)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(31,950)</u>	<u>(29,915)</u>	<u>(41,987)</u>	<u>(12,072)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of assets	43,000	43,000	18,723	(24,277)
Transfers in	<u>104,430</u>	<u>104,430</u>	<u>104,430</u>	<u>-</u>
Total other financing sources and uses	<u>147,430</u>	<u>147,430</u>	<u>123,153</u>	<u>(24,277)</u>
NET CHANGE IN FUND BALANCES	115,480	117,515	81,166	(36,349)
FUND BALANCES, BEGINNING	<u>660,599</u>	<u>660,599</u>	<u>660,599</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 776,079</u>	<u>\$ 778,114</u>	<u>\$ 741,765</u>	<u>\$(36,349)</u>

STATISTICAL SECTION

CITY OF KELLER, TEXAS

STATISTICAL SECTION

(Unaudited)

This part of the City of Keller's comprehensive annual financial report presents detailed information as a context for understanding what the information says about the city's overall financial health. The tables shown herein, are unaudited.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	85
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	91
Debt Capacity These schedules contain trend information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	100
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	106
Operating Information These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	108

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

CITY OF KELLER, TEXAS

NET ASSETS BY COMPONENT

Last Six Fiscal Years

(Accrual Basis)

TABLE 1

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 13,219,283	\$ 10,564,021	\$ 62,602,173	\$ 63,207,052	\$ 64,573,383	\$ 74,502,492
Restricted	5,506,781	6,988,971	8,444,642	9,909,962	11,798,349	10,921,916
Unrestricted	4,727,354	7,046,685	5,683,596	8,009,253	9,624,564	7,002,508
Total governmental activities net assets	<u>\$ 23,453,418</u>	<u>\$ 24,599,677</u>	<u>\$ 76,730,411</u>	<u>\$ 81,126,267</u>	<u>\$ 85,996,296</u>	<u>\$ 92,426,916</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 58,669,647	\$ 57,249,543	\$ 45,059,859	\$ 52,467,582	\$ 53,805,294	\$ 58,364,350
Restricted	468,036	471,846	481,855	496,892	518,135	9,453,952
Unrestricted	1,898,377	2,700,286	17,894,997	16,596,805	16,403,823	8,190,132
Total business-type activities net assets	<u>\$ 61,036,060</u>	<u>\$ 60,421,675</u>	<u>\$ 63,436,711</u>	<u>\$ 69,561,279</u>	<u>\$ 70,727,252</u>	<u>\$ 76,008,434</u>
Primary government						
Invested in capital assets, net of related debt	\$ 71,888,930	\$ 67,813,564	\$ 107,662,032	\$ 115,674,634	\$ 118,378,677	\$ 132,866,842
Restricted	5,974,817	7,460,817	8,926,497	10,406,854	12,316,484	20,375,868
Unrestricted	6,625,731	9,746,971	23,578,593	24,606,058	26,028,387	15,192,640
Total primary government net assets	<u>\$ 84,489,478</u>	<u>\$ 85,021,352</u>	<u>\$ 140,167,122</u>	<u>\$ 150,687,546</u>	<u>\$ 156,723,548</u>	<u>\$ 168,435,350</u>

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

CITY OF KELLER, TEXAS

TABLE 2

CHANGES IN NET ASSETS

Last Six Fiscal Years

(Accrual Basis)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 4,667,287	\$ 4,102,975	\$ 5,244,438	\$ 5,046,206	\$ 5,495,707	\$ 5,630,782
Public safety	8,376,754	8,625,240	9,889,821	10,627,205	12,162,131	13,969,085
Public works	4,721,525	4,621,754	7,402,595	7,735,718	7,800,979	9,067,983
Community development	1,539,855	984,186	1,128,547	1,251,056	1,231,365	1,291,819
Recreation and leisure	3,768,994	5,332,567	7,322,427	8,089,054	8,449,576	8,592,564
Interest on long-term debt	3,883,471	4,555,553	4,458,890	4,303,912	3,909,308	3,794,400
Total governmental activities expenses	<u>26,957,886</u>	<u>28,222,275</u>	<u>35,446,718</u>	<u>37,053,151</u>	<u>39,049,066</u>	<u>42,346,633</u>
Business-type activities						
Water and wastewater	11,702,639	11,400,743	13,267,173	14,859,712	14,664,225	15,056,060
Drainage	1,523,516	1,435,397	1,717,054	1,641,685	1,819,672	1,839,441
Total business-type activities expenses	<u>13,226,155</u>	<u>12,836,140</u>	<u>14,984,227</u>	<u>16,501,397</u>	<u>16,483,897</u>	<u>16,895,501</u>
Total primary government expenses	<u>\$ 40,184,041</u>	<u>\$ 41,058,415</u>	<u>\$ 50,430,945</u>	<u>\$ 53,554,548</u>	<u>\$ 55,532,963</u>	<u>\$ 59,242,134</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Public works	\$ 310,608	\$ 439,972	\$ 1,131,099	\$ 1,437,910	\$ 920,400	\$ 42,787
Recreation and leisure	333,446	1,523,299	3,018,331	2,879,647	3,484,293	3,247,187
Other activities	3,943,153	4,023,930	5,102,583	5,725,963	5,717,426	3,957,986
Operating grants and contributions	8,321	218,851	379,393	241,527	241,636	2,483,052
Capital grants and contributions	46,497	402,644	5,278,123	2,904,694	2,640,281	6,297,308
Total governmental activities program revenues	<u>4,642,025</u>	<u>6,608,696</u>	<u>14,909,529</u>	<u>13,189,741</u>	<u>13,004,036</u>	<u>16,028,320</u>
Business-type activities						
Charges for services:						
Water and wastewater	12,122,526	12,180,322	14,720,857	18,725,239	15,100,194	18,403,123
Drainage	652,065	739,953	775,288	819,233	855,817	891,424
Operating grants and contributions	-	-	2,906,293	-	-	-
Capital grants and contributions	3,347,187	1,266,880	1,203,652	4,555,755	2,579,605	5,351,853
Total business-type activities program revenues	<u>16,121,778</u>	<u>14,187,155</u>	<u>19,606,090</u>	<u>24,100,227</u>	<u>18,535,616</u>	<u>24,646,400</u>
Total primary government program revenues	<u>\$ 20,763,803</u>	<u>\$ 20,795,851</u>	<u>\$ 34,515,619</u>	<u>\$ 37,289,968</u>	<u>\$ 31,539,652</u>	<u>\$ 40,674,720</u>

continued

CITY OF KELLER, TEXAS

TABLE 2

CHANGES IN NET ASSETS

Last Six Fiscal Years

(Accrual Basis)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Net (expense)/revenue						
Governmental activities	\$ (22,315,861)	\$ (21,613,579)	\$ (20,537,189)	\$ (23,863,410)	\$ (26,045,030)	\$ (26,318,313)
Business-type activities	2,895,623	1,351,015	4,621,863	7,598,830	2,051,719	7,750,899
Total primary government net expense	<u>\$ (19,420,238)</u>	<u>\$ (20,262,564)</u>	<u>\$ (15,915,326)</u>	<u>\$ (16,264,580)</u>	<u>\$ (23,993,311)</u>	<u>\$ (18,567,414)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 10,865,819	\$ 12,217,245	\$ 13,570,085	\$ 14,459,067	\$ 16,079,035	\$ 17,325,312
Sales taxes	4,940,179	5,590,869	6,467,898	7,534,423	8,294,981	8,654,735
Franchise taxes	2,205,786	2,347,256	1,863,898	2,312,400	3,182,681	2,579,383
Other taxes	-	28,510	37,802	49,460	53,482	52,475
Investment earnings	357,284	412,998	534,625	930,146	1,253,401	859,258
Miscellaneous	-	-	(27,869)	4,660	16,680	65,260
Gain (loss) on sale of capital assets	-	-	-	-	(155,856)	26,973
Litigation settlement	-	-	-	-	298,250	-
Transfers	1,745,055	2,162,960	2,243,800	2,192,110	1,892,406	3,185,538
Total governmental activities	<u>20,114,123</u>	<u>22,759,838</u>	<u>24,690,239</u>	<u>27,482,266</u>	<u>30,915,060</u>	<u>32,748,934</u>
Business-type activities:						
Investment earnings	167,251	137,199	422,389	715,250	947,920	611,410
Miscellaneous	282,604	216,102	232,453	2,599	66,392	37,408
Gain (loss) on sale of capital assets	-	-	-	-	(7,652)	67,003
Transfers	(1,745,055)	(2,162,960)	(2,243,800)	(2,192,110)	(1,892,406)	(3,185,538)
Total business-type activities	<u>(1,295,200)</u>	<u>(1,809,659)</u>	<u>(1,588,958)</u>	<u>(1,474,261)</u>	<u>(885,748)</u>	<u>(2,469,717)</u>
Total primary government	<u>\$ 18,818,923</u>	<u>\$ 20,950,179</u>	<u>\$ 23,101,281</u>	<u>\$ 26,008,005</u>	<u>\$ 30,029,312</u>	<u>\$ 30,279,217</u>
Change in Net Assets						
Governmental activities	\$ (2,201,738)	\$ 1,146,259	\$ 4,153,050	\$ 3,618,855	\$ 4,870,029	\$ 6,430,621
Business-type activities	1,600,423	(458,644)	3,032,905	6,124,569	1,165,973	5,281,182
Total primary government	<u>\$ (601,315)</u>	<u>\$ 687,615</u>	<u>\$ 7,185,955</u>	<u>\$ 9,743,424</u>	<u>\$ 6,036,002</u>	<u>\$ 11,711,803</u>

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

CITY OF KELLER, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Accrual Basis)

TABLE 3

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 105,147	\$ 395,188	\$ 273,653	\$ 271,483	\$ 145,641	\$ 396,948	\$ 233,919	\$ 366,151	\$ 477,043	\$ 505,169
Unreserved	<u>2,761,458</u>	<u>3,048,297</u>	<u>3,431,035</u>	<u>2,451,017</u>	<u>2,190,290</u>	<u>3,343,099</u>	<u>4,817,400</u>	<u>6,710,715</u>	<u>6,620,147</u>	<u>7,779,047</u>
Total General Fund	<u>\$ 2,866,605</u>	<u>\$ 3,443,485</u>	<u>\$ 3,704,688</u>	<u>\$ 2,722,500</u>	<u>\$ 2,335,931</u>	<u>\$ 3,740,047</u>	<u>\$ 5,051,319</u>	<u>\$ 7,076,866</u>	<u>\$ 7,097,190</u>	<u>\$ 8,284,216</u>
All Other Governmental Funds										
Reserved										
Debt Service Funds	\$ 1,014,500	\$ 703,466	\$ 2,352,045	\$ 1,102,526	\$ -	\$ -	\$ -	\$ 1,064,520	\$ 869,096	\$ 1,020,122
Other	3,305,253	5,192,125	3,305,668	3,037,386	16,214,013	7,654,181	3,967,972	4,003,778	6,278,438	9,350,456
Unreserved, Reported In:										
Special Revenue Funds	438,814	213,134	278,420	382,768	5,277,916	4,061,253	1,782,152	1,835,923	1,928,273	3,019,066
Capital Projects Funds	<u>8,360,982</u>	<u>8,971,581</u>	<u>14,668,737</u>	<u>12,467,939</u>	<u>5,086,428</u>	<u>4,721,951</u>	<u>6,223,728</u>	<u>4,541,543</u>	<u>4,328,474</u>	<u>(2,501,535)</u>
Total all other governmental funds	<u>\$13,119,549</u>	<u>\$15,080,306</u>	<u>\$20,604,870</u>	<u>\$16,990,619</u>	<u>\$26,578,357</u>	<u>\$16,437,385</u>	<u>\$11,973,852</u>	<u>\$11,445,764</u>	<u>\$13,404,281</u>	<u>\$10,888,109</u>

CITY OF KELLER, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Accrual Basis)

TABLE 4

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
REVENUE:										
Taxes	\$ 8,008,143	\$ 10,380,004	\$ 12,519,407	\$ 15,296,115	\$ 18,131,266	\$ 20,363,179	\$ 22,623,468	\$ 25,280,908	\$ 27,436,311	\$ 28,984,792
Licenses, fees & permits	3,182,243	3,251,554	2,590,412	2,393,831	2,066,866	2,460,221	3,018,740	2,687,921	1,981,637	1,753,197
Intergovernmental	144,294	122,591	111,246	326,339	865,385	1,090,325	1,528,075	885,493	1,584,392	2,243,675
Charges for services	79,820	115,207	134,751	198,466	201,433	1,265,531	2,057,189	3,298,315	3,642,795	4,009,487
Fines	632,688	657,998	719,222	657,896	790,939	911,339	1,019,732	1,174,530	1,177,651	1,059,808
Special assessments & impact fees	989,560	1,000,213	370,549	1,099,060	298,593	450,850	1,180,079	1,220,663	865,963	794,323
Donations	-	-	-	-	-	-	-	151,921	497,102	295,879
Interest Income	752,315	1,285,816	1,852,084	773,817	401,121	445,107	535,806	930,146	1,253,401	859,258
Miscellaneous	569,414	615,128	790,163	501,359	430,817	464,405	1,637,881	556,088	902,062	368,711
Total revenues	<u>14,358,477</u>	<u>17,428,511</u>	<u>19,087,834</u>	<u>21,246,883</u>	<u>23,186,420</u>	<u>27,450,957</u>	<u>33,600,970</u>	<u>36,185,985</u>	<u>39,341,314</u>	<u>40,369,130</u>
EXPENDITURES:										
Current:										
General government	1,766,073	2,001,796	3,667,036	8,106,214	3,774,581	3,785,446	4,047,104	4,174,610	5,097,346	4,865,176
Public safety	4,032,408	4,674,084	5,771,356	7,015,652	7,789,210	8,100,549	8,997,806	9,630,205	11,111,382	12,888,788
Public works	1,044,038	1,118,933	1,384,803	1,747,382	1,768,989	1,736,995	1,703,692	1,915,734	1,944,150	2,147,931
Community development	574,774	662,488	783,835	937,924	938,107	957,446	1,094,295	1,216,936	1,208,865	1,265,371
Recreation & leisure	1,346,136	1,629,181	2,086,096	2,521,710	2,895,724	3,782,756	5,384,346	6,245,698	6,512,392	6,648,619
Capital outlay	6,863,587	9,063,472	13,959,013	15,961,541	16,901,399	19,405,364	7,637,001	4,041,731	2,866,487	7,809,160
Debt service										
Interest	1,219,448	2,640,871	3,062,736	3,733,953	3,840,127	4,632,332	4,462,190	5,938,927	3,832,434	3,594,567
Principal	1,997,587	1,641,185	2,112,037	2,236,261	2,658,739	3,921,781	5,097,337	4,044,830	6,681,820	5,677,177
Bond issue costs	(151,969)	5,029	-	-	149,603	170,031	293,135	30,638	-	-
Total expenditures	<u>18,692,082</u>	<u>23,437,039</u>	<u>32,826,912</u>	<u>42,260,637</u>	<u>40,716,479</u>	<u>46,492,700</u>	<u>38,716,906</u>	<u>37,239,309</u>	<u>39,254,876</u>	<u>44,896,789</u>
EXCESS (DEFICIENCY) OF REVENUES										
OVER (UNDER) EXPENDITURES	(4,333,605)	(6,008,528)	(13,739,078)	(21,013,754)	(17,530,059)	(19,041,743)	(5,115,936)	(1,053,324)	86,438	(4,527,659)

CITY OF KELLER, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Accrual Basis)

TABLE 4

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
OTHER FINANCING SOURCES (USES)										
Proceeds fro disposal of assets	-	-	-	-	-	-	-	-	-	26,973
Transfers In	2,605,113	1,624,590	3,920,843	1,542,335	2,767,786	6,253,996	3,518,575	4,230,611	4,773,096	5,681,956
Transfers out	(2,029,178)	(1,109,955)	(3,314,983)	(906,255)	(1,022,731)	(4,091,036)	(1,274,775)	(2,038,501)	(2,880,690)	(2,510,416)
Debt issue proceeds	-	-	25,886,600	8,383,110	25,024,001	18,420,000	9,980,000	1,160,000	-	-
Refunding bonds issued	-	-	-	-	705,990	-	17,400,000	-	-	-
Bond premium	-	-	-	-	-	292,474	707,108	-	-	-
Bond discount	-	-	-	-	-	(59,838)	(175,114)	-	-	-
Payments to refunded bond escrow agent	(2,275,784)	-	-	-	(694,504)	(11,359,207)	(27,597,225)	(937,743)	-	-
Proceeds of long-term debt	12,510,684	7,850,000	94,333	-	-	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-	848,500	-	-	-	-
Total other financing sources (uses)	<u>10,810,835</u>	<u>8,364,635</u>	<u>26,586,793</u>	<u>9,019,190</u>	<u>26,780,542</u>	<u>10,304,889</u>	<u>2,558,569</u>	<u>2,414,367</u>	<u>1,892,406</u>	<u>3,198,513</u>
NET CHANGE IN FUND BALANCES	<u>\$ 6,477,230</u>	<u>\$ 2,356,107</u>	<u>\$ 12,847,715</u>	<u>\$ (11,994,564)</u>	<u>\$ 9,250,483</u>	<u>\$ (8,736,854)</u>	<u>\$ (2,557,367)</u>	<u>\$ 1,361,043</u>	<u>\$ 1,978,844</u>	<u>\$ (1,329,146)</u>
Debt service as a percentage of noncapital expenditures	25.9%	29.8%	27.4%	22.7%	27.3%	31.3%	29.9%	35.0%	34.4%	28.0%

CITY OF KELLER, TEXAS

TABLE 5

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Mixed Beverage Tax	Total
1999	\$ 5,781,882	\$ 1,217,336	\$ 1,008,925	\$ -	\$ 8,008,143
2000	7,083,264	1,753,766	1,124,794	-	9,961,824
2001	7,587,198	3,106,863	1,390,095	-	12,084,156
2002	9,164,660	4,133,959	1,477,494	-	14,776,113
2003	10,985,301	4,940,179	1,550,787	-	17,476,267
2004	12,396,544	5,590,869	1,692,257	28,510	19,708,180
2005	13,500,870	6,467,898	1,863,899	37,802	21,870,469
2006	14,607,625	7,534,422	2,312,400	49,461	24,503,908
2007	16,079,035	8,294,981	2,280,832	53,482	26,708,330
2008	17,698,199	8,654,735	2,579,383	52,475	28,984,792
Percent Change 1998-2008	206.1%	611.0%	155.7%	84.1% ¹	261.9%

Note: ¹ Percent Change 2004-2008

CITY OF KELLER, TEXAS

TABLE 6

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial & Industrial Property	Undeveloped Vacant Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1999	\$ 971,622,710	\$ 134,630,126	\$ 163,955,274	\$ 152,684,252	\$ 1,117,523,858	0.45800	\$ 1,117,523,858	100.00%
2000	1,146,360,478	115,494,420	194,024,809	108,087,840	1,347,791,867	0.45300	1,347,791,867	100.00%
2001	1,370,596,075	237,346,979	207,923,106	193,798,051	1,622,068,109	0.44300	1,622,068,109	100.00%
2002	1,603,024,460	333,544,637	244,986,793	237,563,048	1,943,992,842	0.43800	1,943,992,842	100.00%
2003	1,906,127,078	381,268,466	252,355,261	247,579,462	2,292,171,343	0.43800	2,292,171,343	100.00%
2004	2,113,733,584	427,532,120	226,348,500	266,697,966	2,500,916,238	0.43800	2,500,916,238	100.00%
2005	2,277,216,550	449,816,289	211,683,100	277,352,367	2,661,363,572	0.44413	2,661,363,572	100.00%
2006	2,503,947,102	472,408,098	211,613,983	293,198,655	2,894,770,528	0.44413	2,894,770,545	100.00%
2007	2,725,521,606	556,935,766	216,651,329	289,881,845	3,209,226,856	0.43219	3,209,226,856	100.00%
2008	3,065,047,517	622,932,772	173,975,819	315,523,601	3,546,432,507	0.43219	3,546,432,507	100.00%

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

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

Source: Tarrant Appraisal District.

CITY OF KELLER, TEXAS

TABLE 7

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates				Total Direct & Overlapping Tax Rates
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Tarrant County Hospital District	Keller Independent School District	Tarrant County College District	Tarrant County	
1999	0.31019	0.14781	0.45800	0.234070	1.51000	0.10640	0.26484	2.57331
2000	0.29282	0.16018	0.45300	0.234070	1.47500	0.10641	0.26484	2.53332
2001	0.29095	0.15205	0.44300	0.234070	1.52270	0.10641	0.27479	2.58097
2002	0.28065	0.15735	0.43800	0.232400	1.52890	0.10641	0.27479	2.58050
2003	0.28249	0.15551	0.43800	0.232400	1.65190	0.13938	0.27250	2.73418
2004	0.29912	0.13888	0.43800	0.235397	1.67620	0.13938	0.27250	2.76148
2005	0.29765	0.14648	0.44413	0.235397	1.69750	0.13938	0.27250	2.78891
2006	0.30570	0.13843	0.44413	0.235397	1.71580	0.13938	0.27250	2.80721
2007	0.30447	0.12772	0.43219	0.235397	1.60800	0.13938	0.27150	2.68647
2008	0.31247	0.11972	0.43219	0.230397	1.35740	0.13938	0.26650	2.42587

Note: Rates are per \$100 valuation.

Source: Respective taxing entities

CITY OF KELLER, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
 Current Year and Nine Years Ago

TABLE 8

2008				1999			
<u>Taxpayer</u> ²	<u>Market Value</u>	<u>Percentage of Total City Market Value</u>	<u>Rank</u>	<u>Taxpayer</u>	<u>Market Value</u>	<u>Percentage of Total City Market Value</u>	
Capri W Dtc	\$ 25,600,000	0.66%	1	Keller Crossing L.P.	\$ 7,988,749	0.59%	
GTE Southwest Inc	15,703,700	0.41%	2	RCS/Idlewood LP	5,148,000	0.38%	
Ktc Seniors Ltd	17,465,400	0.45%	3	Texas Utilities	7,113,370	0.53%	
PR Keller Partners LP	15,900,000	0.41%	4	US Rentals	5,152,007	0.38%	
Regency Centers LP	17,337,000	0.45%	5	General Telephone	5,308,570	0.39%	
Winkler Keller Place Shop Etal	10,870,700	0.28%	6	The Kroger Company	4,636,267	0.34%	
Grand Estates at Keller LP	13,301,400	0.34%	7	Hidden Lakes Partners	4,820,566	0.36%	
Oncor Electric Delivery Co	12,319,600	0.32%	8	Drees Custom Homes	3,239,550	0.24%	
Lowe's Home Centers	13,359,500	0.35%	9	Mrs. C. D. Frazier	3,138,585	0.23%	
Home Depot USA	11,226,300	0.29%	10	Keller Golf LP	3,006,525	0.22%	
Remaining Taxpayers	3,712,630,400	96.04%	--	Remaining Taxpayers	1,298,239,678	96.32%	
Total	\$ 3,865,714,000 ¹	100.00%			\$ 1,347,791,867 ²	100.00%	

¹ Tarrant Appraisal District

² Annual financial report

CITY OF KELLER, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

TABLE 9

<u>Fiscal Year Ended September 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Delinquent Tax Collections</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1999	\$ 5,118,259	\$ 5,103,036	99.70%	\$ 12,821	\$ 5,115,857	99.95%
2000	6,105,497	6,027,340	98.72%	74,513	6,101,853	99.94%
2001	7,172,665	7,077,938	98.68%	84,801	7,162,739	99.86%
2002	8,514,689	8,412,717	98.80%	96,468	8,509,185	99.94%
2003	10,039,710	9,926,842	98.88%	104,863	10,031,705	99.92%
2004	10,954,013	10,870,031	99.23%	74,587	10,944,618	99.91%
2005	11,819,914	11,734,243	99.28%	59,615	11,793,858	99.78%
2006	12,856,544	12,744,905	99.13%	106,365	12,851,270	99.96%
2007	13,827,290	13,707,407	99.13%	125,597	13,833,004	100.04%
2008	15,264,825	15,142,043	99.20%	83,350	15,225,393	99.74%

CITY OF KELLER, TEXAS
TAXABLE SALES BY CATEGORY
 Last Ten Calendar Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Agriculture	\$ 3,117,778	\$ 4,190,766	\$ 4,331,517	\$ 4,195,455	\$ 4,235,299
Construction	2,587,583	2,131,688	3,132,180	1,962,745	2,264,394
Transportation, Communications	158,675	520,770	1,836,531	4,532,884	4,379,448
Utilities	-	-	-	-	-
Manufacturing	799,080	1,204,357	1,755,817	2,733,797	3,966,331
Wholesale Trade	1,619,625	1,608,817	1,652,971	2,128,269	2,138,230
Retail Trade	49,739,634	67,481,342	104,372,013	141,020,365	156,488,660
Information	-	-	-	-	-
Finance & Insurance	-	11,740	179,867	170,082	173,731
Real Estate, Rental & Leasing	-	-	-	-	-
Professional, Scientific & Technical Services	-	-	-	-	-
Administrative & Support Services	27,168,095	30,627,360	26,214,838	24,287,680	24,155,406
Educational Services	-	-	-	-	-
Arts, Entertainment & Recreation	-	-	-	-	-
Accommodation & Food Services	-	-	-	-	-
Other Services except PA	-	-	-	-	-
Other	-	-	-	-	-
Total	<u><u>\$ 85,190,470</u></u>	<u><u>\$ 107,776,840</u></u>	<u><u>\$ 143,475,734</u></u>	<u><u>\$ 181,031,277</u></u>	<u><u>\$ 197,801,499</u></u>
Direct Sales Tax Rate	1.500%	1.500%	1.500%	1.500%	1.875%

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

TABLE 10

	2004	2005	2006	2007	2008
\$	4,871,436	\$ 5,468,880	\$ -	\$ -	\$ -
	4,212,895	5,749,764	5,248,032	7,013,295	19,638,031
	624,378	503,008	696,935	13,270,529	12,687,760
	-	-	20,503,791	26,447,297	36,366,939
	3,938,867	4,241,081	7,935,347	8,904,880	12,501,658
	2,999,989	2,714,901	12,306,490	7,213,880	10,262,572
	158,398,693	169,407,587	87,195,184	95,563,198	101,173,641
	-	-	29,277,212	17,947,316	28,159,742
	132,753	-	566,094	1,021,182	2,229,655
	-	-	1,421,852	1,408,433	3,359,237
	-	-	5,053,089	17,275,861	6,120,400
	24,417,992	26,594,896	15,605,492	6,569,325	3,137,418
	-	-	36,003	37,249	84,267
	-	-	3,365,641	3,539,286	5,751,308
	-	-	26,001,060	21,821,352	33,956,835
	93,368	5,721,496	4,618,231	5,296,379	103,068,443
	-	-	85,632,350	105,762,350	100,293
	<u>\$ 199,690,371</u>	<u>\$ 220,401,613</u>	<u>\$ 305,462,803</u>	<u>\$ 339,091,812</u>	<u>\$ 378,598,199</u>
	2.000%	2.000%	2.000%	2.000%	2.000%

CITY OF KELLER, TEXAS
 DIRECT AND OVERLAPPING SALES TAX RATES
 Last Ten Fiscal Years

TABLE 11

Fiscal Year	State of Texas	Keller Direct Rate	Keller Development Corporation ¹	Keller Crime Control District ²	Street Maintenance ³	Totals
1999	6.250%	1.000%	0.500%	--	--	7.750%
2000	6.250%	1.000%	0.500%	--	--	7.750%
2001	6.250%	1.000%	0.500%	--	--	7.750%
2002	6.250%	1.000%	0.500%	--	--	7.750%
2003	6.250%	1.000%	0.500%	0.375%	--	8.125%
2004	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2005	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2006	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2007	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2008	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%

Notes: ¹ Effective 1992

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

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

CITY OF KELLER, TEXAS
SALES TAXPAYERS BY INDUSTRY
 Current Year and Nine Years Ago

TABLE 12

	2008				1999			
	Number of Payers	Percent of Total	Tax ¹	Percentage of Total	Number of Payers	Percent of Total	Tax ²	Percentage of Total
Construction	346	7.16%	\$ 392,761	5.19%	136	5.57%	\$ 79,945	4.04%
Transportation, Communications & Warehousing	57	1.18%	253,755	3.35%	141	5.78%	136,841	6.91%
Utilities	31	0.64%	727,339	9.61%	7	0.29%	265	0.01%
Manufacturing	261	5.40%	250,033	3.30%	134	5.49%	123,573	6.24%
Wholesale Trade	513	10.62%	205,251	2.71%	135	5.53%	66,423	3.36%
Retail Trade	1,540	31.88%	2,023,473	26.72%	853	34.94%	608,861	30.77%
Information	434	8.98%	563,195	7.44%	89	3.65%	90,769	4.59%
Finance & Insurance	98	2.03%	44,593	0.59%	23	0.94%	3,583	0.18%
Real Estate, Rental & Leasing	90	1.86%	67,185	0.89%	24	0.98%	8,395	0.42%
Professional, Scientific, and Technical Services	253	5.24%	122,408	1.62%	104	4.26%	30,909	1.56%
Admin & Support Svcs	74	1.53%	62,748	0.83%	61	2.50%	16,428	0.83%
Educational Services	21	0.43%	1,685	0.02%	-	0.00%	-	0.00%
Arts, Entertainment & Recreation	36	0.75%	115,026	1.52%	16	0.66%	8,180	0.41%
Accommodation & Food Services	132	2.73%	679,137	8.97%	41	1.68%	140,081	7.08%
Other Services except PA	929	19.23%	2,061,369	27.22%	677	27.73%	664,806	33.59%
Other	16	0.33%	2,006	0.03%	-	0.00%	-	0.00%
Total	4,831	100.00%	\$ 7,571,964	100.00%	2,441	100.00%	\$ 1,979,058	100.00%

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

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

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

CITY OF KELLER, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

TABLE 13

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	KDC Revenue Bonds	Other	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	TRA-Other			
1999	\$ 13,270,464	\$ 23,531,000	\$ 1,520,000	\$ 794,289	\$ 7,345,403	\$ 3,712,100	\$ 420,000	\$ 3,026,992	\$ 53,620,248	7.59%	\$ 2,189
2000	12,618,312	30,665,300	1,450,000	677,250	9,882,993	584,700	330,000	7,247,302	63,455,857	7.25%	2,321
2001	37,639,009	29,455,900	1,380,000	743,152	9,511,709	4,924,100	230,000	3,421,663	87,305,533	9.73%	3,111
2002	10,990,832	62,680,700	1,305,000	1,046,810	8,900,877	4,654,300	115,000	2,899,628	92,593,147	9.68%	3,095
2003	10,092,884	86,214,700	1,220,000	1,138,128	8,462,074	4,365,300	-	2,771,724	114,264,810	11.23%	3,592
2004	14,606,478	85,305,000	1,130,000	1,197,541	7,840,279	15,370,000	-	2,428,348	127,877,646	12.07%	3,862
2005	22,927,061	73,210,000	1,035,000	779,269	10,198,030	11,785,000	-	2,082,011	122,016,371	11.15%	3,565
2006	21,226,401	69,425,000	890,000	668,814	9,768,600	15,515,000	-	1,621,409	119,115,223	10.20%	3,263
2007	19,577,414	64,590,000	775,000	585,982	8,728,625	14,850,000	-	1,216,439	110,323,460	8.54%	2,926
2008	17,883,020	61,460,000	660,000	508,195	7,761,982	14,130,000	-	772,337	103,175,534	7.84%	2,687

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

CITY OF KELLER, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

TABLE 14

Fiscal Year	General Bonded Debt Outstanding				Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	<u>Governmental Activities</u>		<u>Business-type Activities</u>				
	General Obligation Bonds	Certificates of Obligation	General Obligation Bonds	Certificates of Obligation			
1999	\$ 13,270,464	\$ 23,531,000	\$ 10,314,505	\$ 1,164,000	\$ 48,279,969	4.32%	\$ 1,971
2000	12,618,312	30,665,300	9,982,831	5,489,700	58,756,143	4.36%	2,149
2001	37,639,009	29,455,900	9,519,970	5,154,100	81,768,979	5.04%	2,913
2002	10,990,832	62,680,700	8,900,877	4,769,300	87,341,709	4.49%	2,920
2003	10,092,884	86,214,700	8,772,116	4,365,300	109,445,000	4.77%	3,440
2004	14,606,478	85,305,000	8,113,522	15,370,000	123,395,000	4.93%	3,727
2005	22,927,061	73,210,000	10,667,938	11,785,000	118,589,999	4.46%	3,465
2006	21,226,401	69,425,000	9,768,600	15,515,000	115,935,001	4.00%	3,176
2007	19,577,414	65,365,000	8,782,587	14,850,000	108,575,001	3.38%	2,880
2008	17,883,020	61,460,000	7,761,982	14,130,000	101,235,002	2.85%	2,636

CITY OF KELLER, TEXAS

TABLE 15

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Carroll Independent School District	\$ 135,566,864	0.13%	\$ 176,237
Keller Independent School District	603,100,492	35.47%	213,919,744
Northwest Independent School District	454,313,735	0.21%	954,059
Tarrant County General Obligation Debt	346,495,000	3.14%	10,879,943
Tarrant County College District	49,005,000	3.12%	1,528,956
Tarrant County Hospital District	29,585,000	3.14%	928,969
Subtotal, overlapping debt			<u>228,387,908</u>
City of Keller direct debt		100.00%	<u>33,288,020</u>
Total direct and overlapping debt			<u>\$ 261,675,928</u>

Source : www.mactexas.com

CITY OF KELLER, TEXAS
 LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

	Fiscal Year				
	1999	2000	2001	2002	2003
Debt limit	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000
Adopted tax rate	<u>0.45800</u>	<u>0.45300</u>	<u>0.44300</u>	<u>0.43800</u>	<u>0.43800</u>
Additional rate available	<u>2.04200</u>	<u>2.04700</u>	<u>2.05700</u>	<u>2.06200</u>	<u>2.06200</u>
Legal debt margin	<u>\$ 22,944,592</u>	<u>\$ 27,334,586</u>	<u>\$ 31,963,923</u>	<u>\$ 38,403,588</u>	<u>\$ 45,372,135</u>
Total net debt applicable to the limit as a percentage of debt limit	18.32%	18.12%	17.72%	17.52%	17.52%

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

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

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

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

TABLE 16

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000
<u>0.43800</u>	<u>0.44413</u>	<u>0.44413</u>	<u>0.43219</u>	<u>0.43219</u>
<u>2.06200</u>	<u>2.05587</u>	<u>2.05587</u>	<u>2.06781</u>	<u>2.06781</u>
<u>\$ 46,718,343</u>	<u>\$ 52,623,315</u>	<u>\$ 57,579,506</u>	<u>\$ 66,156,570</u>	<u>\$ 72,891,093</u>
17.52%	17.77%	17.77%	17.29%	17.29%

Legal Debt Margin Calculation for the Current Fiscal Year

Maximum allowable tax rate	\$ 2.50000
Adopted tax rate	0.43219
Additional rate available	\$ 2.06781
Total taxable value	\$ 3,525,038,242
Additional tax levy available (debt margin)	72,891,093
Less: amount set aside for repayment of general obligation debt	<u>1,020,122</u>
Legal debt margin	<u>\$ 71,870,971</u>

CITY OF KELLER, TEXAS
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

TABLE 17

Water Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
1999	\$ 9,150,824	\$ 8,586,090	\$ 564,734	\$ 265,000	\$ 36,706	1.87%
2000	10,580,905	9,606,196	974,709	90,000	26,223	8.39%
2001	12,056,510	9,377,999	2,678,511	100,000	21,345	22.07%
2002	11,954,662	10,301,365	1,653,297	115,000	13,225	12.89%
2003	12,122,526	11,702,639	419,887	115,000	4,428	3.52%
2004	12,180,322	11,400,743	779,579	-	-	n/a
2005	14,720,857	13,267,173	1,453,684	-	-	n/a
2006	18,725,239	11,509,760	7,215,479	-	-	n/a
2007	15,071,034	10,878,806	4,192,228	-	-	n/a
2008	18,440,505	11,072,183	7,368,322	-	-	n/a

CITY OF KELLER, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

TABLE 18

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income	Median Age	School Enrollment (KISD) ²	Unemployment Rate ⁴
1999	24,500	\$ 706,825,000	\$ 28,850 ³	29.7	14,094	1.4%
2000	27,345	874,657,170	31,986 ³	29.7	16,300	1.6%
2001	28,066	897,719,076	31,986 ³	29.7	18,429	2.1%
2002	29,915	956,861,190	31,986 ³	29.7	20,097	2.9%
2003	31,814	1,017,602,604	31,986 ³	35.0	20,032	2.7%
2004	33,112	1,059,120,432	31,986 ³	35.0	23,663	4.1%
2005	34,224	1,094,688,864	31,986 ³	35.0	25,644	3.4%
2006	36,508	1,167,744,888	31,986 ³	35.0	25,873	3.2%
2007	37,700	1,291,488,900	34,257 ⁴	35.0 ⁵	27,905	3.8%
2008	38,402	1,315,537,314	34,257 ⁴	35.0 ⁵	29,424	5.1%

Sources: ¹ North Central Texas Council of Governments (NCTCOG)

² Keller Independent School District (KISD)

³ Bureau of Census

⁴ Texas Workforce Commission, <http://www.twc.state.tx.us/>

⁵ www.idcide.com, © 2008

CITY OF KELLER, TEXAS
PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

TABLE 19

<u>Alliance Airport Area Employers</u>	<u>2008</u>			<u>1999</u>	
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
ATC Logistics/Electronics	3,000	17.46%	1	-	0.00%
Sabre	3,000	17.46%	2	-	0.00%
AMR	2,381	13.85%	3	-	0.00%
Keller ISD	3,166	18.42%	4	-	0.00%
Fidelity Investments	2,000	11.64%	5	-	0.00%
Motorola	1,300	7.56%	6	-	0.00%
Daimler Chrysler	750	4.36%	7	-	0.00%
SW Bell	750	4.36%	8	-	0.00%
Advanced PCS Systems	500	2.91%	9	-	0.00%
Corning Cable Systems	340	1.98%	10	-	0.00%
Total	<u>17,187</u>	<u>100.00%</u>		<u>-</u>	<u>0.00%</u>

Source: Information provided by city staff; 1999 information is not available.

CITY OF KELLER, TEXAS

FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

TABLE 20

Function/Program	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government										
Administration	5.00	5.00	5.00	5.75	6.00	6.25	6.25	7.00	7.00	8.50
Finance	5.98	6.75	6.00	6.50	7.00	7.00	7.00	7.00	7.00	7.50
Planning	11.00	12.75	13.75	13.25	14.98	14.98	13.11	14.25	14.25	14.50
Town Hall Operations	0.00	0.00	0.00	0.80	1.00	1.00	1.00	1.00	1.00	2.00
Other	9.90	10.65	11.40	13.83	16.25	17.25	19.16	17.73	17.73	22.83
Police										
Officers	39.50	41.75	51.00	57.67	66.00	66.00	66.50	67.00	71.00	78.00
Civilians	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Fire										
Firefighters and Officers	30.50	33.75	39.00	40.88	41.75	42.50	44.50	44.50	44.50	60.50
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public Works										
Engineering	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Other	7.50	9.38	11.28	13.76	13.83	11.83	10.83	11.33	11.33	11.33
Parks and Recreation	18.04	20.35	22.45	24.85	28.90	53.07	71.32	87.24	87.24	83.08
Library	10.38	11.53	12.53	13.83	14.83	14.97	14.97	15.97	15.97	15.97
Water	21.09	22.88	23.78	27.21	33.67	34.92	34.92	34.92	35.92	35.92
Wastewater	5.50	8.50	6.00	6.50	7.25	7.25	7.50	7.50	9.50	10.50
Drainage	7.53	8.53	8.78	8.78	7.50	7.75	7.75	7.75	8.75	8.75
Total	<u>183.92</u>	<u>203.82</u>	<u>222.97</u>	<u>245.61</u>	<u>270.96</u>	<u>296.77</u>	<u>316.81</u>	<u>335.19</u>	<u>343.19</u>	<u>371.38</u>

Source: ¹ Information provided by city staff

CITY OF KELLER, TEXAS
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

TABLE 21

Function	Fiscal Year¹									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Council & work sessions held	47	35	52	42	42	41	35	32	51	45
Cable broadcasts	210	300	375	554	565	594	594	594	658	670
Birth/death certificates issued	437	638	640	797	847	962	1,113	1,308	1,218	1,495
Building Permits Issued	816	608	56	411	394	363	390	473	255	310
New construction plan review	876	682	712	505	487	446	450	480	360	375
Police										
Physical Arrests	692	617	793	972	1,121	1,297	1,396	1,754	1,631	1,750
Total Citations Issued	8,702	8,636	8,361	11,277	10,044	11,123	12,274	15,517	12,755	10,500
Total emergency '911' calls *	7,540	10,000	11,000	11,500	11,673	12,978	13,160	13,160	13,160	26,560
Calls for Service *	12,552	13,179	38,376	46,746	57,484	72,588	75,217	76,103	77,329	147,230
Animal Control										
Animals adopted/redeemed	202	98	234	461	376	436	631	834	619	724
Stray animal complaints	945	1,466	1,771	2,235	1,966	2,424	7,250	10,462	9,935	12,750
Animals impounded	492	721	902	1,120	1,162	1,190	1,251	1,504	1,152	1,292
Nuisance wildlife trapped	145	514	518	620	546	449	397	336	187	233
Animal bite investigations	28	59	69	71	56	75	72	61	65	54
Fire										
Emergency Responses	1,154	1,479	1,678	1,838	1,917	1,863	2,204	2,500	1,625	1,785
Calls for Service, excludes EMS	644	708	608	744	805	735	763	928	970	1,175
Fire Hydrants Maintained	1,520	1,035	439	n/a	1,734	1,785	1,844	1,824	1,875	2,026
Inspections	335	175	389	293	474	346	384	420	584	600
Finance										
Accounts payable checks processed	6,968	6,924	6,764	5,567	4,299	4,544	4,443	5,819	5,107	5,269
Payroll checks processed	4,982	5,838	5,659	4,681	7,195	8,411	9,107	4,986	10,442	11,320
Journal entries posted	1,483	1,450	2,309	2,890	2,854	3,140	2,972	4,499	5,189	5,813
Purchase orders processed	2,695	2,581	2,537	800	244	319	274	316	346	336

CITY OF KELLER, TEXAS
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

TABLE 21

Function	Fiscal Year¹									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Human Resources										
Applications processed	487	282	896	2,115	1,293	1,328	3,530	1,704	2,200	1,895
Vacancies filled	45	34	70	43	35	160	154	42	44	53
Turnover rate	21.00%	30.00%	15.50%	11.00%	10.00%	9.40%	9.60%	13.18%	12.50%	10.75%
Safety classes conducted	14	24	24	12	12	17	8	9	9	6
Worker compensation claims	52	29	37	41	45	50	53	53	60	43
Municipal Court										
Citations processed	10,231	8,862	9,068	9,023	9,023	11,123	12,766	15,613	12,755	10,500
Warrants processed	2,278	1,972	1,410	1,946	1,946	2,517	2,744	2,370	2,938	2,400
Court sessions	238	195	218	224	224	204	240	204	212	212
Defendant requests for court date	6,300	5,393	4,650	3,996	3,996	3,862	3,548	7,809	4,915	3,981
Public Works										
Review CIP designed by others	4	7	8	9	10	14	14	14	14	6
Street Resurfacing (miles)	3.63	6.44	9.39	2.50	8.23	1.60	12.96	6.87	12.00	11.00
Sidewalks repaired (linear feet)	351	300	400	1,000	500	500	80	620	300	100
Parks and Recreation										
Park acreage	304	328	362	402	412	433	436	442	442	508
Facility reservations	331	312	372	508	304	450	518	495	492	600
Program Attendance (incl. Sr. programs)	14,296	21,456	22,345	27,300	28,590	28,890	30,604	27,308	27,901	33,213
Athletic Field Permits Issued	1,584	2,048	2,050	2,464	2,623	3,750	3,750	n/a	n/a	n/a
Recreation programs provided (incl. Sr. programs)	225	247	280	295	304	90	359	367	900	950
Library										
Library customer visits	144,283	133,246	136,389	156,352	216,671	229,830	234,474	249,455	251,327	253,000
Total volumes borrowed	187,711	211,158	242,469	278,676	353,431	368,376	411,783	412,000	380,258	400,000
Volumes in collection	45,974	50,000	57,000	81,625	81,625	81,625	108,108	110,000	119,232	128,632
Water										
New Customers (net)	766	859	641	410	333	213	452	(265)	350	484
Water Main Breaks	n/a	28	74	86	59	101	84	101	44	34
Average Daily Consumption (gal.)	5,261,000	7,014,000	6,700,000	6,000,000	6,900,000	6,700,000	8,039,100	9,595,000	6,962,000	8,100,000
Peak Daily Consumption (gal.)	14,400,000	16,000,000	16,000,000	17,000,000	19,000,000	13,200,000	17,858,000	19,300,000	17,500,000	18,500,000
Wastewater										
Average Daily Sewage Treatment (gals)	1,726,000	1,857,000	2,214,000	2,427,000	2,217,000	2,466,000	2,620,000	2,877,000	3,150,000	3,145,000

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

Note * increase due to Keller/Southlake police services merger

CITY OF KELLER, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

TABLE 22

Function	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	12	15	15	15	18	18	28	25	25
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Engines/Trucks	2	3	3	3	3	3	3	3	3	6
Public Works										
Streets (miles)	210	215	240	240	243	275	250	182	393	397
Street lights	1,298	1,350	1,350	1,530	1,710	1,710	1,710	2,055	2,075	2,225
Traffic Signals	0	0	0	0	1	4	4	4	4	5
Parks and Recreation										
Acreage	334	420	362	402	412	415	433	442	442	456
Playgrounds	1	1	1	1	1	1	8	8	9	9
Baseball/Softball Fields	3	3	4	4	4	4	8	8	11	11
Soccer/Football Fields	2	2	7	7	7	7	8	8	9	9
Community Centers	1	1	1	1	1	1	1	1	1	1
Water										
Water Mains (miles)	312	330	330	352	370	440	440	440	489	492
Storage Capacity (gallons)	7,500,000	4,500,000	4,500,000	6,000,000	6,000,000	6,000,000	6,000,000	9,000,000	9,000,000	10,000,000
Wastewater										
Sanitary Sewers (miles)	92	100	106	130	150	220	280	286	289	297
Storm Sewers (miles)	30.00	35.00	37.00	43.00	43.00	43.00	43.00	45.00	46.85	50.08
Treatment Capacity (gallons)	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	9,000,000	9,000,000	10,000,000	10,000,000	10,000,000

Notes¹ Increase includes purchases as well as 3 leased motorcycle units.

² City staff correction to prior year estimates due to GIS technology

³ Water System transfer from City of Keller to City of Ft. Worth.

⁴ TXU & TCEC erect city street lights, therefore provider supplies count. The City of Keller remits the cost of electricity to the provider.