



Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2009

Mayor and City Council

Pat McGrail, Mayor

Ray Brown, City Council - Place 1

John Baker, City Council - Place 2 and Mayor Pro Tem

Tom Cawthra, City Council - Place 3

Jim Thompson, City Council - Place 4

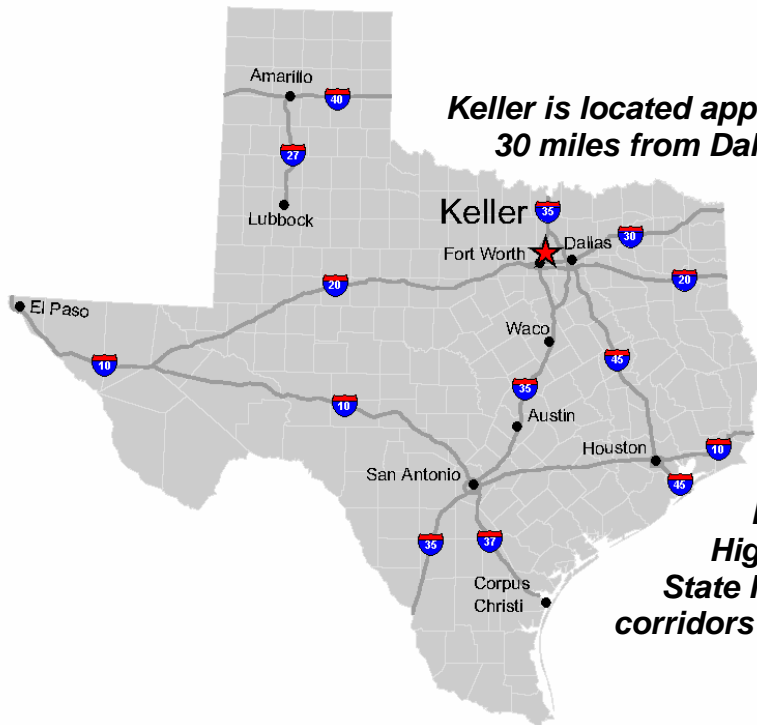
Mitch Holmes, City Council - Place 5

Administrative Officials

Dan O'Leary, City Manager

Johnny Phifer, Director of Finance





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



CITY OF KELLER, TEXAS

**Comprehensive Annual
Financial Report**

**For Fiscal Year Ended
September 30, 2009**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS

*COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2009*

Prepared by the
CITY OF KELLER
FINANCE DEPARTMENT

CITY COUNCIL

Pat McGrail, Mayor

John Baker, Mayor Pro-Tem

Ray Brown
Mitch Holmes
Tom Cawthra
Jim Thompson

CITY MANAGER

Dan O'Leary

DIRECTOR OF FINANCE

Johnny L. Phifer, CGFO

CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
SEPTEMBER 30, 2009

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	1 – 7
Certificate of Achievement for Excellence in Financial Reporting.....	8
Organization Chart.....	9
Principal City Officials.....	10
 FINANCIAL SECTION	
Independent Auditor’s Report.....	11
Management’s Discussion and Analysis.....	13 – 25
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	29
Statement of Activities.....	30 – 31
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	32 – 33
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	35
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	36 – 37
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	39

(continued)

CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2009

	<u>Page Number</u>
FINANCIAL SECTION (Continued)	
Fund Financial Statements (Continued)	
Statement of Net Assets – Proprietary Funds	40
Statement of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – Proprietary Funds	41
Statement of Cash Flows – Proprietary Funds.....	42 – 43
Notes to Financial Statements.....	45 – 68
Required Supplementary Information	
General Fund	
Budgetary Comparison Schedule.....	71
Notes to Required Supplementary Information	72
Nonmajor Governmental Funds	
Combining Balance Sheet.....	76 – 79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80 – 83
Budgetary Comparison Schedules	
General Obligation Debt Service Fund.....	87
Recreation/Aquatic Center Fund	88
Keller Development Corporation	89
Library Fund.....	90
Recreation Fund	91
Municipal Court Fund	92
Joint Teen Court Fund.....	93
Crime Control Prevention District Fund.....	94
Information Services Fund.....	95
TIF #1 Interest and Sinking Fund	96
Park Development Fee Fund.....	97
Street/Sidewalk Improvements Fund	98
Equipment Replacement Fund.....	99

(continued)

CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2009

	<u>Table</u>	<u>Page Number</u>
STATISTICAL SECTION (Unaudited)		
Net Assets by Component.....	1	103
Changes in Net Assets	2	104 – 105
Fund Balances of Governmental Funds.....	3	107
Changes in Fund Balances of Governmental Funds.....	4	108 – 109
Tax Revenues by Source of Governmental Funds	5	110
Assessed Value and Estimated Actual Value of Taxable Property.....	6	111
Property Tax Rates – Direct and Overlapping Governments.....	7	112
Principal Property Taxpayers	8	113
Property Tax Levies and Collections	9	115
Taxable Sales by Category	10	116 – 117
Direct and Overlapping Sales Tax Rates	11	118
Sales Taxpayers by Industry	12	119
Ratios of Outstanding Debt by Type.....	13	120
Ratios of General Bonded Debt Outstanding	14	121
Direct and Overlapping Governmental Activities Debt	15	123
Legal Debt Information	16	124 – 125
Pledged Revenue Coverage	17	126
Demographic and Economic Statistics.....	18	127

(continued)

CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2009

	<u>Table</u>	<u>Page Number</u>
STATISTICAL SECTION (Unaudited) (Continued)		
Principal Employers	19	128
Fulltime Equivalent City Government Employees by Function/Program	20	129
Operating Indicators by Function/Program.....	21	130 – 131
Capital Asset Statistics by Function/Program	22	132
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		133 – 134
Schedule of Findings and Responses.....		135
Schedule of Prior Year Findings and Responses.....		136 – 141

INTRODUCTORY SECTION



March 1, 2010

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

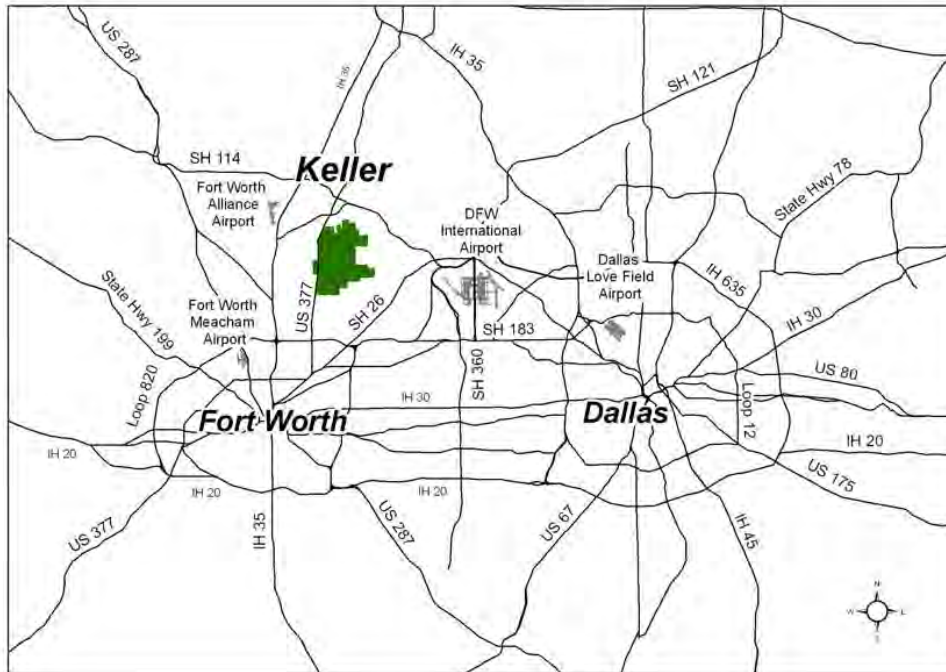
The Comprehensive Annual Financial Report for the City of Keller, Texas (the City) for the fiscal year ended September 30, 2009, is hereby submitted. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditors, in accordance with §103.001 of the 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.

Additionally, the City has an Audit Committee as a sub-committee of the City Council which functions as an audit committee and hears and reviews all recommendations made by the independent auditors.

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, 2009, a revised budget was approved by the City Council on September 22, 2009. 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. All applicable financial targets were met or exceeded. Additional information regarding the annual budget is provided in the MD&A. For fiscal year 2009-2010, the City adopted a tax rate of \$0.44219 per \$100 of taxable value, an increase of one-cent over the previous year.

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 and to widen North Tarrant Parkway from Whitley Road to Davis Boulevard. 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 and was named the "Best 2008 Single-Family Residential Development in the DFW Metroplex" at the Dallas Business Journal's Best Real Estate Deals Annual Event. 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 approximately 60,000 square-feet of retail/office space, as well as a site plan for a 53,290 square foot Holiday Day Inn hotel with an accompanying 1,500 square foot conference meeting center. The Shops at Cindy, a 10,000 square-foot retail shopping center project, and Keller Crossing, Phase IV, a 9,400 square-foot retail shopping center project, have been completed, as well as a number of medical offices, totaling over 20,000 square feet.

Development continues to boom in Keller Town Center. The Arthouse at Keller Town Center, which is a \$26 million mixed-use development, continues to thrive. Apartment units exceed 70% occupancy, and several retail, restaurant, medical, and office businesses have located in the development. Construction continues on Phase I of the \$42 million Uptown at Keller Town Center-- 48 live-work units on the west side of Countrybrook Lane. Phase II of Uptown at Keller Town Center has also been 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 has commenced construction on the first phase of 77,600 square-feet of retail/office space. Keller anticipates more projects coming forward in 2010 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 183 residential building permits in 2009 having an average construction permit value in excess of \$282,528. 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 \$28 million.

MONEY magazine has named the City of Keller 7th in its top 100 "Best Places to Live" ranking of small U. S. towns. The magazine's annual list was released Monday, July 13, 2009, on its Website, with a follow-up article published in the magazine's August 2009 edition. The list ranks small towns by looking at the strength of their economies, home values, public schools, unemployment rates, crime rates and amenities that enrich the quality of life, among other attributes. For Keller, the article cites the energy industry that has bolstered the region, as well as major offices just outside the City for FedEx, Fidelity Investments and Sabre Holdings. The Keller Town Center district and abundant park amenities were also noted as assets. These factors, as well as the booming Alliance corridor and companies such as American Airlines, have helped Keller's population triple since 1990.

According to the Texas Workforce Commission, the City's civilian labor force was 20,602 in November 2009, compared to a total civilian labor force for Tarrant County of 920,354. Keller's unemployment rate in November 2009 was 6.2%, compared to the Tarrant County rate of 7.9%, a statewide rate of 7.9%, and a nationwide rate of 9.4%.

The City continues to experience significant increases in population. The official census population for 1990 and 2000 was 13,683 and 27,345, respectively. The January 2009 population estimate was 39,450, representing an increase of 25,767 (188%) over 1990, and 12,105 (44.3%) 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%
2009 Estimate	39,450	12,105	44.3%

Since 1970, the total population increase exceeds 37,900. 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 40,179. 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%
2009	4,192,357	8.4%

The rate of increase in the City's total market value has slowed from a five-year average rate of increase of 18.9% from fiscal year 1999-2000 through fiscal year 2002-2003, to an increase of 8.4% for fiscal year 2009. 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 44% 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 2007 (fiscal year 2008-2009) was \$149 million, compared to \$188 million added in calendar year 2006 (fiscal year 2007-2008).

The net assessed taxable value for calendar year 2008 (fiscal year 2009) increased 10% over calendar year 2007 (fiscal year 2008), compared to the prior year's increase of 10.5%. The growth in revenue produced the funding necessary to meet most of the significant 2009 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 sustaining 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 appropriations 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). The CIP has been 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 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, only recommends projects and the means of financing 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 was adopted by City staff and the City Council as a part of the fiscal year 2009-10 budget. The CIP identifies the estimated costs of proposed future capital projects, and the anticipated method of funding for each project. The total five-year program identified \$43.25 million of improvements,

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 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 contracts with an investment advisory firm through a competitive proposal contract. The investment advisory services contract is limited by Texas Statutes to two years. In December 2007, the investment advisory services contract was renewed for an additional two-year term through December 2009. Upon expiration of First Southwest Asset Management's contract in December 2009, the City contracted with Valley View Consulting, L.L.C. for investment advisory services, for the two-year period January 2010 through December 2011.

The average book value of the City's investment portfolio for fiscal year 2009 was approximately \$44.52 million, and the overall portfolio provided \$960,471 in unrestricted investment income, compared to \$1,470,668 in 2008, a decrease of approximately 35%. The average yield to maturity on the portfolio for fiscal year 2009 was 1.6967%, compared to the City's targeted return of 0.4114%. The average yield to maturity on the portfolio for fiscal year 2008 was 3.8874%, compared to the targeted return of 2.1708%.

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 five 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 insurance coverage through Cigna Healthcare (October 2009). Workers' compensation and liability and property insurance coverage is provided by the Texas Municipal League Intergovernmental Risk Pool, an insurance pool established for the political subdivisions of the State of Texas. The City's workers' 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.

Employees' Retirement System. The City provides retirement benefits for all fulltime 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 12.38% for calendar year 2008, and 12.73% for calendar year 2009. City employees participate in the U. S. Social Security Administration system. Additionally, the City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. Available to all employees, the plan 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, 2008; a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for 20 consecutive fiscal years (FY1989 through FY2008). 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 2009 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 13 consecutive years (1997 – 2009). 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 and 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 sixth 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 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, Certified Public Accountants, for their dedicated assistance in producing this report.

Finally, our appreciation is extended to the Mayor, City Council members, 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, 2008

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.



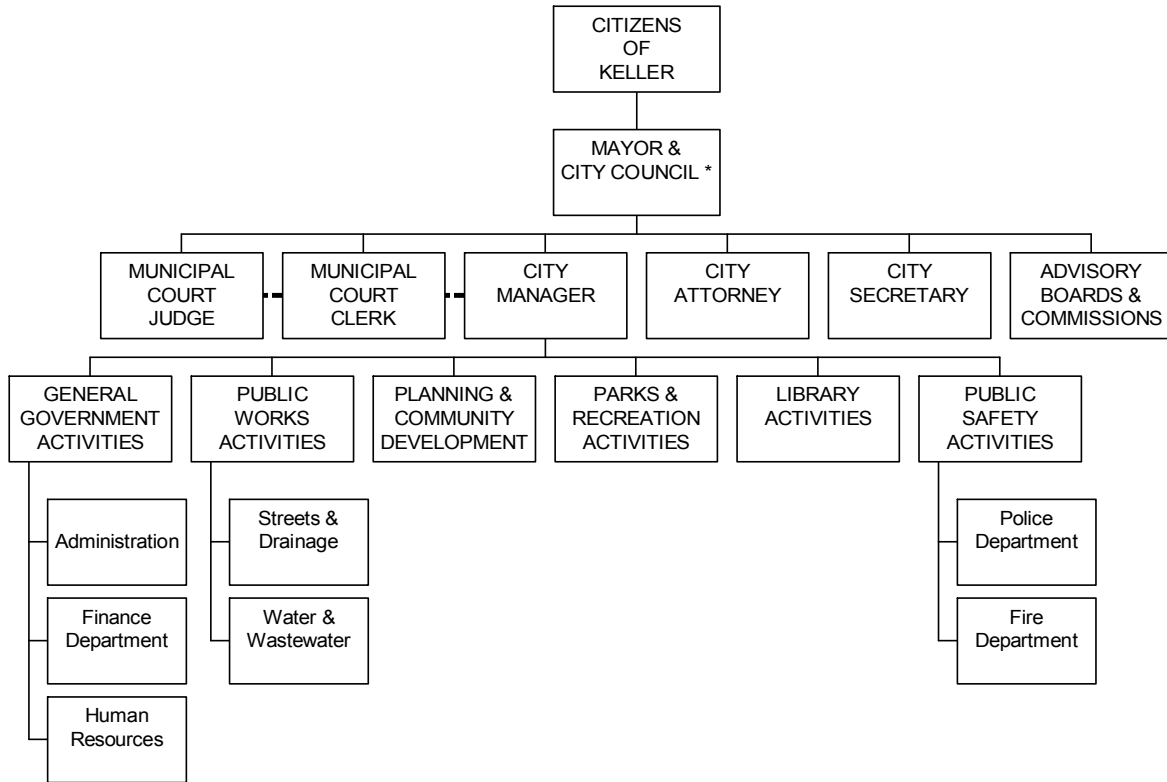
A stylized, handwritten signature in black ink, appearing to be "J.R.E.", written over a white background.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

CITY OF KELLER, TEXAS ORGANIZATION CHART



* Denotes elected positions.

CITY OF KELLER, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2009

<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 and Mayor Pro Tem
Tom Cawthra	Council Member, Place 3
Jim Thompson	Council Member, Place 4
Mitch Holmes	Council Member, Place 5
<u>Appointed Officials:</u>	
Dan O'Leary	City Manager
Chris Fuller	Assistant City Manager
Steve Polasek	Assistant City Manager
Sheila Stephens	City Secretary
Tom Elgin	Community Development Manager
Greg Dickens	Director of Public Works
Daniel Gaumont	Fire Chief
Mark Hafner	Police Chief
Dona Roth Kinney	Director of Parks and Recreation
Keith Macedo	Director of Information Services
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
Alison Benton, Aliquantus Consulting, L.L.C.	Economic Development Consultant
First Southwest Company	Financial Advisors
First Southwest Asset Management, Inc.*	Investment Advisors
McCall, Parkhurst & Horton, L.L.P.	Bond Counsel

* Effective December 2009, Valley View Consulting, L.L.C.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S 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, 2009, 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, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2010, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 15 through 25 and 71 through 72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

March 1, 2010

THIS PAGE LEFT BLANK INTENTIONALLY

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2009. 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, 2009, by \$166,908,881 (net assets). Of this amount, \$17,368,344 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$1,526,469, or 0.91% for the year ended September 30, 2009. The net assets of governmental activities decreased \$1,820,097, or approximately 1.98%. This decrease in net assets resulted in part from a substantial decrease in developer contributions, due to a decrease in development activity. The assets of business-type activities increased by \$293,628, or 0.39%. The increase was due in part to a decrease in developer contributions combined with a decrease in outstanding debt obligations.
- As of September 30, 2009, the City's governmental funds reported combined ending fund balances of \$25,629,634. Approximately 54.17% of this total amount, \$13,884,302, is unreserved and available for use within the City's designation and policies. Reservations for (1) encumbrances, \$6,784,977; (2) inventories and prepaid items, \$284,022; (3) debt service, \$926,286; and (4) other purposes, \$3,750,047, total \$11,745,332, and represent 45.83% of the total fund balance.
- Total cost of all the City's programs was \$61,800,257 in 2009, compared to \$59,242,134 in 2008.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$8,356,777 or 33.57% of total expenditures. This represents an increase of \$577,730, or 7.43% 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) increased by \$3,819,612, or 3.73% during the current fiscal year, primarily the result of the issuance of \$8.31 million in certificates of obligation and \$4 million of 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 29 – 31 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 Capital Projects 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 40 – 43 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 45 – 68 of this report.

Other Information

In addition to the basic financial statements and accompanying 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 71 – 72. 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 \$166,908,881 as of September 30, 2009.

The largest portion of the City's net assets, \$129.6 million, 77.64%, 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, \$19.956 million, 12.0%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$17.368 million, 10.4%, may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities total assets increased by \$4,067,192, or 2.29% during fiscal year 2009. The increase in total assets of governmental activities results primarily from an increase in cash and investments. The decrease in net capital assets of \$1,654,449, 1.08% 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 increased \$5,887,289, 6.93%. Non-current governmental activities' liabilities increased by \$6,322,665, 8.55%. The increase in liabilities of governmental activities is primarily due to issuance of \$12.31 million in new debt obligations during the year.

Business-type activity total assets decreased by \$1,403,760, (1.39%). Total current assets decreased \$1,071,994, (4.94%), while total capital assets decreased \$331,766, (0.42%), respectively. Net assets of business-type activities increased \$293,628, 0.39%. The decrease in current and other assets is primarily due to a decrease in investments, which were used in part to acquire new capital assets. Total capital assets decreased as a result of the completion of new capital projects for water and wastewater improvements in the previous fiscal year, which in turn resulted in additional accumulated depreciation, a non-cash expense. The total liabilities for business-type activities decreased \$1,697,388, (6.78%) 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 30,542,847	\$ 24,821,206	\$ 20,646,902	\$ 21,718,896	\$ 51,189,749	\$ 46,540,102
Capital assets	150,872,287	152,526,737	78,991,391	79,323,157	229,863,678	231,849,894
Total assets	<u>181,415,134</u>	<u>177,347,943</u>	<u>99,638,293</u>	<u>101,042,053</u>	<u>281,053,427</u>	<u>278,389,996</u>
Long-term liabilities	86,824,697	80,502,032	20,493,610	22,436,822	107,318,307	102,938,854
Other liabilities	3,983,618	4,418,994	2,842,621	2,596,797	6,826,239	7,015,791
Total liabilities	<u>90,808,315</u>	<u>84,921,026</u>	<u>23,336,231</u>	<u>25,033,619</u>	<u>114,144,546</u>	<u>109,954,645</u>
Net assets:						
Invested in capital assets, net of related debt	70,395,104	74,502,492	59,189,455	58,364,350	129,584,559	132,866,842
Restricted	10,502,026	10,921,916	9,453,952	9,453,952	19,955,978	20,375,868
Unrestricted	<u>9,709,689</u>	<u>7,002,508</u>	<u>7,658,655</u>	<u>8,190,132</u>	<u>17,368,344</u>	<u>15,192,640</u>
Total net assets	<u>\$ 90,606,819</u>	<u>\$ 92,426,916</u>	<u>\$ 76,302,062</u>	<u>\$ 76,008,434</u>	<u>\$ 166,908,881</u>	<u>\$ 168,435,350</u>

Analysis of the City's Operations – The following table provides a summary of the City's operations for year ended September 30, 2009. Overall the City had a decrease in net assets of \$1,526,469.

CITY OF KELLER'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 6,402,796	\$ 7,247,960	\$ 18,715,644	\$ 19,294,547	\$ 25,118,440	\$ 26,542,507
Operating grants and contributions	2,400,191	2,483,052	-	-	2,400,191	2,483,052
Capital grants and contributions	497,454	6,297,308	1,332,860	5,351,853	1,830,314	11,649,161
General revenues:						
Ad valorem taxes	19,156,565	17,325,312	-	-	19,156,565	17,325,312
Sales taxes	8,045,471	8,654,735	-	-	8,045,471	8,654,735
Other taxes	2,576,311	2,631,858	-	-	2,576,311	2,631,858
Investment earnings	565,181	859,258	395,290	611,410	960,471	1,470,668
Miscellaneous	128,425	65,260	40,255	37,408	168,680	102,668
Gain (loss) on sale of capital assets	-	26,973	17,345	67,003	17,345	93,976
Total revenues	<u>39,772,394</u>	<u>45,591,716</u>	<u>20,501,394</u>	<u>25,362,221</u>	<u>60,273,788</u>	<u>70,953,937</u>
Expenses:						
General government	7,413,655	5,630,782	-	-	7,413,655	5,630,782
Public safety	14,740,695	13,969,085	-	-	14,740,695	13,969,085
Public works	8,260,487	9,067,983	-	-	8,260,487	9,067,983
Community development	1,161,434	1,291,819	-	-	1,161,434	1,291,819
Recreation and leisure	9,483,618	8,592,564	-	-	9,483,618	8,592,564
Interest on long-term debt	3,723,887	3,794,400	-	-	3,723,887	3,794,400
Water and sewer	-	-	15,146,621	15,056,060	15,146,621	15,056,060
Drainage utility	-	-	1,869,860	1,839,441	1,869,860	1,839,441
Total expenses	<u>44,783,776</u>	<u>42,346,633</u>	<u>17,016,481</u>	<u>16,895,501</u>	<u>61,800,257</u>	<u>59,242,134</u>
Increases in net assets before transfers	(5,011,382)	3,245,083	3,484,913	8,466,720	(1,526,469)	11,711,803
Transfers	<u>3,191,285</u>	<u>3,185,538</u>	<u>(3,191,285)</u>	<u>(3,185,538)</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,820,097)	6,430,621	293,628	5,281,182	(1,526,469)	11,711,803
Net assets, beginning	<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>
Net assets, ending	<u>\$ 90,606,819</u>	<u>\$ 92,426,917</u>	<u>\$ 76,302,062</u>	<u>\$ 76,008,434</u>	<u>\$ 166,908,881</u>	<u>\$ 168,435,351</u>

Government Activities

Government activities decreased the City's net assets by \$1,820,097, or (1.97%) from the prior year. Total governmental revenues decreased \$5,819,322, (12.76%). The major increase in revenues was an increase in ad valorem taxes of \$1,831,253. Major decreases in revenue were developer contributions (\$5,799,854), charges for services (\$845,164), and sales tax revenues (\$609,264). Ad valorem taxes increased by approximately 10.56% because of the increase in taxable values from the prior year. Developer contributions decreased due primarily to a decrease in street infrastructure assets provided by developers because of a downturn in development activity. Sales taxes decreased due to a decrease in retail taxable sales. A decrease in charges for services is related primarily to a decrease in development fees because of the downturn in development activity. Interest earnings decreased because of decreasing market rates throughout the year. The average yield to maturity on the City's portfolio for fiscal year 2008-2009 was 1.70%, compared to the prior year yield to maturity of 3.89%.

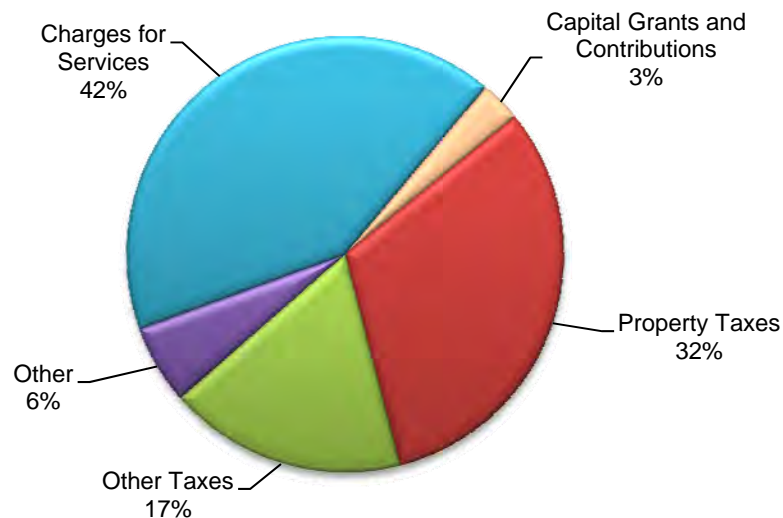
Total governmental expenses increased by \$2,437,143, 5.76%. The largest change in expenses was an increase of \$1,782,873, or 31.66% in general government expenses. This increase is primarily due to reallocation of expenses from other activities (Community Development), increased funding for Economic Development purposes, including development incentives, and other planned expenses provided for in the 2008-2009 budget. The largest portion of the difference, \$971,897, is a non-cash outlay to record the retirement of the existing Library facility in fiscal year 2008-2009. Because the existing Library facility is currently undergoing substantial renovation/reconstruction, for accounting purposes, it was necessary to retire the existing facility to remove the facility from the City's capital asset totals. The refurbished Library facility will be added to the City's capital asset totals upon completion in fiscal year 2009-2010. Public works expenses decreased by \$807,496, or 8.9%, due primarily to a decrease in depreciation expense (a non-cash outlay). Public safety expenses increased by \$771,610, or 5.52%, due to additional expenses associated with the opening and operations of Fire Station No. 4, combined with increases in salaries and benefits, the result of a low employee turnover rate. Recreation and leisure expenses increased \$891,054, or 10.37%, due to the operations of the Keller Pointe Recreation and Aquatic Center, including the planned replacement of fitness equipment, and an increase in depreciation expense (a non-cash outlay). Community Development expenses decreased \$130,385, due to reallocation of expenses to other activities (General Government). Interest expense decreased \$70,513, or (1.86%).

Business-type Activities

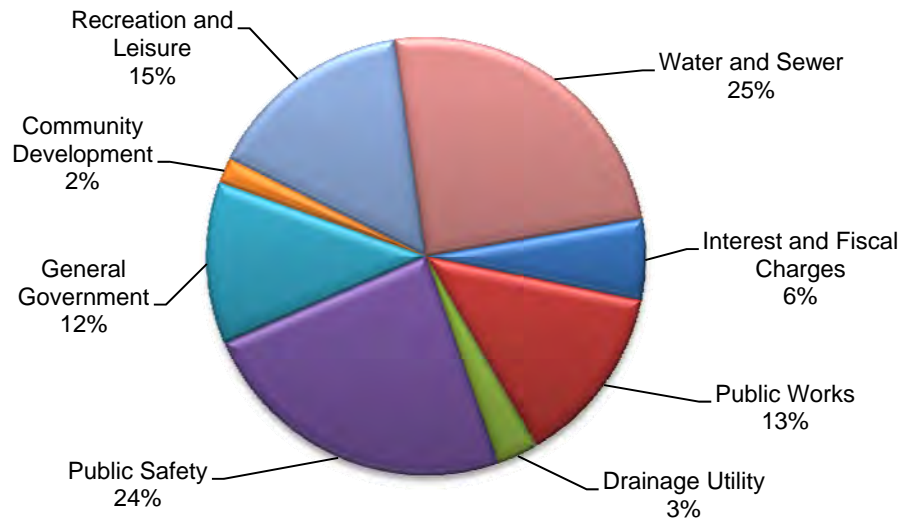
Net assets from business-type activities increased by \$293,628, or 0.39%. Total expenses increased by \$120,980, or 0.72%. Total revenues decreased \$4,860,827, 19.17%, including a decrease of \$4,018,993, 75.1%, in developer contributions because of a downturn in residential development. Charges for services decreased \$578,903 due to a decline in demand for water usage by City of Keller customers, when compared to the previous year.

The following table provides a summary of the City's operations for the year ended September 30, 2009.

Revenue by Source (\$60,273,788)



Expenses by Activity (\$61,800,257)



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 \$25,629,634, an increase of \$6,457,309, 31.5% in comparison with the prior year. Approximately 56.73%, or \$11,745,332 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, \$6,784,977; 2) for inventories and prepaid items, \$284,022; 3) to pay for debt service, \$926,286; and 4) for other purposes, \$3,750,047. Approximately 54.17% of the total amount, \$13,884,302 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 \$1,564,777. One of the City's financial policies requires that the City maintain an undesignated fund balance equal to 10 percent, or 36 days of operating expenditures. Because overall actual revenues exceeded the final budget revenues, combined with actual expenditures less than final budget expenditures, the actual fund balance increased by \$785,748. Total expenditures were under the final budget by \$1,862,506 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 charges for services, \$203,521, due primarily to an increase in ambulance revenue over final budget amount. The amount of excess fund balance exceeding the fiscal year 2009 budget will be addressed during fiscal year 2010 budget deliberations.

Debt Service fund balance decreased by \$267,570 in 2009 primarily due to a planned (budgeted) decrease in the fund balance. The City issued \$12.3 million of tax-supported debt in fiscal year 2008-09. The decrease in fund balance will be addressed in fiscal year 2010 budget deliberations.

The Capital Projects Fund balance increased by \$5,679,151, primarily due to capital projects funded with the issuance of \$11.22 million in new debt obligations during the year. The fund balance increase in 2009 will be used to fund the construction of capital projects.

Enterprise Funds

The City's Enterprise Fund statements provide the same type information found in the government-wide financial statements, but in more detail.

Total unrestricted net assets of Enterprise Funds were \$7,658,655. Unrestricted net assets of the respective funds are: Water and Wastewater, \$7,319,338; and Drainage Utility, \$339,317. The Water and Wastewater operations had an increase in net assets of \$788,380, while the Drainage Utility had a decrease in net assets of \$494,752. The decrease in net assets of the Drainage Utility resulted primarily from a decrease in capital contributions from developers from the previous year of \$1,884,412, combined with an increase in charges for service, 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 wastewater services, \$100,324, combined with a decrease in contracted wastewater collection and treatment services.

General Fund Budgetary Highlights

In fiscal year 2009, 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 increase of \$30,128 in the unreserved fund balance, while the final budget reflected a decrease of \$1,564,777 in the unreserved fund balance, a difference of \$1,594,905.
- The original adopted budget included a total ending fund balance of \$7,002,795, while the final adopted budget total ending fund balance was \$6,724,943, a decrease of \$277,852, or 3.97%.
- The final budgeted decrease in fund balance was primarily related to adjustments for reductions in revenues, such as sales tax revenue, interest revenue, and building permits/development fees.
- Total final budgeted revenues (including transfers in) decreased \$1,641,460 from the original budget. The primary decreases occurred in building permits/development fees, \$847,600, sales tax revenue, \$362,200, and other taxes, \$153,595.
- Significant revenue decreases included building permits/fees and development fees, \$847,600 due to a decline in development activity from prior years.
- Total final budgeted expenditures (including transfers out) decreased by \$46,555 over the original budget.
- There were no significant increases or decreases in budgeted expenditures from the original and final budget.

Significant budget variances:

- Total actual revenues and transfers exceeded the final budgeted amounts by \$491,974, or 1.9%.
- The most significant variance was charges for services of \$203,521, a 20.59% increase over the final budget amount; the increase resulted primarily from an increase in ambulance services fees.

- The most significant negative variance was in sales tax revenue, which was below the final budget amount by \$139,016, or 3.33%, primarily the result of a decrease in taxable sales.
- Determined efforts by department managers to limit actual expenditures to a level below the final budgeted expenditures resulted in positive total actual expenditure variance from the final budget; all departments completed the year with lower actual expenditures compared to 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 33.57% (financial policy target = 10%) of total fund expenditures, while the total fund balance represents 36.44% of that same amount. The actual total ending fund balance of \$9,069,964 at September 30, 2009, is an increase of \$785,748, 9.48% 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, 2009, amounts to \$229,863,678 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, improvements other than buildings, and construction in progress. The total decrease in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$1,986,215, or 0.86% (a 1.08% decrease in capital assets for governmental activities and 0.42% decrease in capital assets for business-type activities, respectively).

Capital asset contributions, primarily from developers, for fiscal year 2009, were \$1,830,314, a decrease of \$9,818,847, or 84.29% from the prior year.

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

- Construction of new Fire Station No. 4, \$3,888;
- Traffic signals at Bourland and Johnson Roads, \$499; and
- Pearson Pump Station expansion and improvements, \$1,886.

Ongoing projects include (in thousands):

- FM 1709 water main improvements, \$1,444; and
- Keller Public Library renovation/expansion design, \$2,568.

In addition to the above ongoing projects, there are several street improvement projects that are in the design phase, including several drainage projects, Rufe Snow Drive expansion (a joint project with Tarrant County), and North Tarrant Parkway design (a joint project with Tarrant County, Keller, and the city of North Richland Hills).

The five-year capital improvements program (CIP) summary for fiscal years 2010-11 through 2014-15 was provided in the fiscal year 2009-10 budget document. The CIP identifies the estimated costs of proposed future capital projects, and the anticipated method of funding for each project.

City of Keller's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 21,615,606	\$ 21,294,313	\$ 1,314,186	\$ 1,249,747	\$ 22,929,792	\$ 22,544,060
Buildings	40,077,066	38,102,738	-	-	40,077,066	38,102,738
Equipment	5,385,319	4,470,187	566,593	728,433	5,951,912	5,198,620
Improvements	78,864,837	84,363,748	71,776,966	71,318,465	150,641,803	155,682,213
Capacity rights	-	-	3,383,214	3,540,259	3,383,214	3,540,259
Construction in progress	4,929,459	4,295,750	1,950,432	2,486,253	6,879,891	6,782,003
Total	\$ 150,872,287	\$ 152,526,736	\$ 78,991,391	\$ 79,323,157	\$ 229,863,678	\$ 231,849,893

Additional information regarding the City's capital assets can be found in Note IV on pages 57 – 58 of this report.

Long-term Debt

At September 30, 2009, the City of Keller had total bonded debt outstanding of \$106,335,146. Of this amount, \$85,680,211 represents bonds secured by the full faith and credit of the City, and \$20,654,935 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues. Total outstanding debt of governmental activities increased \$5,828,996, 7.3%, while total outstanding debt of business-type activities decreased \$2,009,384, 8.87%.

City of Keller's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
General obligations	\$ 20,048,603	\$ 17,883,020	\$ 6,981,398	\$ 7,761,982	\$ 27,030,001	\$ 25,645,002
Revenue bond payable	535,000	660,000	-	-	535,000	660,000
Certificates of obligation	64,755,000	60,800,000	13,370,000	14,130,000	78,125,000	74,930,000
Contractual obligations	-	-	303,537	772,337	303,537	772,337
Capital lease	<u>341,608</u>	<u>508,195</u>	<u>-</u>	<u>-</u>	<u>341,608</u>	<u>508,195</u>
Total	<u>\$ 85,680,211</u>	<u>\$ 79,851,215</u>	<u>\$ 20,654,935</u>	<u>\$ 22,664,319</u>	<u>\$ 106,335,146</u>	<u>\$ 102,515,534</u>

As of September 30, 2009, of the \$85,680,211 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 49.96%, or \$42,780,000 is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1, \$26,990,000; and
Keller Development Corporation, \$15,790,000.

The City maintains favorable ratings from bond rating agencies. In February 2009, both Moody's Investors Services (Moody's) and Standard and Poor's (S&P) upgraded the City's bond ratings. Moody's increased the city's rating one step from A1 to Aa3. S&P increased the city's rating by two steps, from A+ to AA. Both rating categories now classify the City's debt obligations as high-quality investment grade. Since 2000, the City's debt ratings have been upgraded a total of six times.

The City's General Obligation, Combination Tax and Revenue Certificates of Obligation ratings are as follows:

	Moody's Investors Service	Standard & Poor's
General obligation bonds (tax supported)	Aa3	AA
Certificates of obligation (tax supported)	Aa3	AA

Revenue Bonds

At September 30, 2009, \$535,000 revenue bond debt remains outstanding from Keller Development Corporation Sales Tax Revenue Refunding Bonds, Series 2005.

Additional information on the City of Keller's long-term debt can be found in Note IV on pages 59 – 63 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2009-10 budget, general fund revenues (including transfers in) were budgeted to increase by \$552,810, 2.1% from the revised (final) 2008-09 budget, with general property taxes comprising about 47% of General Fund budgeted revenues and transfers in. Certified taxable assessed valuations (after adjustments) increased 3.4% over the prior year, compared to an increase of 9.7% last year. No increase was projected for sales tax receipts in fiscal year 2009-10 because sales tax receipts have been decreasing, due in part to the recent downturn in regional economy. Development-related budgeted revenues for fiscal year 2008-09 were increased by only \$1,400, or 1.6% over fiscal year 2008-09 as the rate of growth in development activity has moderated.

These conservative revenue projections, combined with an effort to maintain ending fund balances as required by the City's financial policies, resulted in a decrease in the projected ending fund balance at September 30, 2010. Budgeted expenditures decreased \$148,007, or 0.5%. The adopted budget maintains the required ending fund balance at September 30, 2009 of 13% of operating expenditures (actual of 21.8%). The City's property tax rate for fiscal year 2009-10 was increased by one cent per \$100 of property value to \$0.44219, 2.31%. This increase was necessary because of new debt obligations, \$12.31 million, issued by the City in fiscal year 2008-09.

Major items funded in the General Fund for fiscal year 2009-10 are:

- Fire department document imaging system, \$14,950;
- Pneumatic roller for street improvements, \$50,000; and
- Furniture, fixtures and equipment for Library expansion/renovation, \$21,000.

Significant items in other funds include:

Information Services Fund:

- Replace networking equipment/servers at Keller Town Hall, \$117,500

Keller Development Corporation ½-cent sales tax:

- Funding for land acquisition, \$400,000;
- Park equipment replacement, \$29,200; and
- Replace entry doors at Senior Activities Center, \$10,750.

Street/Drainage Improvements Fund ¼-cent street maintenance sales tax:

- Provide street, curb, gutter and sidewalk improvements, \$1,050,000.

Municipal Court Fund:

- Court video security equipment, \$18,500.

Keller Crime Control Prevention District ¼-cent sales tax:

- Reserve for jail facility improvements, \$1,750,000;
- Reserve for furniture, fixtures, and equipment replacement, \$386,660; and
- Vehicle replacements, \$160,000.

The City is able to maintain its financial position because of having a stable tax and retail base, as well as a competitive tax rate (the City's property tax rate for fiscal year 2009-2010 rates the third lowest among twelve neighboring 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.

THIS PAGE LEFT BLANK INTENTIONALLY

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 336,073	\$ 143,338	\$ 479,411
Investments	25,984,658	7,821,954	33,806,612
Receivables	3,056,796	2,453,432	5,510,228
Due from other governmental agencies	115,390	-	115,390
Inventories	28,992	336,568	365,560
Prepaid items	255,030	882	255,912
Deferred charges	765,908	223,128	989,036
Restricted assets:			
Investments	-	9,667,600	9,667,600
Capital assets:			
Land	21,615,606	1,314,186	22,929,792
Construction in progress	4,929,459	1,950,432	6,879,891
Buildings and improvements	40,077,066	-	40,077,066
Improvements	78,864,837	-	78,864,837
Water and sewer system	-	71,776,966	71,776,966
Machinery and equipment	5,385,319	566,593	5,951,912
Capacity rights	-	3,383,214	3,383,214
Total capital assets	<u>150,872,287</u>	<u>78,991,391</u>	<u>229,863,678</u>
Total assets	<u>181,415,134</u>	<u>99,638,293</u>	<u>281,053,427</u>
LIABILITIES			
Accounts payable and accrued expenses	2,605,549	2,003,408	4,608,957
Unearned revenues	656,401	-	656,401
Accrued interest	699,732	112,875	812,607
Customer deposits	21,936	726,338	748,274
Noncurrent liabilities:			
Due within one year	6,723,647	1,865,002	8,588,649
Due in more than one year	80,101,050	18,628,608	98,729,658
Total liabilities	<u>90,808,315</u>	<u>23,336,231</u>	<u>114,144,546</u>
NET ASSETS			
Invested in capital assets, net of related debt	70,395,104	59,189,455	129,584,559
Restricted for:			
Capital projects	5,749,345	9,453,952	15,203,297
Debt service	989,495	-	989,495
Other purposes	3,763,186	-	3,763,186
Unrestricted	<u>9,709,689</u>	<u>7,658,655</u>	<u>17,368,344</u>
Total net assets	<u>\$ 90,606,819</u>	<u>\$ 76,302,062</u>	<u>\$ 166,908,881</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, 2009

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 7,413,655	\$ 184,814	\$ 52,711	\$ -
Public safety	14,740,695	1,989,539	2,168,477	-
Public works	8,260,487	15,200	-	497,454
Community development	1,161,434	1,041,152	-	-
Recreation and leisure	9,483,618	3,172,091	179,003	-
Interest and fiscal charges	<u>3,723,887</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>44,783,776</u>	<u>6,402,796</u>	<u>2,400,191</u>	<u>497,454</u>
Business-type activities:				
Water and wastewater utility	15,146,621	17,785,742	-	760,522
Drainage utility	<u>1,869,860</u>	<u>929,902</u>	<u>-</u>	<u>572,338</u>
Total business-type activities	<u>17,016,481</u>	<u>18,715,644</u>	<u>-</u>	<u>1,332,860</u>
Total primary government	<u>\$ 61,800,257</u>	<u>\$ 25,118,440</u>	<u>\$ 2,400,191</u>	<u>\$ 1,830,314</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
\$(7,176,130)	\$ -	\$(7,176,130)
(10,582,679)	-	(10,582,679)
(7,747,833)	-	(7,747,833)
(120,282)	-	(120,282)
(6,132,524)	-	(6,132,524)
(3,723,887)	-	(3,723,887)
<u>(35,483,335)</u>	<u>-</u>	<u>(35,483,335)</u>
-	3,399,643	3,399,643
<u>-</u>	<u>(367,620)</u>	<u>(367,620)</u>
<u>-</u>	<u>3,032,023</u>	<u>3,032,023</u>
<u>(35,483,335)</u>	<u>3,032,023</u>	<u>(32,451,312)</u>
19,156,565	-	19,156,565
8,045,471	-	8,045,471
2,520,961	-	2,520,961
55,350	-	55,350
565,181	395,290	960,471
128,425	40,255	168,680
-	17,345	17,345
<u>3,191,285</u>	<u>(3,191,285)</u>	<u>-</u>
<u>33,663,238</u>	<u>(2,738,395)</u>	<u>30,924,843</u>
(1,820,097)	293,628	(1,526,469)
<u>92,426,916</u>	<u>76,008,434</u>	<u>168,435,350</u>
<u>\$ 90,606,819</u>	<u>\$ 76,302,062</u>	<u>\$ 166,908,881</u>

CITY OF KELLER, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

	<u>General Fund</u>	<u>G.O. Debt Service</u>	<u>Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 71,567	\$ -
Investments	8,985,020	659,689	6,967,001
Receivables, net of allowances for uncollectibles			
Taxes	1,500,523	82,574	-
Accounts	380,486	-	-
Interest	22,425	1,931	13,079
Other	67,005	-	-
Special assessments	-	-	-
Due from other funds	-	-	-
Due from other governments	30,837	-	76,363
Inventory	28,992	-	-
Prepaid items	<u>250,841</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 11,266,129</u>	<u>\$ 815,761</u>	<u>\$ 7,056,443</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 710,426	\$ -	\$ 732,774
Accrued liabilities	683,573	-	-
Due to other funds	285,666	-	266,298
Deferred revenue	500,168	63,209	-
Customer deposits	<u>16,332</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,196,165</u>	<u>63,209</u>	<u>999,072</u>
Fund balances:			
Reserved for:			
Inventories	28,992	-	-
Encumbrances	354,485	-	1,232,984
Prepaid items	250,841	-	-
Debt service	-	752,552	-
Other purposes	78,869	-	-
Unreserved:			
Undesignated, reported in:			
General fund	8,356,777	-	-
Special revenue funds	-	-	4,824,387
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>9,069,964</u>	<u>752,552</u>	<u>6,057,371</u>
Total liabilities and fund balances	<u>\$ 11,266,129</u>	<u>\$ 815,761</u>	<u>\$ 7,056,443</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 264,506	\$ 336,073
9,372,948	25,984,658
714,254	2,297,351
18,033	398,519
18,640	56,075
237,234	304,239
612	612
678,619	678,619
8,190	115,390
-	28,992
<u>4,189</u>	<u>255,030</u>
<u>\$ 11,317,225</u>	<u>\$ 30,455,558</u>
\$ 401,341	\$ 1,844,541
77,435	761,008
126,655	678,619
956,443	1,519,820
5,604	21,936
<u>1,567,478</u>	<u>4,825,924</u>
-	28,992
5,197,508	6,784,977
4,189	255,030
173,734	926,286
3,671,178	3,750,047
-	8,356,777
3,704,707	8,529,094
(3,001,569)	(3,001,569)
<u>9,749,747</u>	<u>25,629,634</u>
<u>\$ 11,317,225</u>	<u>\$ 30,455,558</u>

THIS PAGE LEFT BLANK INTENALLY

CITY OF KELLER, TEXAS

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

SEPTEMBER 30, 2009

Total fund balance, governmental funds	\$ 25,629,634
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.	150,872,287
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.	863,419
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.	(86,758,521)
Net assets of governmental activities in the Statement of Net Assets	\$ <u>90,606,819</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, 2009

	<u>General Fund</u>	<u>G.O. Debt Service</u>	<u>Capital Projects</u>
REVENUES			
Taxes:			
Property	\$ 12,084,761	\$ 4,633,010	\$ -
Sales	4,037,484	-	-
Franchise	2,520,961	-	-
Other	55,350	-	-
Permits, licenses and fees	1,101,177	-	-
Intergovernmental	1,979,193	-	76,363
Charges for services	992,021	-	-
Fines and forfeitures	887,073	-	-
Special assessments and impact fees	-	-	-
Donations	47,100	-	1,000
Investment earnings	217,256	40,908	80,961
Miscellaneous	286,766	-	-
Total revenues	<u>24,209,142</u>	<u>4,673,918</u>	<u>158,324</u>
EXPENDITURES			
Current:			
General government	4,227,027	-	-
Public safety	13,253,565	-	-
Public works	2,035,959	-	-
Community development	1,148,647	-	-
Recreation and leisure	3,606,894	-	-
Capital outlay	618,369	-	5,594,731
Debt service:			
Principal	-	3,206,007	-
Interest and other charges	-	1,328,671	104,442
Total expenditures	<u>24,890,461</u>	<u>4,534,678</u>	<u>5,699,173</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(681,319)</u>	<u>139,240</u>	<u>(5,540,849)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	11,407	-	-
Bonds issued	-	-	11,220,000
Transfers in	2,213,500	553,190	-
Transfers out	<u>(757,840)</u>	<u>(960,000)</u>	<u>-</u>
Total other financing sources and uses	<u>1,467,067</u>	<u>(406,810)</u>	<u>11,220,000</u>
NET CHANGE IN FUND BALANCES	785,748	(267,570)	5,679,151
FUND BALANCES, BEGINNING	<u>8,284,216</u>	<u>1,020,122</u>	<u>378,220</u>
FUND BALANCES, ENDING	<u>\$ 9,069,964</u>	<u>\$ 752,552</u>	<u>\$ 6,057,371</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 2,425,359	\$ 19,143,130
4,007,987	8,045,471
-	2,520,961
-	55,350
18,000	1,119,177
164,557	2,220,113
3,076,640	4,068,661
109,130	996,203
533,903	533,903
131,343	179,443
226,056	565,181
124,282	411,048
<u>10,817,257</u>	<u>39,858,641</u>
1,437,962	5,664,989
211,134	13,464,699
42,664	2,078,623
-	1,148,647
3,294,190	6,901,084
3,556,803	9,769,903
3,275,000	6,481,007
1,985,378	3,418,491
<u>13,803,131</u>	<u>48,927,443</u>
(2,985,874)	(9,068,802)
13,419	24,826
1,090,000	12,310,000
2,364,541	5,131,231
(222,106)	(1,939,946)
<u>3,245,854</u>	<u>15,526,111</u>
259,980	6,457,309
<u>9,489,767</u>	<u>19,172,325</u>
\$ <u>9,749,747</u>	\$ <u>25,629,634</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2009

Net change in fund balances - total governmental funds:	\$ 6,457,309
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.	(1,654,450)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(86,247)
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.	(5,828,996)
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>(707,713)</u>
Change in net assets of governmental activities	<u>\$(1,820,097)</u>

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

CITY OF KELLER, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Water and Wastewater Utilities	Drainage Utility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalent:	\$ 90,464	\$ 52,874	\$ 143,338
Investments	7,525,210	296,744	7,821,954
Receivables, net of allowances for uncollectible			
Accounts	2,339,762	68,906	2,408,668
Interest	40,995	867	41,862
Other	2,902	-	2,902
Deferred charges	223,128	-	223,128
Due from other funds	36,400	-	36,400
Inventory	336,568	-	336,568
Prepaid items	833	49	882
Restricted assets:			
Investments	9,667,600	-	9,667,600
Total current assets	<u>20,263,862</u>	<u>419,440</u>	<u>20,683,302</u>
Non-current assets:			
Capital assets			
Land	1,287,186	27,000	1,314,186
Water and sewer system	82,444,886	23,270,335	105,715,221
Machinery and equipment	2,014,244	492,102	2,506,346
Capacity rights	6,281,781	-	6,281,781
Construction in progress	1,917,687	32,745	1,950,432
Less accumulated depreciation	<u>(28,420,203)</u>	<u>(10,356,372)</u>	<u>(38,776,575)</u>
Total non-current assets	<u>65,525,581</u>	<u>13,465,810</u>	<u>78,991,391</u>
Total assets	<u>85,789,443</u>	<u>13,885,250</u>	<u>99,674,693</u>
LIABILITIES			
Current liabilities			
Accounts payable	1,769,850	5,784	1,775,634
Accrued liabilities	207,993	19,781	227,774
Due to other funds	-	36,400	36,400
Accrued interest payable	112,875	-	112,875
Customer deposits	726,338	-	726,338
Compensated absence:	21,515	3,026	24,541
Certificates of obligator	585,000	-	585,000
General obligation bond:	951,924	-	951,924
Contractual obligations	303,537	-	303,537
Total current liabilities	<u>4,679,032</u>	<u>64,991</u>	<u>4,744,023</u>
Non-current liabilities			
Compensated absences	107,573	15,132	122,705
Certificates of obligation	12,785,000	-	12,785,000
General obligation bonds	5,720,903	-	5,720,903
Contractual obligations	-	-	-
Total non-current liabilities	<u>18,613,476</u>	<u>15,132</u>	<u>18,628,608</u>
Total liabilities	<u>23,292,508</u>	<u>80,123</u>	<u>23,372,631</u>
NET ASSETS			
Invested in capital assets, net of related det	45,723,645	13,465,810	59,189,455
Restricted for capital projects	9,453,952	-	9,453,952
Unrestricted	7,319,338	339,317	7,658,655
Total net assets	<u>\$ 62,496,935</u>	<u>\$ 13,805,127</u>	<u>\$ 76,302,062</u>

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, 2009

	Water and Wastewater Utilities	Drainage Utility	Total Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Water revenue	\$ 12,533,897	\$ -	\$ 12,533,897
Sewer revenue	5,061,470	-	5,061,470
Drainage revenue	-	897,157	897,157
Tap and connection fees	65,368	-	65,368
Intergovernmental	125,007	32,745	157,752
Miscellaneous revenues	40,255	-	40,255
Total operating revenues	<u>17,825,997</u>	<u>929,902</u>	<u>18,755,899</u>
OPERATING EXPENSES			
Personnel services	3,021,510	551,572	3,573,082
Supplies and maintenance	541,686	65,858	607,544
Services and other	957,485	73,609	1,031,094
Wholesale water purchases	5,321,387	-	5,321,387
Wastewater services contracted	1,421,289	-	1,421,289
Depreciation and amortization	2,948,554	1,178,821	4,127,375
Total operating expenses	<u>14,211,911</u>	<u>1,869,860</u>	<u>16,081,771</u>
OPERATING INCOME (LOSS)	<u>3,614,086</u>	<u>(939,958)</u>	<u>2,674,128</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenues	387,842	7,448	395,290
Gain (loss) on disposal of assets	15,860	1,485	17,345
Interest expense	<u>(934,710)</u>	<u>-</u>	<u>(934,710)</u>
Total non-operating revenues (expenses)	<u>(531,008)</u>	<u>8,933</u>	<u>(522,075)</u>
INCOME (LOSS) BEFORE TRANSFERS	3,083,078	(931,025)	2,152,053
Capital contributions	760,522	572,338	1,332,860
Transfers in	30,000	-	30,000
Transfers out	<u>(3,085,220)</u>	<u>(136,065)</u>	<u>(3,221,285)</u>
CHANGE IN NET ASSETS	788,380	(494,752)	293,628
TOTAL NET ASSETS, BEGINNING	<u>61,708,555</u>	<u>14,299,879</u>	<u>76,008,434</u>
TOTAL NET ASSETS, ENDING	<u>\$ 62,496,935</u>	<u>\$ 13,805,127</u>	<u>\$ 76,302,062</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, 2009

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 18,043,419	\$ 866,932	\$ 18,910,351
Cash payments for goods and services	(7,899,789)	(142,357)	(8,042,146)
Cash payments to employees/retirees	(2,979,949)	(548,130)	(3,528,079)
Net cash provided by operating activities	<u>7,163,681</u>	<u>176,445</u>	<u>7,340,126</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash paid to other funds	563,733	109,484	673,217
Transfers from other funds	30,000	-	30,000
Transfers to other funds	(3,085,220)	(136,065)	(3,221,285)
Net cash used by noncapital financing activities	<u>(2,491,487)</u>	<u>(26,581)</u>	<u>(2,518,068)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal repayments on bonds	(2,026,863)	-	(2,026,863)
Interest and fiscal charges on debt	(887,664)	-	(887,664)
Acquisition and construction of capital assets	(2,387,879)	(4,486)	(2,392,365)
Disposal of capital assets	<u>15,860</u>	<u>1,485</u>	<u>17,345</u>
Net cash used by capital and related financing activities	<u>(5,286,546)</u>	<u>(3,001)</u>	<u>(5,289,547)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	-	(103,097)	(103,097)
Proceeds from sale and maturities of securities	192,537	-	192,537
Interest on investments	<u>511,879</u>	<u>9,108</u>	<u>520,987</u>
Net cash provided (used) by investing activities	<u>704,416</u>	<u>(93,989)</u>	<u>610,427</u>
NET INCREASE IN CASH	90,064	52,874	142,938
CASH AND CASH EQUIVALENTS, BEGINNING	<u>400</u>	<u>-</u>	<u>400</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 90,464</u>	<u>\$ 52,874</u>	<u>\$ 143,338</u>

(continued)

CITY OF KELLER, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<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)	\$ <u>3,614,086</u>	\$(<u>939,958</u>)	\$ <u>2,674,128</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,919,470	1,178,821	4,098,291
Change in assets and liabilities:			
Decrease (increase) in assets:			
Customer receivables	216,741	(22,970)	193,771
Due from other governments	6,090	-	6,090
Prepaid items	8,930	-	8,930
Inventory	78,845	-	78,845
Increase (decrease) in liabilities:			
Accounts payable	283,367	(2,890)	280,477
Accrued liabilities	16,569	2,596	19,165
Customer deposits	(5,409)	(40,000)	(45,409)
Compensated absences	24,992	846	25,838
Total adjustments	<u>3,549,595</u>	<u>1,116,403</u>	<u>4,665,998</u>
Net cash provided by operating activities	\$ <u>7,163,681</u>	\$ <u>176,445</u>	\$ <u>7,340,126</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets	\$ <u>760,522</u>	\$ <u>572,338</u>	\$ <u>1,332,860</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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. 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.

Because the City is a home rule municipality, it is 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.

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.

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 **Capital Projects Fund** is used to account for acquisition or construction of capital assets.

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.

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.

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 systems. 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

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 \$(86,758,521) difference are as follows:

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	\$(20,048,603)
Certificates of obligation	(64,755,000)
Revenue bonds	(535,000)
Discounts on bonds	(413,042)
Deferred loss on refunding	952,277
Accrued interest payable	(699,732)
Capitalized lease obligations	(341,608)
Compensated absences	(1,303,520)
Deferred charge for bond issuance costs	765,908
OPEB liability	(40,808)
TMRS net pension obligation	<u>(339,393)</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$(86,758,521)</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 \$(1,654,450) difference are as follows:

Capital outlay	\$ 7,154,621
Depreciation expense	<u>(8,809,071)</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>\$(1,654,450)</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 \$(86,427) difference are as follows:

Property taxes	\$ 13,435
Ambulance fees	(1,859)
Assessments	(22,208)
Court fines	<u>(75,615)</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>\$(86,247)</u>

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 \$(5,828,996) difference are as follows:

Issuance of debt:	
General obligation debt	\$(12,310,000)
Principal repayments:	
Capital leases	166,587
General obligation debt	<u>6,314,417</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>5,828,996</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 \$(707,713) difference are as follows:

Compensated absences	\$(22,119)
Interest payable	(229,736)
Amortization of deferred charge on refunding	(129,747)
Amortization of issuance costs	15,692
Amortization of bond discounts/premiums	38,398
Other post employment benefits	(40,808)
TMRS net pension obligation	<u>(339,393)</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>707,713</u>)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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 Contributions/Donations 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.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Expenditures in Excess of Appropriations

The following governmental funds had expenditures in excess of appropriations:

Special revenue funds	
Crime control prevention district fund	\$(54,041)
General obligation debt service fund	(53,890)

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Ratings (Standard & Poor's)</u>
U. S. Agency Discount/Callable Notes	\$ 14,909,200	253	AAAm
TexPool	4,382,281	43	AAAm
LOGIC	4,437,379	56	AAAm
Money Market Mutual Funds	218,974	1	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.

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.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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, 2009, \$348,084 of the City's \$598,084 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$250,000, 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.

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.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

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	Capital Projects	Other Governmental	Water and Wastewater Operations	Drainage Utility	
Receivables:							
Property taxes	\$ 218,033	\$ 91,218	\$ -	\$ 28,608	\$ -	\$ -	\$ 337,859
Sales taxes	698,048	-	-	685,646	-	-	1,383,694
Franchise taxes	592,117	-	-	-	-	-	592,117
Alcoholic beverage taxes	13,164	-	-	-	-	-	13,164
Ambulance	880,498	-	-	-	-	-	880,498
Municipal court fines	322,095	-	-	-	-	-	322,095
Customer accounts	13,843	-	-	18,033	2,416,267	67,538	2,515,681
Intergovernmental	30,837	-	76,363	8,190	-	22,677	138,067
Interest	22,425	1,931	13,079	18,640	40,995	867	97,937
Special assessments	-	-	-	612	-	-	612
Other	67,005	-	-	237,234	2,902	-	307,141
Gross receivables	2,858,065	93,149	89,442	996,963	2,460,164	91,082	6,588,865
Less: allowance for uncollectibles	856,789	8,644	-	-	76,505	21,309	963,247
Net total receivables	\$ 2,001,276	\$ 84,505	\$ 89,442	\$ 996,963	\$ 2,383,659	\$ 69,773	\$ 5,625,618

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

	Unavailable	Unearned
General fund:		
Delinquent property taxes receivable	\$ 146,937	\$ -
Ambulance revenue receivable	313,587	-
Municipal court fines receivable	39,644	-
Total general fund	500,168	-
General obligation debt service fund:		
Delinquent property taxes receivable	63,209	-
Total general obligation debt service fund	63,209	-
Other governmental funds:		
Delinquent TIF taxes	28,608	-
Assessments receivable	237,806	-
Recreation fees	-	690,029
Total other governmental funds	266,414	690,029
Total governmental funds	\$ 829,791	\$ 690,029

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital assets activity for the year ended September 30, 2009, are as follows:

Primary Government

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 21,294,313	\$ 655,497	\$ -	\$(334,204)	\$ 21,615,606
Construction in progress	<u>4,295,750</u>	<u>6,110,116</u>	<u>(516,642)</u>	<u>(4,959,765)</u>	<u>4,929,459</u>
Total assets not being depreciated	<u>25,590,063</u>	<u>6,765,613</u>	<u>(516,642)</u>	<u>(5,293,969)</u>	<u>26,545,065</u>
Capital assets, being depreciated:					
Buildings	48,152,453	605,934	(957,874)	3,425,440	51,225,953
Improvements	159,749,993	93,735	(18,255)	606,913	160,432,386
Machinery and equipment	<u>11,498,807</u>	<u>1,260,491</u>	<u>(142,004)</u>	<u>687,187</u>	<u>13,304,481</u>
Total capital assets being depreciated	<u>219,401,253</u>	<u>1,960,160</u>	<u>(1,118,133)</u>	<u>4,719,540</u>	<u>224,962,820</u>
Less accumulated depreciation:					
Buildings	(10,049,715)	(1,602,428)	503,256	-	(11,148,887)
Improvements	(75,386,244)	(6,189,522)	8,217	-	(81,567,549)
Machinery and equipment	<u>(7,028,620)</u>	<u>(1,017,121)</u>	<u>126,579</u>	<u>-</u>	<u>(7,919,162)</u>
Total accumulated depreciation	<u>(92,464,579)</u>	<u>(8,809,071)</u>	<u>638,052</u>	<u>-</u>	<u>(100,635,598)</u>
Total capital assets being depreciated, net	<u>126,936,674</u>	<u>(6,848,911)</u>	<u>(480,081)</u>	<u>4,719,540</u>	<u>124,327,222</u>
Governmental activities capital assets, net	<u>\$ 152,526,737</u>	<u>\$(83,298)</u>	<u>\$(996,723)</u>	<u>\$(574,429)</u>	<u>\$ 150,872,287</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,249,747	\$ 64,439	\$ -	\$ -	\$ 1,314,186
Construction in progress	<u>2,486,253</u>	<u>1,719,728</u>	<u>-</u>	<u>(2,255,549)</u>	<u>1,950,432</u>
Total assets not being depreciated	<u>3,736,000</u>	<u>1,784,167</u>	<u>-</u>	<u>(2,255,549)</u>	<u>3,264,618</u>
Capital assets, being depreciated:					
Improvements other than buildings	101,578,473	1,348,862	-	2,787,887	105,715,222
Machinery and equipment	2,541,808	4,872	(82,425)	42,091	2,506,346
Capacity rights	<u>6,281,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,281,781</u>
Total capital assets being depreciated	<u>110,402,062</u>	<u>1,353,734</u>	<u>(82,425)</u>	<u>2,829,978</u>	<u>114,503,349</u>
Less accumulated depreciation:					
Improvements other than buildings	(30,260,008)	(3,678,248)	-	-	(33,938,256)
Machinery and equipment	(1,813,375)	(208,803)	82,425	-	(1,939,753)
Capacity rights	<u>(2,741,522)</u>	<u>(157,045)</u>	<u>-</u>	<u>-</u>	<u>(2,898,567)</u>
Total accumulated depreciation	<u>(34,814,905)</u>	<u>(4,044,096)</u>	<u>82,425</u>	<u>-</u>	<u>(38,776,576)</u>
Total capital assets being depreciated, net	<u>75,587,157</u>	<u>(2,690,362)</u>	<u>-</u>	<u>2,829,978</u>	<u>75,726,773</u>
Business-type activities capital assets, net	<u>\$ 79,323,157</u>	<u>\$(906,195)</u>	<u>\$ -</u>	<u>\$ 574,429</u>	<u>\$ 78,991,391</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 642,251
Public safety	928,695
Public works	4,990,819
Recreation and leisure	<u>2,247,306</u>
Total depreciation expense - governmental activities	<u>\$ 8,809,071</u>
Business-type activities:	
Water and wastewater utilities	\$ 2,865,275
Drainage utilities	<u>1,178,821</u>
Total depreciation expense - business-type activities	<u>\$ 4,044,096</u>

Construction Commitments

The City has active construction projects as of September 30, 2009. The projects include land acquisition, street construction, park improvements, water system improvements, and sewer system improvements.

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

	Spent to Date	Remaining Commitment
Manor Way Drainage Improvements	\$ 10,875	\$ 54,509
Katy Road Drainage Study	71,545	25,855
FM 1938/Randol Mill Avenue Water Line Replacement	6,600	3,000
Installation of 16" Water Transmission Line	1,647,585	328,393
Shady Grove Road & Indian Knoll 12" Water Line Improvements	151,256	55,324
North Tarrant Parkway 12" Water Line Improvements	18,780	4,500
Library Renovation & Expansion	2,887,592	1,220,779
Roof Replacement at Municipal Service Center	-	84,876
Landscape Design Services-Tarrant Parkway Phase 2	-	10,000
North Tarrant Parkway-Interlocal Agreement (City of North Richland Hills)	-	3,487,050
Rufe Snow Drive/Shady Oak Intersection Feasibility Study	22,563	1,188
Overlay Project	105,493	217,074
ROW for Rufe Snow Phase 3 Widening Project	760,865	339,951
Keller-Smithfield Road South Extension Improvements	-	121,006
2009 Residential Street Reconstruction Project	74,160	1,086,864
Miscellaneous Concrete Improvements	47,339	95,466
Miscellaneous Drainage Projects	<u>8,827</u>	<u>2,723</u>
Total	<u>\$ 5,813,480</u>	<u>\$ 7,138,558</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	Capital projects	\$ 266,298
Nonmajor governmental	General	285,666
Nonmajor governmental	Nonmajor governmental	126,655
Water and wastewater utilities	Drainage utility	<u>36,400</u>
		<u>\$ 715,019</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.

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	\$ 2,085,000
	Drainage utility	90,000
	Nonmajor governmental	38,500
General obligation debt service	Water and wastewater utilities	412,070
	Nonmajor governmental	141,120
Nonmajor governmental	General	757,840
	General obligation debt service	960,000
	Water and wastewater utilities	588,150
	Drainage utility	16,065
Water and wastewater utilities	Nonmajor governmental	42,486
	Drainage utility	<u>30,000</u>
		<u>\$ 5,161,231</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.

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.

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 09/30/09
General obligation bonds:					
City:					
Improvements	\$ 1,150,000	1981	2020	5.00%	\$ 610,000
Refunding	2,297,976	1999	2020	3.75% - 5.00%	1,113,603
Refunding	700,000	2002	2014	3.00% - 4.00%	280,000
Refunding	11,125,000	2004	2017	3.00% - 4.00%	4,640,000
Refunding	9,980,000	2005	2014	3.00% - 4.20%	9,405,000
Refunding	4,000,000	2009	2029	4.00%-4.65%	<u>4,000,000</u>
					<u>20,048,603</u>
Certificates of obligation:					
City:					
Improvements	3,000,000	1998	2019	4.00% - 6.00%	660,000
Improvements	8,615,000	2002	2022	4.00% - 5.00%	6,580,000
Improvements	1,690,000	2003	2023	2.50% - 4.25%	1,010,000
Improvements	6,540,000	2004	2024	4.00% - 5.00%	5,835,000
Improvements	270,000	2006	2026	4.25% - 5.37%	115,000
Improvements	8,310,000	2009	2029	3.00%-4.70%	8,310,000
Keller TIRZ (TIF)					
Improvements	6,825,000	1999	2018	5.10% - 6.10%	435,000
Improvements	17,095,000	2000	2018	5.00% - 5.75%	2,400,000
Improvements	8,735,000	2001	2018	4.25% - 5.25%	6,960,000
Refunding	17,400,000	2005	2018	3.50% - 5.00%	17,195,000
Keller Development Corp.					
Improvements	18,120,000	2003	2023	2.50% - 4.25%	14,935,000
Improvements	755,000	2004	2024	4.00% - 5.00%	<u>320,000</u>
					<u>64,755,000</u>
Revenue bonds:					
Keller Development Corp.					
Refunding	890,000	2006	2013	4.20%	<u>535,000</u>
Less: bond issue discount/(premium)					413,042
Less: deferred loss on refunding					<u>(952,277)</u>
Total governmental activities debt					<u>\$ 84,799,368</u>

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 09/30/09
General obligation bonds:					
City:					
Refunding	\$ 3,222,024	1999	2020	3.75% - 5.00%	\$ 1,561,398
Refunding	5,360,000	2002	2013	3.00% - 4.00%	2,025,000
Refunding	440,000	2004	2017	3.00% - 4.00%	105,000
Refunding	3,390,000	2004	2020	3.00% - 4.20%	<u>3,290,000</u>
					<u>6,981,398</u>
Certificates of obligation:					
City:					
Improvements	11,310,000	2004	2024	4.00% - 5.00%	9,515,000
Improvements	4,255,000	2006	2026	4.25% - 5.37%	<u>3,855,000</u>
					<u>13,370,000</u>
Contractual obligations:					
City:					
Improvements	3,679,920	1996	2011	3.60% - 5.20%	484,199
Refunding	697,116	2005	2013	2.50% - 3.50%	<u>338,136</u>
					<u>822,335</u>
					(43,820)
					(474,978)
					(518,798)
					(16,574)
					(291,997)
					(308,571)
Total business-type activities debt					<u>20,346,364</u>
Total long-term debt					<u>\$ 105,143,374</u>

Annual debt service requirements to maturity for general debt:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 6,467,743	\$ 3,767,272	\$ 1,577,258	\$ 871,367
2011	6,546,069	3,264,418	1,623,932	807,365
2012	6,834,395	2,994,358	1,695,606	740,797
2013	6,601,608	2,740,151	1,543,392	675,135
2014	7,087,038	2,470,886	1,272,963	617,330
2015-2019	33,108,063	7,756,266	6,211,938	2,279,872
2020-2024	13,943,687	2,274,560	5,796,309	818,253
2025-2030	<u>4,215,000</u>	<u>505,365</u>	<u>630,000</u>	<u>27,781</u>
Total	<u>\$ 84,803,603</u>	<u>\$ 25,773,276</u>	<u>\$ 20,351,398</u>	<u>\$ 6,837,900</u>

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
2010	\$ 130,000	\$ 19,787	\$ 510,788	\$ 25,220
2011	130,000	14,314	137,849	10,414
2012	135,000	8,736	85,690	6,080
2013	<u>140,000</u>	<u>2,947</u>	<u>88,008</u>	<u>3,080</u>
Total	<u>\$ 535,000</u>	<u>\$ 45,784</u>	<u>\$ 822,335</u>	<u>\$ 44,794</u>

Capital Lease Obligation

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

Year Ending September 30,	Lease Obligation
2010	\$ -
2011	105,048
2012	105,048
2013	105,048
2014	<u>64,373</u>
	379,517
Less interest portion	<u>(37,909)</u>
Obligations under capital leases	<u>\$ 341,608</u>

Changes in Long-term Liabilities

During the year ended September 30, 2009, the following changes occurred in general government long-term debt:

Description	Balance 09/30/08	Additions	Retirements	Balance 09/30/09	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 17,883,020	\$ 4,000,000	\$(1,834,417)	\$ 20,048,603	\$ 2,122,743
Certificates of obligation	60,800,000	8,310,000	(4,355,000)	64,755,000	4,345,000
Revenue bonds	660,000	-	(125,000)	535,000	130,000
Deferred loss on refunding	(1,082,024)	-	129,747	(952,277)	(129,747)
Bond premiums/discounts	<u>451,440</u>	<u>-</u>	<u>(38,398)</u>	<u>413,042</u>	<u>38,398</u>
Total bonds payable	78,712,436	12,310,000	(6,223,068)	84,799,368	6,506,394
Capital lease obligation	508,195	-	(166,587)	341,608	-
Compensated absences	1,281,401	22,119	-	1,303,520	217,253
OPEB liability	-	40,808	-	40,808	-
TMRS net pension obligation	<u>-</u>	<u>339,393</u>	<u>-</u>	<u>339,393</u>	<u>-</u>
	<u>\$ 80,502,032</u>	<u>\$ 12,712,320</u>	<u>\$(6,389,655)</u>	<u>\$ 86,824,697</u>	<u>\$ 6,723,647</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Description	Balance 09/30/08	Additions	Retirements	Balance 09/30/09	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 7,761,982	\$ -	\$(780,584)	\$ 6,981,398	\$ 992,258
Certificates of obligation	14,130,000	-	(760,000)	13,370,000	585,000
Deferred loss on refunding	(332,672)	-	40,675	(291,997)	(40,675)
Bond premiums/discounts	<u>(16,233)</u>	<u>-</u>	<u>(341)</u>	<u>(16,574)</u>	<u>341</u>
Total bonds payable	21,543,077	-	(1,500,250)	20,042,827	1,536,924
Contractual obligations	772,337	-	(468,800)	303,537	303,537
Compensated absences	<u>121,408</u>	<u>25,838</u>	<u>-</u>	<u>147,246</u>	<u>24,541</u>
	<u>\$ 22,436,822</u>	<u>\$ 25,838</u>	<u>\$(1,969,050)</u>	<u>\$ 20,493,610</u>	<u>\$ 1,865,002</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 \$10,810,000 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, 2009, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$31,580,000.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the City's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's 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.

V. **OTHER INFORMATION** (Continued)

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 eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

V. **OTHER INFORMATION** (Continued)

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

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined 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 serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 2,558,787
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost	2,558,787
Contributions Made	(2,219,394)
Increase (Decrease) in Net Pension Obligation	339,393
Net Pension Obligation/(Asset), beginning of year	<u>-</u>
Net Pension Obligation/(Asset), ending of year	<u>\$ 339,393</u>

Three-Year Trend Information

Accounting Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
09/30/07	\$ 1,751,919	\$ 1,751,919	100.00%	\$ -
09/30/08	2,006,886	2,006,886	100.00%	-
09/30/09	2,558,787	2,219,394	86.74%	339,393

V. **OTHER INFORMATION** (Continued)

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

Contributions

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial cost method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining amortization period	25 years - open	30 years - closed	29 years - closed
Asset valuation method	Amortized cost	Amortized cost	Amortized cost
Actuarial Assumptions:			
Investment rate of return	7.0%	7.0%	7.5%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	N/A	2.1%	2.1%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2006	\$ 21,488,831	\$ 28,054,723	76.6%	\$ 6,565,892	\$ 13,401,562	49.0%
12/31/2007	24,027,689	37,714,732	63.7%	13,687,043	14,811,568	92.4%
12/31/2008	27,242,602	42,915,914	63.5%	15,673,312	17,320,261	90.5%

D. **Other Postemployment Benefits**

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	\$	52,437
Interest on Net Pension Obligation		-
Adjustment to the ARC		-
Annual Pension Cost		52,437
Contributions Made	(11,629)
Increase (Decrease) in Net Pension Obligation		40,808
Net Pension Obligation/(Asset), beginning of year		-
Net Pension Obligation/(Asset), ending of year	\$	<u>40,808</u>

V. **OTHER INFORMATION** (Continued)

D. **Other Postemployment Benefits** (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

In addition to the employer contribution, the retirees paid \$26,444 in the form of premiums which funded current medical claims.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years (4.5% discount rate, and level percent of pay amortization).

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/07	N/A	N/A	N/A	N/A
09/30/08	N/A	N/A	N/A	N/A
09/30/09	\$ 52,437	\$ 11,629	22.8%	\$ 40,808

Funding Status and Funding Progress

As of December 31, 2008, the actuarial accrued liability for benefits was \$482,084, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$17,533,550 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.7%.

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of investment expenses) and an annual health care costs trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2009, was 30 years.

V. **OTHER INFORMATION** (Continued)

E. **Supplemental Death Benefits Plan (SDBF)**

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Schedule of Contribution Rates

Accounting Year Ending	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed	Net Pension Obligation
09/30/07	.20%	.20%	100%	\$ -
09/30/08	.17%	.17%	100%	-
09/30/09	.14%	.14%	100%	-

**REQUIRED
SUPPLEMENTARY INFORMATION**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes:				
Property	\$ 12,156,000	\$ 12,040,000	\$ 12,084,761	\$ 44,761
Sales	4,538,500	4,176,500	4,037,484	(139,016)
Franchise	2,640,110	2,514,185	2,520,961	6,776
Other	59,040	57,780	55,350	(2,430)
Permits, licenses and fees	1,782,200	934,100	1,101,177	167,077
Intergovernmental	1,917,335	1,902,500	1,979,193	76,693
Charges for services	702,500	788,500	992,021	203,521
Fines and forfeitures	930,500	941,000	887,073	(53,927)
Donations	61,350	5,100	47,100	42,000
Investment earnings	375,000	150,000	217,256	67,256
Miscellaneous	204,000	215,910	286,766	70,856
Total revenues	<u>25,366,535</u>	<u>23,725,575</u>	<u>24,209,142</u>	<u>483,567</u>
EXPENDITURES				
Current:				
General government	4,475,962	4,591,222	4,227,027	364,195
Public safety	14,022,165	13,954,520	13,253,565	700,955
Public works	2,254,440	2,268,605	2,035,959	232,646
Community development	1,281,450	1,236,680	1,148,647	88,033
Recreation and leisure	3,896,855	3,798,355	3,606,894	191,461
Capital outlay	836,845	903,585	618,369	285,216
Total expenditures	<u>26,767,717</u>	<u>26,752,967</u>	<u>24,890,461</u>	<u>1,862,506</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,401,182)</u>	<u>(3,027,392)</u>	<u>(681,319)</u>	<u>2,346,073</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	3,500	3,000	11,407	8,407
Transfers in	2,213,500	2,213,500	2,213,500	-
Transfers out	(785,690)	(753,885)	(757,840)	(3,955)
Total other financing sources and uses	<u>1,431,310</u>	<u>1,462,615</u>	<u>1,467,067</u>	<u>4,452</u>
NET CHANGE IN FUND BALANCE	30,128	(1,564,777)	785,748	2,350,525
FUND BALANCE, BEGINNING	<u>8,284,216</u>	<u>8,284,216</u>	<u>8,284,216</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 8,314,344</u>	<u>\$ 6,719,439</u>	<u>\$ 9,069,964</u>	<u>\$ 2,350,525</u>

CITY OF KELLER, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2009

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.

Contributions/Donations Fund – This fund is to account for contributions, donations, and other resources that are dedicated for specific uses or purposes.

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.

Recreation/Aquatic Center Fund – This 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.

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.

TIF #1 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 Funds** account for all resources used for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

TIF #1 Capital Projects 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, 2009

	Special Revenue Funds			
	Keller Development Corporation	Library	Recreation	Municipal Court
ASSETS				
Cash and cash equivalents	\$ 26,815	\$ 12,730	\$ 27,203	\$ 49,158
Investments	251,307	10,803	58,525	202,117
Receivables, net of allowances for uncollectibles				
Taxes	349,024	-	-	-
Accounts	-	-	371	-
Interest	546	59	222	997
Other	-	-	-	-
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	<u>12</u>	<u>-</u>	<u>3,000</u>	<u>6</u>
Total assets	<u>\$ 627,704</u>	<u>\$ 23,592</u>	<u>\$ 89,321</u>	<u>\$ 252,278</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 10,511	\$ 14,706	\$ -
Accrued liabilities	5,974	-	207	1,724
Due to other funds	-	-	-	-
Deferred revenue	-	-	3,710	-
Customer deposits	-	-	2,482	-
Total liabilities	<u>5,974</u>	<u>10,511</u>	<u>21,105</u>	<u>1,724</u>
Fund balances:				
Reserved for:				
Encumbrances	-	-	-	-
Prepaid items	12	-	3,000	6
Debt service	89,000	-	-	-
Other purposes	-	-	90,668	-
Unreserved	<u>532,718</u>	<u>13,081</u>	<u>(25,452)</u>	<u>250,548</u>
Total fund balances	<u>621,730</u>	<u>13,081</u>	<u>68,216</u>	<u>250,554</u>
Total liabilities and fund balances	<u>\$ 627,704</u>	<u>\$ 23,592</u>	<u>\$ 89,321</u>	<u>\$ 252,278</u>

Special Revenue Funds						Debt Service Fund
Public Safety	Joint Teen Court	Contributions/ Donations	Crime Control Prevention District	Information Services	Recreation/ Aquatic Center	TIF #1 Interest and Sinking
\$ 3,409	\$ 43,259	\$ 21,204	\$ -	\$ -	\$ 9,883	\$ 18,868
2,910	12,593	32	2,214,651	468,525	799,933	65,866
-	-	-	162,110	-	-	28,608
-	50	-	-	-	17,612	-
190	133	45	-	1,043	2,092	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
64,560	-	-	-	85,988	40,667	-
7,800	390	-	-	-	-	-
-	146	-	-	274	751	-
<u>\$ 78,869</u>	<u>\$ 56,571</u>	<u>\$ 21,281</u>	<u>\$ 2,376,761</u>	<u>\$ 555,830</u>	<u>\$ 870,938</u>	<u>\$ 113,342</u>
\$ 703	\$ 195	\$ -	\$ 6,989	\$ 25,597	\$ 79,053	\$ -
5,695	2,604	-	-	22,269	38,962	-
-	-	-	126,655	-	-	-
-	-	-	-	-	686,319	28,608
-	-	-	-	-	3,122	-
<u>6,398</u>	<u>2,799</u>	<u>-</u>	<u>133,644</u>	<u>47,866</u>	<u>807,456</u>	<u>28,608</u>
-	-	-	-	27,104	-	-
-	146	-	-	274	751	-
-	-	-	-	-	-	84,734
-	-	-	-	-	-	-
<u>72,471</u>	<u>53,626</u>	<u>21,281</u>	<u>2,243,117</u>	<u>480,586</u>	<u>62,731</u>	<u>-</u>
<u>72,471</u>	<u>53,772</u>	<u>21,281</u>	<u>2,243,117</u>	<u>507,964</u>	<u>63,482</u>	<u>84,734</u>
<u>\$ 78,869</u>	<u>\$ 56,571</u>	<u>\$ 21,281</u>	<u>\$ 2,376,761</u>	<u>\$ 555,830</u>	<u>\$ 870,938</u>	<u>\$ 113,342</u>

(continued)

CITY OF KELLER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2009

	Capital Project Funds		
	TIF #1 Capital Projects	Roadway Impact Fee	Park Development Fee
ASSETS			
Cash and cash equivalents	\$ -	\$ 47,042	\$ 4,935
Investments	-	3,707,537	14,729
Receivables, net of allowances for uncollectibles			
Taxes	-	-	-
Accounts	-	-	-
Interest	-	9,038	47
Other	-	237,234	-
Special assessments	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Prepaid items	-	-	-
Total assets	\$ -	\$ 4,000,851	\$ 19,711
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 181,572	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	237,234	-
Customer deposits	-	-	-
Total liabilities	-	418,806	-
Fund balances:			
Reserved for:			
Encumbrances	-	3,958,226	-
Prepaid items	-	-	-
Debt service	-	-	-
Other purposes	-	3,580,510	-
Unreserved	-	(3,956,691)	19,711
Total fund balances	-	3,582,045	19,711
Total liabilities and fund balances	\$ -	\$ 4,000,851	\$ 19,711

Capital Project Funds

<u>Street/ Sidewalk Improvements</u>	<u>Equipment Replacement</u>	<u>Parks Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 264,506
1,134,839	308,326	120,255	9,372,948
174,512	-	-	714,254
-	-	-	18,033
2,772	1,019	437	18,640
-	-	-	237,234
612	-	-	612
44,879	382,087	60,438	678,619
-	-	-	8,190
-	-	-	4,189
<u>\$ 1,357,614</u>	<u>\$ 691,432</u>	<u>\$ 181,130</u>	<u>\$ 11,317,225</u>
\$ 73,874	\$ 8,141	\$ -	\$ 401,341
-	-	-	77,435
-	-	-	126,655
572	-	-	956,443
-	-	-	5,604
<u>74,446</u>	<u>8,141</u>	<u>-</u>	<u>1,567,478</u>
1,212,178	-	-	5,197,508
-	-	-	4,189
-	-	-	173,734
-	-	-	3,671,178
<u>70,990</u>	<u>683,291</u>	<u>181,130</u>	<u>703,138</u>
<u>1,283,168</u>	<u>683,291</u>	<u>181,130</u>	<u>9,749,747</u>
<u>\$ 1,357,614</u>	<u>\$ 691,432</u>	<u>\$ 181,130</u>	<u>\$ 11,317,225</u>

CITY OF KELLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds			
	Keller Development Corporation	Library	Recreation	Municipal Court
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Sales	2,018,742	-	-	-
Permits, licenses and fees	-	-	-	-
Intergovernmental	-	10,458	11,353	-
Charges for services	-	1,863	110,391	-
Fines and forfeitures	-	-	8,000	97,396
Special assessments and impact fees	-	-	-	-
Donations	-	34,888	65,844	-
Investment earnings	7,813	561	2,738	6,690
Miscellaneous	13,868	-	1,986	-
Total revenues	<u>2,040,423</u>	<u>47,770</u>	<u>200,312</u>	<u>104,086</u>
EXPENDITURES				
Current:				
General government	-	-	-	113,955
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and leisure	152,810	6,582	249,217	-
Capital outlay	119,752	26,866	68,677	-
Debt service:				
Principal	1,035,000	-	-	-
Interest and other charges	610,730	-	-	-
Total expenditures	<u>1,918,292</u>	<u>33,448</u>	<u>317,894</u>	<u>113,955</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>122,131</u>	<u>14,322</u>	<u>(117,582)</u>	<u>(9,869)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Bonds issued	-	-	-	-
Transfers in	-	-	3,955	-
Transfers out	<u>(173,620)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(173,620)</u>	<u>-</u>	<u>3,955</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(51,489)</u>	<u>14,322</u>	<u>(113,627)</u>	<u>(9,869)</u>
FUND BALANCES, BEGINNING	<u>673,219</u>	<u>(1,241)</u>	<u>181,843</u>	<u>260,423</u>
FUND BALANCES, ENDING	<u>\$ 621,730</u>	<u>\$ 13,081</u>	<u>\$ 68,216</u>	<u>\$ 250,554</u>

Special Revenue Funds						Debt Service Fund
Public Safety	Joint Teen Court	Contributions/Donations	Crime Control Prevention District	Information Services	Recreation/Aquatic Center	TIF #1 Interest and Sinking
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,425,359
-	-	-	979,874	-	-	-
-	-	-	-	-	-	-
40,335	52,711	-	49,700	-	-	-
-	-	-	-	-	2,964,386	-
-	3,734	-	-	-	-	-
-	-	-	-	-	-	-
22,886	-	5,500	-	-	2,225	-
1,391	1,340	233	15,131	11,843	17,901	22,424
354	-	635	-	71,357	12,403	-
<u>64,966</u>	<u>57,785</u>	<u>6,368</u>	<u>1,044,705</u>	<u>83,200</u>	<u>2,996,915</u>	<u>2,447,783</u>
-	80,152	1,587	-	1,242,268	-	-
73,381	-	-	137,753	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,885,581	-
-	-	-	222,242	59,566	-	-
-	-	-	-	-	-	2,240,000
-	-	-	-	-	-	1,374,648
<u>73,381</u>	<u>80,152</u>	<u>1,587</u>	<u>359,995</u>	<u>1,301,834</u>	<u>2,885,581</u>	<u>3,614,648</u>
(8,415)	(22,367)	4,781	684,710	(1,218,634)	111,334	(1,166,865)
-	-	-	8,933	-	-	-
-	-	-	-	-	-	-
-	30,195	-	-	1,244,690	-	1,035,581
-	-	-	-	-	(14,045)	-
-	<u>30,195</u>	<u>-</u>	<u>8,933</u>	<u>1,244,690</u>	<u>(14,045)</u>	<u>1,035,581</u>
(8,415)	7,828	4,781	693,643	26,056	97,289	(131,284)
<u>80,886</u>	<u>45,944</u>	<u>16,500</u>	<u>1,549,474</u>	<u>481,908</u>	<u>(33,807)</u>	<u>216,018</u>
<u>\$ 72,471</u>	<u>\$ 53,772</u>	<u>\$ 21,281</u>	<u>\$ 2,243,117</u>	<u>\$ 507,964</u>	<u>\$ 63,482</u>	<u>\$ 84,734</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, 2009

	Capital Project Funds		
	TIF #1 Capital Projects	Roadway Impact Fee	Park Development Fee
REVENUES			
Taxes:			
Property	\$ -	\$ -	\$ -
Sales	-	-	-
Permits, licenses and fees	-	-	18,000
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Special assessments and impact fees	-	519,212	-
Donations	-	-	-
Investment earnings	82	99,132	1,048
Miscellaneous	-	-	20,196
Total revenues	82	618,344	39,244
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	1,377,533	94,321
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	-	1,377,533	94,321
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	82	(759,189)	(55,077)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	-
Bonds issued	-	-	-
Transfers in	-	-	-
Transfers out	(28,441)	-	-
Total other financing sources and uses	(28,441)	-	-
NET CHANGE IN FUND BALANCES	(28,359)	(759,189)	(55,077)
FUND BALANCES, BEGINNING	28,359	4,341,234	74,788
FUND BALANCES, ENDING	\$ -	\$ 3,582,045	\$ 19,711

Capital Project Funds

<u>Street/ Sidewalk Improvements</u>	<u>Equipment Replacement</u>	<u>Parks Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 2,425,359
1,009,371	-	-	4,007,987
-	-	-	18,000
-	-	-	164,557
-	-	-	3,076,640
-	-	-	109,130
14,691	-	-	533,903
-	-	-	131,343
22,407	13,652	1,670	226,056
959	-	2,524	124,282
<u>1,047,428</u>	<u>13,652</u>	<u>4,194</u>	<u>10,817,257</u>
-	-	-	1,437,962
-	-	-	211,134
42,664	-	-	42,664
-	-	-	3,294,190
944,624	466,732	176,490	3,556,803
-	-	-	3,275,000
-	-	-	1,985,378
<u>987,288</u>	<u>466,732</u>	<u>176,490</u>	<u>13,803,131</u>
<u>60,140</u>	<u>(453,080)</u>	<u>(172,296)</u>	<u>(2,985,874)</u>
-	4,486	-	13,419
-	340,000	750,000	1,090,000
-	50,120	-	2,364,541
(6,000)	-	-	(222,106)
<u>(6,000)</u>	<u>394,606</u>	<u>750,000</u>	<u>3,245,854</u>
54,140	(58,474)	577,704	259,980
<u>1,229,028</u>	<u>741,765</u>	<u>(396,574)</u>	<u>9,489,767</u>
<u>\$ 1,283,168</u>	<u>\$ 683,291</u>	<u>\$ 181,130</u>	<u>\$ 9,749,747</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**BUDGETARY
COMPARISON SCHEDULES**

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 4,609,930	\$ 4,631,000	\$ 4,633,010	\$ 2,010
Investment earnings	<u>40,000</u>	<u>40,000</u>	<u>40,908</u>	<u>908</u>
Total revenues	<u>4,649,930</u>	<u>4,671,000</u>	<u>4,673,918</u>	<u>2,918</u>
EXPENDITURES				
Debt service:				
Principal	3,120,820	3,120,820	3,206,007	(85,187)
Interest and other charges	<u>1,357,950</u>	<u>1,360,050</u>	<u>1,328,671</u>	<u>31,379</u>
Total expenditures	<u>4,478,770</u>	<u>4,480,870</u>	<u>4,534,678</u>	<u>(53,808)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>171,160</u>	<u>190,130</u>	<u>139,240</u>	<u>(50,890)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	610,190	553,190	553,190	-
Transfers out	<u>(917,965)</u>	<u>(960,000)</u>	<u>(960,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(307,775)</u>	<u>(406,810)</u>	<u>(406,810)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(136,615)	(216,680)	(267,570)	(50,890)
FUND BALANCE, BEGINNING	<u>1,020,122</u>	<u>1,020,122</u>	<u>1,020,122</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 883,507</u>	<u>\$ 803,442</u>	<u>\$ 752,552</u>	<u>\$ (50,890)</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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 3,478,960	\$ 3,224,680	\$ 2,964,386	\$ (260,294)
Donations	10,010	5,000	2,225	(2,775)
Investment earnings	17,820	10,690	17,901	7,211
Miscellaneous	<u>3,640</u>	<u>3,680</u>	<u>12,403</u>	<u>8,723</u>
Total revenues	<u>3,510,430</u>	<u>3,244,050</u>	<u>2,996,915</u>	<u>(247,135)</u>
EXPENDITURES				
Current:				
Recreation and leisure	3,465,680	3,210,635	2,885,581	325,054
Capital outlay	<u>18,000</u>	<u>38,000</u>	<u>-</u>	<u>38,000</u>
Total expenditures	<u>3,483,680</u>	<u>3,248,635</u>	<u>2,885,581</u>	<u>363,054</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>26,750</u>	<u>(4,585)</u>	<u>111,334</u>	<u>115,919</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,675)</u>	<u>(14,045)</u>	<u>(14,045)</u>	<u>-</u>
Total other financing sources and uses	<u>(15,675)</u>	<u>(14,045)</u>	<u>(14,045)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	11,075	(18,630)	97,289	115,919
FUND BALANCE, BEGINNING	<u>(33,807)</u>	<u>(33,807)</u>	<u>(33,807)</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ (22,732)</u>	<u>\$ (52,437)</u>	<u>\$ 63,482</u>	<u>\$ 115,919</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, 2009

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Sales	\$ 2,269,000	\$ 2,088,000	\$ 2,018,742	\$(69,258)
Investment earnings	8,500	8,500	7,813	(687)
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>13,868</u>	<u>1,868</u>
Total revenues	<u>2,289,500</u>	<u>2,108,500</u>	<u>2,040,423</u>	<u>(68,077)</u>
EXPENDITURES				
Current:				
Recreation and leisure	182,095	171,580	152,810	18,770
Capital outlay	521,450	119,755	119,752	3
Debt service:				
Principal	1,035,000	1,035,000	1,035,000	-
Interest and other charges	<u>611,205</u>	<u>611,005</u>	<u>610,730</u>	<u>275</u>
Total expenditures	<u>2,349,750</u>	<u>1,937,340</u>	<u>1,918,292</u>	<u>19,048</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(60,250)</u>	<u>171,160</u>	<u>122,131</u>	<u>(49,029)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(221,620)</u>	<u>(173,620)</u>	<u>(173,620)</u>	<u>-</u>
Total other financing sources and uses	<u>(221,620)</u>	<u>(173,620)</u>	<u>(173,620)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(281,870)	(2,460)	(51,489)	(49,029)
FUND BALANCE, BEGINNING	<u>673,219</u>	<u>673,219</u>	<u>673,219</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 391,349</u>	<u>\$ 670,759</u>	<u>\$ 621,730</u>	<u>\$(49,029)</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 9,000	\$ 19,850	\$ 10,458	\$(9,392)
Charges for services	3,560	3,560	1,863	(1,697)
Donations	22,500	22,500	34,888	12,388
Investment earnings	<u>2,500</u>	<u>500</u>	<u>561</u>	<u>61</u>
Total revenues	<u>37,560</u>	<u>46,410</u>	<u>47,770</u>	<u>1,360</u>
EXPENDITURES				
Current:				
Recreation and leisure	29,000	35,350	6,582	28,768
Capital outlay	<u>9,000</u>	<u>9,000</u>	<u>26,866</u>	<u>17,866</u>
Total expenditures	<u>38,000</u>	<u>44,350</u>	<u>33,448</u>	<u>10,902</u>
NET CHANGE IN FUND BALANCE	(440)	2,060	14,322	12,262
FUND BALANCE, BEGINNING	(1,241)	(1,241)	(1,241)	-
FUND BALANCE, ENDING	<u>\$(1,681)</u>	<u>\$ 819</u>	<u>\$ 13,081</u>	<u>\$ 12,262</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 79,353	\$ 11,350	\$ 11,353	\$ 3
Charges for services	128,170	79,345	110,391	31,046
Fines and forfeitures	5,000	8,000	8,000	-
Donations	20,650	58,130	65,844	7,714
Investment earnings	3,500	3,000	2,738	(262)
Miscellaneous	<u>8,665</u>	<u>6,500</u>	<u>1,986</u>	<u>(4,514)</u>
Total revenues	<u>245,338</u>	<u>166,325</u>	<u>200,312</u>	<u>33,987</u>
EXPENDITURES				
Current:				
Recreation and leisure	252,848	253,434	249,217	4,217
Capital outlay	<u>136,000</u>	<u>68,680</u>	<u>68,677</u>	<u>3</u>
Total expenditures	<u>388,848</u>	<u>322,114</u>	<u>317,894</u>	<u>4,220</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(143,510)</u>	<u>(155,789)</u>	<u>(117,582)</u>	<u>38,207</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>3,955</u>	<u>3,955</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>3,955</u>	<u>3,955</u>
NET CHANGE IN FUND BALANCE	<u>(143,510)</u>	<u>(155,789)</u>	<u>(113,627)</u>	<u>42,162</u>
FUND BALANCE, BEGINNING	<u>181,843</u>	<u>181,843</u>	<u>181,843</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 38,333</u>	<u>\$ 26,054</u>	<u>\$ 68,216</u>	<u>\$ 42,162</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, 2009

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 106,790	\$ 105,000	\$ 97,396	\$(7,604)
Investment earnings	<u>10,000</u>	<u>6,000</u>	<u>6,690</u>	<u>690</u>
Total revenues	<u>116,790</u>	<u>111,000</u>	<u>104,086</u>	<u>(6,914)</u>
EXPENDITURES				
Current:				
General government	<u>133,165</u>	<u>124,530</u>	<u>113,955</u>	<u>10,575</u>
Total expenditures	<u>133,165</u>	<u>124,530</u>	<u>113,955</u>	<u>10,575</u>
NET CHANGE IN FUND BALANCE	(16,375)	(13,530)	(9,869)	3,661
FUND BALANCE, BEGINNING	<u>260,423</u>	<u>260,423</u>	<u>260,423</u>	-
FUND BALANCE, ENDING	<u>\$ 244,048</u>	<u>\$ 246,893</u>	<u>\$ 250,554</u>	<u>\$ 3,661</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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 51,855	\$ 51,855	\$ 52,711	\$ 856
Fines and forfeitures	5,000	5,000	3,734	(1,266)
Investment earnings	<u>3,000</u>	<u>3,000</u>	<u>1,340</u>	<u>(1,660)</u>
Total revenues	<u>59,855</u>	<u>59,855</u>	<u>57,785</u>	<u>(2,070)</u>
EXPENDITURES				
Current:				
General government	<u>80,430</u>	<u>81,650</u>	<u>80,152</u>	<u>1,498</u>
Total expenditures	<u>80,430</u>	<u>81,650</u>	<u>80,152</u>	<u>1,498</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,575)</u>	<u>(21,795)</u>	<u>(22,367)</u>	<u>(572)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	30,195	30,195	30,195	-
Transfers out	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>30,145</u>	<u>30,195</u>	<u>30,195</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	9,570	8,400	7,828	(572)
FUND BALANCE, BEGINNING	<u>45,944</u>	<u>45,944</u>	<u>45,944</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 55,514</u>	<u>\$ 54,344</u>	<u>\$ 53,772</u>	<u>\$ (572)</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, 2009

	<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	\$ 990,000	\$ 990,000	\$ 979,874	\$(10,126)
Intergovernmental	-	49,700	49,700	-
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>15,131</u>	<u>5,131</u>
Total revenues	<u>1,000,000</u>	<u>1,049,700</u>	<u>1,044,705</u>	<u>(4,995)</u>
EXPENDITURES				
Current:				
Public safety	144,660	142,960	137,753	5,207
Capital outlay	<u>885,500</u>	<u>162,994</u>	<u>222,242</u>	<u>(59,248)</u>
Total expenditures	<u>1,030,160</u>	<u>305,954</u>	<u>359,995</u>	<u>(54,041)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(30,160)</u>	<u>743,746</u>	<u>684,710</u>	<u>(59,036)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>7,695</u>	<u>8,933</u>	<u>1,238</u>
Total other financing sources and uses	<u>-</u>	<u>7,695</u>	<u>8,933</u>	<u>1,238</u>
NET CHANGE IN FUND BALANCE	<u>(30,160)</u>	<u>751,441</u>	<u>693,643</u>	<u>(57,798)</u>
FUND BALANCE, BEGINNING	<u>1,549,474</u>	<u>1,549,474</u>	<u>1,549,474</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,519,314</u>	<u>\$ 2,300,915</u>	<u>\$ 2,243,117</u>	<u>\$(57,798)</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Investment earnings	\$ 20,000	\$ 9,500	\$ 11,843	\$ 2,343
Miscellaneous	<u>52,500</u>	<u>52,500</u>	<u>71,357</u>	<u>18,857</u>
Total revenues	<u>72,500</u>	<u>62,000</u>	<u>83,200</u>	<u>21,200</u>
EXPENDITURES				
Current:				
General government	1,342,750	1,335,505	1,242,268	93,237
Capital outlay	<u>62,000</u>	<u>81,750</u>	<u>59,566</u>	<u>22,184</u>
Total expenditures	<u>1,404,750</u>	<u>1,417,255</u>	<u>1,301,834</u>	<u>115,421</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,332,250)</u>	<u>(1,355,255)</u>	<u>(1,218,634)</u>	<u>136,621</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,267,035</u>	<u>1,244,690</u>	<u>1,244,690</u>	<u>-</u>
Total other financing sources and uses	<u>1,267,035</u>	<u>1,244,690</u>	<u>1,244,690</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(65,215)	(110,565)	26,056	136,621
FUND BALANCE, BEGINNING	<u>481,908</u>	<u>481,908</u>	<u>481,908</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 416,693</u>	<u>\$ 371,343</u>	<u>\$ 507,964</u>	<u>\$ 136,621</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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 2,503,280	\$ 2,410,798	\$ 2,425,359	\$ 14,561
Investment earnings	2,500	14,000	22,424	8,424
Total revenues	<u>2,505,780</u>	<u>2,424,798</u>	<u>2,447,783</u>	<u>22,985</u>
EXPENDITURES				
Debt service:				
Principal	2,240,000	2,240,000	2,240,000	-
Interest and other charges	<u>1,375,050</u>	<u>1,374,650</u>	<u>1,374,648</u>	2
Total expenditures	<u>3,615,050</u>	<u>3,614,650</u>	<u>3,614,648</u>	<u>2</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,109,270)</u>	<u>(1,189,852)</u>	<u>(1,166,865)</u>	<u>22,987</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>965,105</u>	<u>1,007,140</u>	<u>1,035,581</u>	<u>28,441</u>
Total other financing sources and uses	<u>965,105</u>	<u>1,007,140</u>	<u>1,035,581</u>	<u>28,441</u>
NET CHANGE IN FUND BALANCE	<u>(144,165)</u>	<u>(182,712)</u>	<u>(131,284)</u>	<u>51,428</u>
FUND BALANCE, BEGINNING	<u>216,018</u>	<u>216,018</u>	<u>216,018</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 71,853</u>	<u>\$ 33,306</u>	<u>\$ 84,734</u>	<u>\$ 51,428</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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Permits, licenses and fees	\$ 100,000	\$ 20,000	\$ 18,000	\$(2,000)
Investment earnings	20,000	1,000	1,048	48
Miscellaneous	<u>-</u>	<u>20,195</u>	<u>20,196</u>	<u>1</u>
Total revenues	<u>120,000</u>	<u>41,195</u>	<u>39,244</u>	<u>(1,951)</u>
EXPENDITURES				
Current:				
Recreation and leisure	40,000	4,000	-	4,000
Capital outlay	<u>165,000</u>	<u>95,810</u>	<u>94,321</u>	<u>1,489</u>
Total expenditures	<u>205,000</u>	<u>99,810</u>	<u>94,321</u>	<u>5,489</u>
NET CHANGE IN FUND BALANCE	(85,000)	(58,615)	(55,077)	3,538
FUND BALANCE, BEGINNING	<u>74,788</u>	<u>74,788</u>	<u>74,788</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$(10,212)</u></u>	<u><u>\$ 16,173</u></u>	<u><u>\$ 19,711</u></u>	<u><u>\$ 3,538</u></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, 2009

	<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	\$ 1,172,500	\$ 1,044,000	\$ 1,009,371	\$(34,629)
Special assessments and impact fees	65,000	17,500	14,691	(2,809)
Investment earnings	30,900	17,500	22,407	4,907
Miscellaneous	-	-	959	959
Total revenues	<u>1,268,400</u>	<u>1,079,000</u>	<u>1,047,428</u>	<u>(31,572)</u>
EXPENDITURES				
Current:				
Public works	80,000	84,865	42,664	42,201
Capital outlay	<u>1,171,650</u>	<u>2,209,235</u>	<u>944,624</u>	<u>1,264,611</u>
Total expenditures	<u>1,251,650</u>	<u>2,294,100</u>	<u>987,288</u>	<u>1,306,812</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>16,750</u>	<u>(1,215,100)</u>	<u>60,140</u>	<u>1,275,240</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(15,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,750	(1,221,100)	54,140	1,275,240
FUND BALANCE, BEGINNING	<u>1,229,028</u>	<u>1,229,028</u>	<u>1,229,028</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,230,778</u>	<u>\$ 7,928</u>	<u>\$ 1,283,168</u>	<u>\$ 1,275,240</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, 2009

	<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	\$ 13,652	\$(16,348)
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>13,652</u>	<u>(16,348)</u>
EXPENDITURES				
Capital outlay	<u>514,170</u>	<u>510,295</u>	<u>466,732</u>	<u>43,563</u>
Total expenditures	<u>514,170</u>	<u>510,295</u>	<u>466,732</u>	<u>43,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(484,170)</u>	<u>(480,295)</u>	<u>(453,080)</u>	<u>27,215</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	4,490	4,486	(4)
Debt issuance	337,720	340,000	340,000	-
Transfers in	<u>50,120</u>	<u>50,120</u>	<u>50,120</u>	<u>-</u>
Total other financing sources and uses	<u>387,840</u>	<u>394,610</u>	<u>394,606</u>	<u>(4)</u>
NET CHANGE IN FUND BALANCE	<u>(96,330)</u>	<u>(85,685)</u>	<u>(58,474)</u>	<u>27,211</u>
FUND BALANCE, BEGINNING	<u>741,765</u>	<u>741,765</u>	<u>741,765</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 645,435</u>	<u>\$ 656,080</u>	<u>\$ 683,291</u>	<u>\$ 27,211</u>

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

**STATISTICAL SECTION
(Unaudited)**

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

Contents

	Page
Financial Trends	103
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	110
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	
Debt Capacity	120
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	127
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	129
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

THIS PAGE LEFT BLANK INTENTIONALLY

TABLE 1

CITY OF KELLER, TEXAS

NET ASSETS BY COMPONENT

LAST SEVEN FISCAL YEARS

(Accrual Basis)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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	\$ 70,395,104
Restricted	5,506,781	6,988,971	8,444,642	9,909,962	11,798,349	10,921,916	10,502,026
Unrestricted	<u>4,727,354</u>	<u>7,046,685</u>	<u>5,683,596</u>	<u>8,009,253</u>	<u>9,624,564</u>	<u>7,002,508</u>	<u>9,709,689</u>
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>	<u>\$ 90,606,819</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	\$ 59,189,455
Restricted	468,036	471,846	481,855	496,892	518,135	9,453,952	9,453,952
Unrestricted	<u>1,898,377</u>	<u>2,700,286</u>	<u>17,894,997</u>	<u>16,596,805</u>	<u>16,403,823</u>	<u>8,190,132</u>	<u>7,658,655</u>
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>	<u>\$ 76,302,062</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	\$ 129,584,559
Restricted	5,974,817	7,460,817	8,926,497	10,406,854	12,316,484	20,375,868	19,955,978
Unrestricted	<u>6,625,731</u>	<u>9,746,971</u>	<u>23,578,593</u>	<u>24,606,058</u>	<u>26,028,387</u>	<u>15,192,640</u>	<u>17,368,344</u>
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>	<u>\$ 166,908,881</u>

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

This information is presented using the accrual basis of accounting.

TABLE 2

CITY OF KELLER, TEXAS
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Accrual Basis)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
EXPENSES							
Governmental activities:							
General government	\$ 4,601,229	\$ 4,102,975	\$ 5,244,438	\$ 5,046,206	\$ 5,495,707	\$ 5,630,782	\$ 7,413,655
Public safety	8,376,754	8,625,240	9,889,821	10,627,205	12,162,131	13,969,085	14,740,695
Public works	4,721,525	4,621,754	7,402,595	7,735,718	7,800,979	9,067,983	8,260,487
Community development	1,539,855	984,186	1,128,547	1,251,056	1,231,365	1,291,819	1,161,434
Recreation and leisure	3,768,994	5,332,567	7,322,427	8,089,054	8,449,576	8,592,564	9,483,618
Interest and fiscal charges	<u>3,883,471</u>	<u>4,555,553</u>	<u>4,458,890</u>	<u>4,303,912</u>	<u>3,909,308</u>	<u>3,794,400</u>	<u>3,723,887</u>
Total governmental activities expenses	<u>26,891,828</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>	<u>44,783,776</u>
Business-type activities:							
Water and wastewater utilities	11,702,639	11,400,743	13,267,173	14,859,712	14,664,225	15,056,060	15,146,621
Drainage utility	<u>1,523,516</u>	<u>1,435,397</u>	<u>1,717,054</u>	<u>1,641,685</u>	<u>1,819,672</u>	<u>1,839,441</u>	<u>1,869,860</u>
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>	<u>17,016,481</u>
Total primary government program expenses	<u>\$ 40,117,983</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>	<u>\$ 61,800,257</u>
PROGRAM REVENUES							
Governmental activities:							
Charges for services:							
Public works	\$ 310,608	\$ 439,972	\$ 1,131,099	\$ 1,437,910	\$ 920,400	\$ 42,787	\$ 15,200
Recreation and leisure	333,446	1,523,299	3,018,331	2,879,647	3,484,293	3,247,187	3,172,091
Other activities	3,943,153	4,023,930	5,102,583	5,725,963	5,717,426	3,957,986	3,215,505
Operating grants and contributions	8,321	218,851	379,393	241,527	241,636	2,483,052	2,400,191
Capital grants and contributions	<u>46,497</u>	<u>402,644</u>	<u>5,278,123</u>	<u>2,904,694</u>	<u>2,640,281</u>	<u>6,297,308</u>	<u>497,454</u>
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>	<u>9,300,441</u>
Business-type activities:							
Charges for services:							
Water and wastewater utilities	12,122,526	12,180,322	14,720,857	18,725,239	15,100,194	18,403,123	17,785,742
Drainage utility	652,065	739,953	775,288	819,233	855,817	891,424	929,902
Operating grants and contributions	-	-	2,906,293	-	-	-	-
Capital grants and contributions	<u>3,347,187</u>	<u>1,266,880</u>	<u>1,203,652</u>	<u>4,555,755</u>	<u>2,579,605</u>	<u>5,351,853</u>	<u>1,332,860</u>
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>	<u>20,048,504</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>	<u>\$ 29,348,945</u>

(continued)

TABLE 2

CITY OF KELLER, TEXAS
CHANGES IN NET ASSETS
(Continued)
LAST SEVEN FISCAL YEARS
(Accrual Basis)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
NET (EXPENSE) REVENUES							
Governmental activities:	\$(22,249,803)	\$(21,613,579)	\$(20,537,189)	\$(23,863,410)	\$(26,045,030)	\$(26,318,313)	\$(35,483,335)
Business-type activities	<u>2,895,623</u>	<u>1,351,015</u>	<u>4,621,863</u>	<u>7,598,830</u>	<u>2,051,719</u>	<u>7,750,899</u>	<u>3,032,023</u>
Total primary government net expense	<u>\$(19,354,180)</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>	<u>\$(32,451,312)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS							
Governmental activities							
Taxes							
Property	10,865,819	12,217,245	13,570,085	14,459,067	16,079,035	17,325,312	19,156,565
Sales	4,940,179	5,590,869	6,467,898	7,534,423	8,294,981	8,654,735	8,045,471
Franchise	2,205,786	2,347,256	2,616,898	3,089,399	3,182,681	2,579,383	2,520,961
Other	-	28,510	37,802	49,460	53,482	52,475	55,350
Investment earnings	357,284	412,998	534,625	930,146	1,253,401	859,258	565,181
Miscellaneous	-	-	(27,869)	4,660	16,680	65,260	128,425
Gain (loss) on sale of capital assets	-	-	-	-	(155,856)	26,973	-
Litigation settlement	-	-	-	-	298,249	-	-
Transfers	<u>1,745,055</u>	<u>2,162,960</u>	<u>2,243,800</u>	<u>2,192,110</u>	<u>1,892,406</u>	<u>3,185,538</u>	<u>3,191,285</u>
Total governmental activities	<u>20,114,123</u>	<u>22,759,838</u>	<u>25,443,239</u>	<u>28,259,265</u>	<u>30,915,059</u>	<u>32,748,934</u>	<u>33,663,238</u>
Business-type activities:							
Investment earnings	167,251	137,199	422,389	715,250	947,920	611,410	395,290
Miscellaneous revenue (expense)	282,604	216,102	232,453	2,599	66,392	37,408	40,255
Gain (loss) on sale of capital assets	-	-	-	-	(7,652)	67,003	17,345
Transfers	<u>(1,745,055)</u>	<u>(2,162,960)</u>	<u>(2,243,800)</u>	<u>(2,192,110)</u>	<u>(1,892,406)</u>	<u>(3,185,538)</u>	<u>(3,191,285)</u>
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>(885,746)</u>	<u>(2,469,717)</u>	<u>(2,738,395)</u>
Total primary government	<u>18,818,923</u>	<u>20,950,179</u>	<u>23,854,281</u>	<u>26,785,004</u>	<u>30,029,313</u>	<u>30,279,217</u>	<u>30,924,843</u>
CHANGE IN NET ASSETS							
Governmental activities	(2,135,680)	1,146,259	4,906,050	4,395,855	4,870,029	6,430,621	(1,820,097)
Business-type activities	<u>1,600,423</u>	<u>(458,644)</u>	<u>3,032,905</u>	<u>6,124,569</u>	<u>1,165,973</u>	<u>5,281,182</u>	<u>293,628</u>
Total primary government	<u>\$(535,257)</u>	<u>\$ 687,615</u>	<u>\$ 7,938,955</u>	<u>\$ 10,520,424</u>	<u>\$ 6,036,002</u>	<u>\$ 11,711,803</u>	<u>\$(1,526,469)</u>

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

Infrastructure assets were recorded in fiscal year 2005.

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS
(Accrual Basis)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	\$ 395,188	\$ 273,653	\$ 271,483	\$ 145,641	\$ 396,948	\$ 233,919	\$ 366,151	\$ 477,043	\$ 505,169	\$ 713,187
Unreserved	<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>4,971,522</u>	<u>6,710,715</u>	<u>6,620,147</u>	<u>7,779,047</u>	<u>8,356,777</u>
Total general fund	<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>\$ 5,205,441</u>	<u>\$ 7,076,866</u>	<u>\$ 7,097,190</u>	<u>\$ 8,284,216</u>	<u>\$ 9,069,964</u>
All other governmental funds										
Reserved:										
Debt service	\$ 703,466	\$ 703,467	\$ 1,102,526	\$ -	\$ -	\$ -	\$ 1,064,520	\$ 869,096	\$ 1,020,122	\$ 752,552
Other	5,192,125	5,192,126	3,037,386	16,214,013	7,654,181	3,967,972	4,003,778	6,278,438	9,350,456	10,279,593
Unreserved, reported in:										
Special revenue	213,134	213,134	382,768	5,277,916	4,061,253	1,782,152	1,835,923	1,928,273	3,019,066	8,529,094
Capital projects	<u>8,971,581</u>	<u>8,971,579</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>	<u>(3,001,569)</u>
Total all other governmental funds	<u>\$ 15,080,306</u>	<u>\$ 15,080,306</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>	<u>\$ 16,559,670</u>

CITY OF KELLER, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Accrual Basis)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES										
Taxes	\$ 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	\$ 29,764,912
Licenses, fees and permits	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	1,119,177
Intergovernmental	122,591	111,246	326,339	865,385	1,090,325	1,528,075	885,493	1,584,392	2,433,675	2,220,113
Charges for services	115,207	134,751	198,466	201,433	1,265,531	2,057,189	3,298,315	3,642,795	4,009,487	4,068,661
Fines	657,998	719,222	657,896	790,939	911,339	1,019,732	1,174,530	1,177,651	1,059,808	996,203
Special assessments and impact fees	1,000,213	370,549	1,099,060	298,593	450,850	1,180,079	1,220,663	865,963	794,323	533,903
Donations	-	-	-	-	-	-	151,921	497,102	295,879	179,443
Interest income	1,285,816	1,852,084	773,817	401,121	445,107	535,806	930,146	1,253,401	859,258	565,181
Miscellaneous	615,128	790,163	501,359	430,817	464,405	1,637,881	556,088	902,062	368,711	411,048
Total revenues	<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>40,559,130</u>	<u>39,858,641</u>
EXPENDITURES										
Current:										
General government	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	5,664,989
Public safety	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	13,464,699
Public works	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	2,078,623
Community development	662,488	783,835	937,924	938,107	957,446	1,094,295	1,216,936	1,208,865	1,265,371	1,148,647
Recreation and leisure	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	6,901,084
Capital outlay	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	9,769,903
Debt service:										
Interest	4,287,085	3,062,736	3,733,953	3,840,127	4,632,332	4,462,190	5,938,927	3,832,434	5,677,177	6,481,007
Principal	-	2,112,037	2,236,261	2,658,739	3,921,781	5,097,337	4,044,830	6,681,820	3,594,567	3,418,491
Bond issue costs	-	-	-	149,603	170,031	293,135	30,638	-	-	-
Total expenditures	<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>	<u>48,927,443</u>

(continued)

CITY OF KELLER, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS
(Accrual Basis)**

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$(6,008,528)	\$(13,739,078)	\$(21,013,754)	\$(17,530,059)	\$(19,041,743)	\$(5,115,936)	\$(1,053,324)	\$ 86,438	\$(4,337,659)	\$(9,068,802)
OTHER FINANCING SOURCES (USES)										
Proceeds from										
disposal of assets	-	-	-	-	-	-	-	-	26,973	24,826
Transfers in	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	5,131,231
Transfers out	(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)	(1,939,946)
Bonds issued	-	25,886,600	8,383,110	25,024,001	18,420,000	9,980,000	1,160,000	-	-	12,310,000
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	-	-	-	(694,504)	(11,359,207)	(27,597,225)	(937,743)	-	-	-
Proceeds to										
long-term debt	7,850,000	94,333	-	-	-	-	-	-	-	-
Capital lease proceeds	-	-	-	-	848,500	-	-	-	-	-
Total other financing sources (uses)	<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>	<u>15,526,111</u>
NET CHANGE IN FUND BALANCES	<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>\$(1,139,146)</u>	<u>\$ 6,457,309</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	29.8%	27.4%	22.7%	27.3%	31.3%	29.9%	35.0%	34.4%	28.0%	23.7%

CITY OF KELLER, TEXAS

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales and Use Tax</u>	<u>Franchise Tax</u>	<u>Mixed Beverage Tax</u>	<u>Total</u>
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
2009	19,143,130	8,045,471	2,520,961	55,350	29,764,912
Percent change 2000 - 2009	206.1%	611.0%	155.7%	84.1% ¹	261.9%

¹ Percent change 2004 - 2009

CITY OF KELLER, TEXAS

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

Fiscal Year	Residential Property	Commercial and Industrial Property	Undeveloped Vacant Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Total Assessed Value as a Percentage of Actual Value
2000	\$ 1,146,360,478	\$ 115,494,420	\$ 194,024,809	\$ 108,087,840	\$ 1,347,791,867	\$ 0.4530	\$ 1,347,791,867	100%
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%
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%
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%
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%
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%
2006	2,503,947,102	472,408,098	211,613,983	293,198,655	2,894,770,528	0.44413	2,894,770,528	100%
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%
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%
2009	3,213,205,543	654,717,165	317,883,268	318,318,539	3,867,487,437	0.43219	3,867,487,437	100%

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

TABLE 7

CITY OF KELLER, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates					Total Direct and Overlapping Rates
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Tarrant County Hospital District	Keller Independent School District	Tarrant County College District	Northwest Independent School District	Tarrant County	
2000	\$ 0.29282	\$ 0.16018	\$ 0.45300	\$ 0.234070	\$ 1.47500	\$ 0.10641	N/A	\$ 0.26484	\$ 2.53332
2001	0.29095	0.15205	0.44300	0.234070	1.52270	0.10641	N/A	0.27479	2.58097
2002	0.28065	0.15735	0.43800	0.232400	1.52890	0.10641	N/A	0.27479	2.58050
2003	0.28249	0.15551	0.43800	0.232400	1.65190	0.13938	N/A	0.27250	2.73418
2004	0.29912	0.13888	0.43800	0.235397	1.67620	0.13938	N/A	0.27250	2.76148
2005	0.29765	0.14648	0.44413	0.235397	1.69750	0.13938	N/A	0.27250	2.78891
2006	0.30570	0.13843	0.44413	0.235397	1.71580	0.13938	N/A	0.27250	2.80721
2007	0.30447	0.12772	0.43219	0.235397	1.60800	0.13938	N/A	0.27150	2.68647
2008	0.31247	0.11972	0.43219	0.230397	1.35740	0.13938	N/A	0.26650	2.42587
2009	0.31175	0.12044	0.43219	0.227897	1.41690	0.13795	0.13350	0.26400	3.81394

Note: Rates are per \$100 valuation.

Source: Tarrant County Appraisal District

TABLE 8

CITY OF KELLER, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer ²	2009			Rank	Taxpayer	2000	
	Market Value	Percentage of Total City Market Value	Market Value			Percentage of Total City Market Value	
Capri W. Dtc.	\$ 47,030,212	1.24%	1	Texas Utilities	\$ 12,096	0.75%	
GTE Southwest, Inc.	22,101,095	0.59%	2	Regency Centers, LP	9,107	0.56%	
Ktc Seniors, Ltd.	17,577,800	0.47%	3	Kohl's Department Store	7,887	0.49%	
Amstar/Southern Art House	17,350,032	0.46%	4	US Rentals, Inc.	6,663	0.41%	
Regency Centers, LP	16,875,160	0.45%	5	General Telephone Company	6,058	0.37%	
Lo Land Assets	14,570,534	0.39%	6	Lumberman's Investment Corp.	5,633	0.35%	
Grand Estates at Keller, LP	14,245,000	0.38%	7	Keller Crossing, LP	5,508	0.34%	
Oncor Electric Delivery Co.	13,956,890	0.37%	8	The Kroger Company	5,204	0.32%	
Lowe's Home Centers	13,453,178	0.36%	9	Keller Town Center Partners	4,386	0.27%	
Home Depot USA	11,884,426	0.31%	10	Drees Custom Homes	4,324	0.27%	
Remaining Taxpayers	<u>3,588,525,631</u>	<u>95.00%</u>		Remaining Taxpayers	<u>1,555,202</u>	<u>95.88%</u>	
Total	<u>\$ 3,777,569,958</u> ¹	<u>100.00%</u>		Total	<u>\$ 1,622,068</u> ²	<u>100.00%</u>	

¹ Tarrant County Appraisal District

² Annual financial report

THIS PAGE LEFT BLANK INTENTIONALLY

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

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2009	16,716,581	16,573,596	99.14%	41,011	16,614,607	99.39%

CITY OF KELLER, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS (UNAUDITED)

	Fiscal Year			
	2000	2001	2002	2003
Agriculture	\$ 4,190,766	\$ 4,331,517	\$ 4,195,455	\$ 4,235,299
Construction	2,131,688	3,132,180	1,962,745	2,264,394
Transportation, communications	520,770	1,836,531	4,532,884	4,379,448
Utilities	-	-	-	-
Manufacturing	1,204,357	1,755,817	2,733,797	3,966,331
Wholesale trade	1,608,817	1,652,971	2,128,269	2,138,230
Retail trade	67,481,342	104,372,013	141,020,365	156,488,660
Information	-	-	-	-
Finance and insurance	11,740	179,867	170,082	173,731
Real estate, rental and leasing	-	-	-	-
Professional, scientific and technical services	-	-	-	-
Administrative and support services	30,627,360	26,214,838	24,287,680	24,155,406
Educational services	-	-	-	-
Arts, entertainment and recreation	-	-	-	-
Accommodation and food services	-	-	-	-
Other services except PA	-	-	-	-
Other	-	-	-	-
Total	<u>\$ 107,776,840</u>	<u>\$ 143,475,734</u>	<u>\$ 181,031,277</u>	<u>\$ 197,801,499</u>
Direct sales tax rate	1.500%	1.500%	1.500%	1.875%

Source: Information provided by State Comptroller's office.

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

TABLE 10

Fiscal Year					
2004	2005	2006	2007	2008	2009
\$ 4,871,436	\$ 5,468,880	\$ -	\$ -	\$ -	\$ 47,834
4,212,895	5,749,764	5,248,032	7,013,295	11,682,750	7,653,377
624,378	503,008	696,935	13,270,529	-	-
-	-	20,503,791	26,447,297	-	-
3,938,867	4,241,081	7,935,347	8,904,880	4,489,050	2,940,779
2,999,989	2,714,901	12,306,490	7,213,880	8,991,000	5,890,013
158,398,693	169,407,587	87,195,184	95,563,198	243,885,350	159,769,554
-	-	29,277,212	17,947,316	1,999,600	1,309,930
132,753	-	566,094	1,021,182	2,051,750	1,344,111
-	-	1,421,852	1,408,433	10,246,800	6,712,679
-	-	5,053,089	17,275,861	9,385,350	4,095,448
24,417,992	26,594,896	15,605,492	6,569,325	9,690,000	6,347,933
-	-	36,003	37,249	119,900	78,540
-	-	3,365,641	3,539,286	13,448,800	8,810,317
-	-	26,001,060	21,821,352	72,228,000	47,316,633
93,368	5,721,496	4,618,231	5,296,379	11,835,700	9,806,464
-	-	85,632,350	105,762,350	2,219,600	1,406,225
<u>\$ 199,690,371</u>	<u>\$ 220,401,613</u>	<u>\$ 305,462,803</u>	<u>\$ 339,091,812</u>	<u>\$ 402,273,650</u>	<u>\$ 263,529,837</u>
2.000%	2.000%	2.000%	2.000%	2.000%	2.000%

CITY OF KELLER, TEXAS

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>State of Texas</u>	<u>Keller Direct Rate</u>	<u>Keller Development Corporation (1)</u>	<u>Keller Crime Control District (2)</u>	<u>Keller Street Maintenance (3)</u>	<u>Totals</u>
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%
2009	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.

TABLE 12

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

Taxpayer	2009				2000			
	Number of Payers	Percent of Total	Tax (1)	Percent of Total	Number of Payers	Percent of Total	Tax (2)	Percent of Total
Construction	92	9.43%	\$ 233,655	2.90%	45	9.51%	\$ 48,543	1.86%
Transportation, communications and warehousing	2	0.20%	-	- %	9	1.90%	12,896	0.49%
Utilities	-	- %	-	- %	-	- %	-	- %
Manufacturing	50	5.12%	89,781	1.12%	14	2.96%	24,542	0.94%
Wholesale trade	53	5.43%	179,820	2.24%	26	5.50%	39,850	1.53%
Retail trade	312	31.97%	4,877,707	60.63%	189	39.96%	1,658,876	63.51%
Information	22	2.25%	39,992	0.50%	-	- %	-	- %
Finance and insurance	6	0.61%	41,035	.51%	1	.21%	-	- %
Real estate, rental and leasing	19	1.95%	204,936	2.55%	1	.21%	753,629	28.85%
Professional, scientific and technical services	109	11.17%	187,707	2.33%	156	32.98%	-	- %
Administrative and support services	96	9.84%	193,800	2.41%	-	- %	-	- %
Educational services	14	1.43%	2,398	.03%	-	- %	-	- %
Arts, entertainment and recreation	16	1.64%	268,976	3.34%	-	- %	-	- %
Accommodation and food services	81	8.30%	1,444,560	17.95%	-	- %	-	- %
Other services except PA	96	9.84%	236,714	2.94%	32	6.77%	73,803	2.83%
Other	8	.82%	44,392	.55%	-	- %	-	- %
Total	976	100.00%	\$ 8,045,473	100.00%	473	100.00%	\$ 2,612,139	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%

TABLE 13

CITY OF KELLER, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

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			
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	119,115,224	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
2009	20,048,603	64,755,000	535,000	341,608	6,981,398	13,370,000	-	303,537	106,335,146	6.80%	2,711

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

Fiscal Year	General Bonded Debt Outstanding				Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	Governmental Activities		Business-type Activities				
	General Obligation Bonds	Certificates of Obligation	General Obligation Bonds	Certificates of Obligation			
2000	\$ 12,618,312	\$ 306,695,300	\$ 9,982,831	\$ 5,489,700	\$ 334,786,143	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
2009	20,048,603	64,755,000	6,981,398	13,370,000	105,155,001	2.72%	2,666

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2009

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Carroll Independent School District	\$ 194,305,512	0.13%	\$ 252,597
Keller Independent School District	735,369,467	35.47%	260,835,550
Northwest Independent School District	512,158,638	0.21%	1,075,533
Tarrant County General Obligation Debt	322,210,000	3.11%	10,020,731
Tarrant County College District	42,785,000	3.11%	1,330,614
Tarrant County Hospital District	28,810,000	3.11%	<u>895,991</u>
Subtotal, overlapping debt			274,411,016
City of Keller direct debt		100.00%	<u>45,588,603</u>
Total direct and overlapping debt			<u>\$ 319,999,619</u>

Source: www.mactexas.com

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

	Fiscal Year			
	2000	2001	2002	2003
Debt limit	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000
Adopted tax rate	<u>0.45300</u>	<u>0.44300</u>	<u>0.43800</u>	<u>0.43800</u>
Additional rate available	<u>2.04700</u>	<u>2.05700</u>	<u>2.06200</u>	<u>2.06200</u>
Legal debt margin	<u>\$ 27,334,586</u>	<u>\$ 31,968,923</u>	<u>\$ 38,403,588</u>	<u>\$ 45,372,135</u>
Total net debt applicable to the limit as a percentage of debt limit	18.12%	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

Fiscal Year					
2004	2005	2006	2007	2008	2009
\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000
<u>0.43800</u>	<u>0.44413</u>	<u>0.44413</u>	<u>0.43219</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>2.06781</u>
<u>\$ 46,718,343</u>	<u>\$ 52,623,315</u>	<u>\$ 57,579,511</u>	<u>\$ 66,156,570</u>	<u>\$ 72,891,093</u>	<u>\$ 79,980,362</u>
17.52%	17.77%	17.77%	17.29%	17.29%	17.29%

Legal Debt Margin Calculation for the Current Fiscal Year:

Maximum allowable tax rate	\$ 2.50000
Adopted tax rate	<u>0.43219</u>
Additional rate available	<u>2.06781</u>
Total taxable value	3,867,877,691
Additional tax levy available (debt margin)	79,980,362
Less: amount set aside for repayment of general obligation debt	<u>1,023,062</u>
Legal debt margin	<u>\$ 78,957,300</u>

CITY OF KELLER, TEXAS
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					Times Coverage
	Utility Services Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements		
				Principal	Interest	
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
2009	17,825,997	11,263,357	6,562,640	-	-	N/A

CITY OF KELLER, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Calendar Year</u>	<u>Population¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment (KISD)²</u>	<u>Unemployment Rate⁴</u>
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%
2009	39,450	1,562,772,300	39,614 ⁶	35.0 ⁵	30,299	7.0%

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

² Keller Independent School District (KISD)

³ Bureau of Census

⁴ Texas Workforce Commission

⁵ www.idcide.com, (c) 2008

⁶ U. S. Census 2007 Data and *American Community Survey*

CITY OF KELLER, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2009</u>			<u>2000</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	08.68%	1	-	- %
Sabre	2,800	08.10%	2	-	- %
AMR	15,143	43.80%	3	-	- %
Keller ISD	3,032	08.77%	4	-	- %
Fidelity Investments	2,000	5.78%	5	-	- %
Motorola	1,300	3.76%	6	-	- %
Gaylord Texan	1,900	5.50%	7	-	- %
DFW Airport	1,700	4.92%	8	-	- %
Healthmarkets	1,200	3.47%	9	-	- %
BNSF	<u>2,500</u>	<u>7.23%</u>	10	<u>-</u>	<u>- %</u>
	<u>34,575</u>	<u>100.00%</u>		<u>-</u>	<u>- %</u>

Sources: Information provided by City staff; 2000 information is not available.

CITY OF KELLER, TEXAS
FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fulltime Equivalent Employees as of June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Administration	5.00	5.00	5.75	6.00	6.25	6.25	7.00	7.00	8.50	10.00
Finance	6.75	6.00	6.50	7.00	7.00	7.00	7.00	7.00	7.50	7.50
Planning	12.75	13.75	13.25	14.98	14.98	13.11	14.25	14.25	14.50	14.50
Town Hall operations	-	-	0.80	1.00	1.00	1.00	1.00	1.00	2.00	2.00
Other	10.65	11.40	13.83	16.25	17.25	19.16	17.73	17.73	22.83	22.83
Police										
Officers	41.75	51.00	57.67	66.00	66.00	66.50	67.00	71.00	78.00	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	33.75	39.00	40.88	41.75	42.50	44.50	44.50	44.50	60.50	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	9.38	11.28	13.76	13.83	11.83	10.83	11.33	11.33	11.33	11.33
Parks and recreation	20.35	22.45	24.85	28.90	53.07	71.32	87.24	87.24	83.08	84.05
Library	11.53	12.53	13.83	14.83	14.97	14.97	15.97	15.97	15.97	15.97
Water	22.88	23.78	27.21	33.67	34.92	34.92	34.92	35.92	35.92	37.92
Wastewater	8.50	6.00	6.50	7.25	7.25	7.50	7.50	9.50	10.50	9.50
Drainage	<u>8.53</u>	<u>8.78</u>	<u>8.78</u>	<u>7.50</u>	<u>7.75</u>	<u>7.75</u>	<u>7.75</u>	<u>8.75</u>	<u>8.75</u>	<u>8.75</u>
Total	<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>	<u>374.85</u>

Source: ¹ Information provided by City staff

TABLE 21

CITY OF KELLER, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	Fiscal Year ¹									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Council and work sessions held	35	52	42	42	41	35	32	51	45	48
Cable broadcasts	300	375	554	565	594	594	594	658	3,582	5,109
Birth/death certificates issued	638	640	797	847	962	1,113	1,308	1,218	1,495	935
Building permits issued	608	56	411	394	363	390	473	255	277	153
New construction plan review	682	712	505	487	446	450	480	360	165	180
Police										
Physical arrests	617	793	972	1,121	1,297	1,396	1,754	1,631	1,813	1,800
Total citations issued	8,636	8,361	11,277	10,044	11,123	12,274	15,517	12,755	12,755	11,750
Total emergency 911 calls*	10,000	11,000	11,500	11,673	12,978	13,160	13,160	13,160	30,350	28,904
Calls for service*	13,179	38,376	46,746	57,484	72,588	75,217	76,103	77,329	88,559	60,000
Animal control										
Animals adopted/redeemed	98	234	461	376	436	631	834	619	885	924
Stray animal complaints	1,466	1,771	2,235	1,966	2,424	7,250	10,462	9,935	14,926	16,680
Animals impounded	721	902	1,120	1,162	1,190	1,251	1,504	1,152	1,511	1,322
Nuisance wildlife trapped	514	518	620	546	449	397	336	187	233	233
Animal bite investigations	59	69	71	56	75	72	61	65	74	58
Fire										
Emergency responses	1,479	1,678	1,838	1,917	1,863	2,204	2,500	1,625	1,785	1,705
Calls for service, excludes EMS	708	608	744	805	735	763	928	970	1,175	1,098
Fire hydrants maintained	1,035	439	N/A	1,734	1,785	1,844	1,824	1,875	2,026	2,031
Inspections	175	389	293	474	346	384	420	584	516	594
Finance										
Accounts payable checks processed	6,924	6,764	5,567	4,299	4,544	4,443	5,819	5,107	5,269	5,476
Payroll checks processed	5,838	5,659	4,681	7,195	8,411	9,107	4,986	10,442	11,320	11,624
Journal entries posted	1,450	2,309	2,890	2,854	3,140	2,972	4,499	5,189	5,813	5,790
Purchase orders processed	2,581	2,537	800	244	319	274	316	346	336	323
Human resources										
Applications processed	282	896	2,115	1,293	1,328	3,530	1,704	2,200	1,899	900
Vacancies filled	34	70	43	35	160	154	42	44	57	35
Turnover rate	30.00%	15.50%	11.00%	10.00%	9.40%	9.60%	13.18%	12.50%	10.75%	8.00%
Safety classes conducted	24	24	12	12	17	8	9	9	6	4
Worker compensation claims	29	37	41	45	50	53	53	60	43	30

TABLE 21

CITY OF KELLER, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
(Continued)
LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	Fiscal Year ¹									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Municipal court										
Citations processed	8,862	9,068	9,023	9,023	11,123	12,766	15,613	12,755	10,500	10,524
Warrants processed	1,972	1,410	1,946	1,946	2,517	2,744	2,370	2,938	2,400	1,967
Court sessions	195	218	224	224	204	240	204	212	212	212
Defendant requests for court date	5,393	4,650	3,996	3,996	3,862	3,548	7,809	4,915	3,981	4,000
Public works										
Review CIP designed by others	7	8	9	10	14	14	14	14	20	20
Street resurfacing (miles)	6.44	9.39	2.50	8.23	1.60	12.96	6.87	12.00	16.00	16.00
Sidewalks repaired (linear feet)	300	400	1,000	500	500	80	620	300	56	225
Parks and recreation										
Park acreage	328	362	402	412	433	436	442	442	456	456
Facility reservations	312	372	508	304	450	518	495	492	646	750
Program attendance										
(incl. Sr. programs)	21,456	22,345	27,300	28,590	28,890	30,604	27,308	27,901	34,091	40,650
Athletic field permits issued	2,048	2,050	2,464	2,623	3,750	3,750	N/A	N/A	N/A	N/A
Recreation programs provided										
(incl. Sr. programs)	247	280	295	304	90	359	367	900	960	975
Library										
Library customer visits	133,246	136,389	156,352	216,671	229,830	234,474	249,455	251,327	253,000	58,959 ²
Total volumes borrowed	211,158	242,469	278,676	353,431	368,376	411,783	412,000	380,258	398,633	103,573 ²
Volumes in collection	50,000	57,000	81,625	81,625	81,625	108,108	110,000	119,232	129,154	139,104
Water										
New customers (net)	859	641	410	333	213	452	(265)	350	484	280
Water main breaks	28	74	86	59	101	84	101	44	45	31
Average daily consumption (gal.)	7,014,000	6,700,000	6,000,000	6,900,000	6,700,000	8,039,100	9,595,000	6,962,000	8,200,000	8,000,000
Peak daily consumption (gal.)	16,000,000	16,000,000	17,000,000	19,000,000	13,200,000	17,858,000	19,300,000	17,500,000	18,800,000	19,000,000
Wastewater										
Average daily sewage treatment (gal.)	1,857,000	2,214,000	2,427,000	2,217,000	2,466,000	2,620,000	2,877,000	3,150,000	2,542,000	2,548,000

Source: ¹Information provided by City staff. Information was not collected, and therefore not available where "N/A" is shown.

²Library remodel project caused attendance to dip FY09-10.

Note: *Increase due to Keller/Southlake police services merger.

CITY OF KELLER, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	15	15	15	18	18	28	25	25	23
Fire										
Stations	3	3	3	3	3	3	3	3	3	4
Engines/trucks	3	3	3	3	3	3	3	3	6	5
Public works										
Streets (miles)	215	240	240	243	275	250	182	393	410	414
Street lights	1,350	1,350	1,530	1,710	1,710	1,710	2,055	2,075	2,369	2,405
Traffic signals	-	-	-	1	4	4	4	4	5	6
Parks and recreation										
Acreage	420	362	402	412	415	433	442	442	456	456
Playgrounds	1	1	1	1	1	8	8	9	9	9
Baseball/softball fields	3	4	4	4	4	8	8	11	11	11
Soccer/football fields	2	7	7	7	7	8	8	9	9	9
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	330	330	352	370	440	440	440	489	492	492
Storage capacity (gallons)	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	10,000,000
Wastewater										
Sanitary sewers (miles)	100	106	130	150	220	280	286	289	297	297
Storm sewers (miles)	35.00	37.00	43.00	43.00	43.00	43.00	45.00	46.85	50.08	50.15
Treatment capacity (gallons)	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	10,000,000

Notes:

- ¹ Increase includes purchases as well as three 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 Fort Worth.
- ⁴ TXU and GCEC erect City street lights, therefore provider supplies count. The City of Keller remits the cost of electricity to the provider.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as Item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Keller, Texas' response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 1, 2010

CITY OF KELLER, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2009

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

Finding 2009-1:

Condition: Payroll related liabilities were not reversed from the prior year.

Effect: Accrued payroll was overstated by the prior year's payroll accrual.

Cause: The Finance department began using a new system in fiscal year 2009 that automatically posts the payroll accrual to the general ledger. Finance personnel were not aware the prior year's accrual needed to be reversed manually the first year.

Recommendation: Finance personnel need to verify the accruals to ensure they are properly recorded.

Management's Response: In previous years, the year-end payroll accrual journal entry was created using a manual process. The amount of the year-end accrual was calculated manually using a spreadsheet, with the information provided from a printout generated from the payroll system. This manual process resulted in a journal entry that recorded only the increase or decrease in the year-end payroll accrual. City staff has previously requested that our software provider automate the year-end payroll accrual process. The automated year-end payroll accrual process was completed by our software provider during the fiscal year. The system-generated year-end payroll accrual journal entry recorded the total liability at the end of the year, not the increase or decrease in the liability from the prior year. As a result, when the automated entry was processed and posted to record the September 30, 2009 accrued payroll liability, a corresponding journal entry to reverse the prior years' accrued payroll liability was not posted by Finance personnel.

Contact Person Responsible
for Corrective Action: Director of Finance

Anticipated Completion Date: This has been corrected by City staff. The September 30, 2009 payroll accrual journal entry has already been reversed for fiscal year 2009-2010.

CITY OF KELLER, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2009

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

Finding 2008-1:

Condition: The daily receipts from several City departments are combined into one daily deposit by the Finance Department. The receipts issued by these departments are not reconciled by the Finance Department to summary reports from the individual department's software.

Effect: Revenues could be understated and any misappropriation of funds, whether due to fraud or error, would not be detected in a timely manner.

Cause: In most cases, reports from each department's software are available; however, they are not being printed and used as a backup for the daily deposit.

Recommendation: Each department should include a daily transaction report with their deposit each day. The Finance Department should reconcile the deposit amount to the transaction report as part of the daily deposit procedure.

Management's Response: Management concurs with this finding. Department software in some departments does not currently track payments or receipts. As a result, daily reports of cash receipts from some software systems are not available. This activity has already been reviewed and evaluated with the assistance of a cash management review consultant. A contract with the consultant was executed prior to September 30, 2008, and the consultant's final report was issued in February 2009. For several weeks, Finance Department and Utility Billing staff has been meeting with other departments to update procedures for reconciling cash receipts with daily activity reports from departmental software applications, where available.

Contact Person Responsible for Corrective Action: Directors of Finance and Information Services

Anticipated Completion Date: New procedures have been implemented requiring deposits for each cashier to be balanced and sealed in tamper-proof bank bags. Written cash handling policies and procedures are currently being revised with full implementation anticipated to be completed in April 2009. A training program for all cashiers is planned to be implemented by July 1, 2009. Additionally, a review of the departmental software systems will be undertaken during this year to determine the necessary processes for generating the necessary daily reports.

Current Status: This matter has been resolved.

(continued)

CITY OF KELLER, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (Continued) YEAR ENDED SEPTEMBER 30, 2009

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards (Continued)

Finding 2008-2:

Condition: Eight employees in the Finance Department have full administrative access to the City's accounting software. With full administrative access, employees can create vendors and employees, change pay rates, access direct deposit coding and print checks with electronic signatures.

Effect: These eight employees not only have access to sensitive employee information, they also have the ability to bypass all of the City's internal controls over cash disbursements, payroll and financial reporting.

Cause: The Finance Department underwent a software upgrade. The software company failed to restrict access to all Finance employees and the City has not changed each employee's access due to the magnitude of the project.

Recommendation: The City needs to work with the software company to restrict employee access to only those areas the employee works with. Additional restrictions should be placed on sensitive employee information and check printing.

Management's Response: The City's existing accounting software was upgraded from a text-based system to a Windows-based system in 2005. Security features associated with the new software changed dramatically from the previous text-based software system. During the software conversion process, several discussions were held between City staff and the software company regarding necessary modifications to user security that were to be implemented after completion of the system upgrade. However, coordination between City staff and software company staff did not establish a proper timeline for completion of the project. Management has been in communication with software company personnel on a regular basis since October 2008 to implement restricted access for all users in the Finance Department. The magnitude of this project has caused delays in completing this task, because all financial applications in the accounting system are interfaced. There are multiple programs within each application, with hundreds of menu options associated with each application. As a result, a separate user profile will be required for all eight users. Although current users have the ability to bypass certain security measures, it would be difficult for those users who have not been trained in the use of a specific software application to bypass the City's internal controls, due to the complexity of the system. Additionally, transactions entered by users in the Finance Department are reviewed by management on a regular basis.

Contact Person Responsible
for Corrective Action:

Director of Finance

(continued)

CITY OF KELLER, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (Continued) YEAR ENDED SEPTEMBER 30, 2009

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards (Continued)

Finding 2008-2: (Continued)

Anticipated Completion Date: Restrictions on the ability to print checks was completed in October 2008. Restricted user access for two positions in the Finance Department has already been completed. Projected completion for remaining six users is expected by March 31, 2009.

Current Status: This matter has been resolved.

Finding 2008-3:

Condition: The City currently does not have control procedures in place to ensure that all material expenditures in the aggregate are recorded in the proper accounting period. Starting in mid October, the City records all expenditures in the current fiscal year, regardless of when they were incurred, unless they are deemed to be individually material by Finance personnel.

Effect: The lack of proper controls could cause both accounts payable and expenditures to be materially misstated at year-end.

Cause: The City's procedures manual states that only material amounts must be posted to the prior year's accounts payable.

Recommendation: The City needs to reevaluate and modify their accounts payable procedures to include methods to ensure amounts that are material, individually and in the aggregate, are posted in the proper accounting period.

Management's Response: Management concurs with this finding. In order to complete trial balances to prepare for year-end audit field work in a timely manner, the Finance Department has established a mid October cut-off for all accounts payable processing. Individual accounts payable invoices that are submitted after the cut-off date are carefully reviewed by Finance Department management on a case-by-case basis, and if determined to be significant, recorded in the previous fiscal year. There is no intent by management to misstate accounts payable or expenditures; the prior practice is for the sole purpose of establishing a proper cut-off in preparation of the year-end audit. An updated process to accrue transactions occurring after the mid October cut-off will be implemented for fiscal year-end September 30, 2009. It is also incumbent on all City departments to ensure invoices and accounts payable documents are processed in a timely manner before the mid October year-end close.

Contact Person Responsible
for Corrective Action: Director of Finance and Department Directors

Anticipated Completion Date: Immediately for the fiscal year ended September 30, 2009.

Current Status: This matter has been resolved.

(continued)

CITY OF KELLER, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (Continued) YEAR ENDED SEPTEMBER 30, 2009

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards (Continued)

Finding 2008-4:

Condition: Grant revenue, receivables and deferred revenue were not being posted in accordance with Generally Accepted Accounting Principles. Revenue was being posted for the entire award amount rather than recognized when earned based on grant expenditures. In addition, several grant receivables were not posted due to the decentralization of grant administration.

Effect: Grant receivables, revenue and deferred revenue were misstated.

Cause: Finance personnel were unaware that grant receivables, revenue and deferred revenue were being incorrectly stated.

Recommendation: Additional training needs to be made available to Finance personnel working with grants to ensure that GAAP is being followed and a reconciliation process needs to be instituted to ensure that all grants are being properly accounted for.

Management's Response: Management concurs with this finding. In prior years, grant accounting has been a minor part of the City's financial transactions. However, due to the flooding that occurred during the year, there were several applications for grant reimbursement from both the State of Texas and the Federal Government (e.g., Federal Emergency Management Agency) for flood-related damages. In addition, there are several smaller grants that are requested by the City's departments throughout the year. The Finance Department is not always informed when grant applications have been submitted by other departments. During this year, Finance Department staff will seek additional training for grant accounting, and remind departments to inform the Finance Department about grant applications and status.

Contact Person Responsible
for Corrective Action: Director of Finance and recipient departments

Anticipated Completion Date: Immediately, and for the fiscal year ended September 30, 2009.

Current Status: This matter has been resolved.

(continued)

CITY OF KELLER, TEXAS

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
(Continued)
YEAR ENDED SEPTEMBER 30, 2009**

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards (Continued)**

Finding 2008-5:

Condition: Ambulance revenue, receivables and expenditures were being improperly accounted for. Expenditures were being netted against revenues and billings were being posted to revenue rather than deferred revenue.

Effect: Ambulance revenue, receivables, deferred revenue and expenditures were misstated.

Cause: Finance personnel were unaware that ambulance revenue, receivables, deferred revenue and expenditures were being incorrectly stated.

Recommendation: A method for insuring that ambulance revenue, receivables, deferred revenue and expenditures are properly reported should be included in the finance month end procedures.

Management's Response: Management concurs with this finding. In order to create summary reports, the Finance Department is required to download detailed customer data from the website of the third party administrator (TPA) and create summary reports internally. In order to create these summary reports, Finance Department staff is required to import detailed customer data into a spreadsheet to calculate receivable balances. This deficiency has been discussed with management of the TPA for several years, but has not yet been addressed by the TPA. Fees for services provided by the City's TPA were netted against ambulance revenue for the purpose of calculating the net amount of ambulance revenues each year.

Contact Person Responsible
for Corrective Action: Director of Finance

Anticipated Completion Date: As of January 2009, the City is no longer netting expenditures of the third party administrator from ambulance revenues.

Current Status: This matter has been resolved.

(continued)

CITY OF KELLER, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES (Continued) YEAR ENDED SEPTEMBER 30, 2009

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards (Continued)

Finding 2008-6:

Condition: An incorrect report was used to determine the ending balance of the Municipal Court receivable.

Effect: The Municipal Court receivable was materially overstated.

Cause: Finance personnel did not ensure that the correct reports were being used to make year-end adjustments.

Recommendation: Reconciliations of major account balances and accounts with material variances from the previous year need to be included in the City's year-end procedures prior to the annual audit.

Management's Response: Management concurs with this finding. In early October 2008, the incorrect Municipal Court year-end receivable balance report was processed by Court staff for the fiscal year ended September 30, 2008. Finance personnel filed the report in the September 30, 2008, audit folder for later year-end review and processing. Several weeks later, it was discovered that the incorrect report had been processed. However, Court staff was unable to re-create the correct report for September 30, 2008, because the Court software system does not provide the ability to process receivable reports for a prior period. Finance personnel did not discover that reports were incorrect until questioned by auditors.

Contact Person Responsible
for Corrective Action: Director of Finance and Municipal Court Clerk

Anticipated Completion Date: Completed. Court software has been installed on a computer in the Finance Department so that Finance department personnel have the ability to print reports from the Municipal Court software system as needed.

Current Status: This matter has been resolved.