

**COVER**



**CITY OF KILLEEN, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2008**

**ELECTED OFFICIALS**

*Timothy L. Hancock, Mayor*  
*Fred Latham, Mayor Pro-tem*  
*Kenny Wells, Council Member*  
*Juan Rivera, Council Member*  
*Otis Evans, Council Member*  
*Larry Cole, Council Member*  
*Scott Cospers, Council Member*  
*Billy C. Workman, Council Member*

**MANAGEMENT STAFF**

*Connie J. Green, City Manager*  
*Glenn Morrison, Assistant City Manager*

**OFFICIAL ISSUING REPORT**

*Barbara A. Gonzales, Director of Finance*



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2008

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## **INTRODUCTORY SECTION**





CITY OF KILLEEN

March 10, 2009

The Honorable Mayor, City Council,  
And Citizens of the City of Killeen, Texas

The comprehensive annual financial report of the City of Killeen, Texas, for the fiscal year ended September 30, 2008 is submitted in accordance with the provisions of the City Charter. This report was prepared by the City's Finance Department, in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and audited in accordance with U.S. Generally Accepted Auditing Standards by a firm of licensed independent certified public accountants.

This report consists of management's representations concerning the finances of the City of Killeen. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Killeen has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Killeen's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Killeen's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. 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 City of Killeen's financial statements have been audited by Brockway, Gersbach, Franklin & Niemeier, P.C., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Killeen for fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Killeen's financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Killeen was part of a broader, federally mandated, "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Killeen's separately issued Single Audit Report.

Generally Accepted Accounting Principles require that management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Killeen's MD&A can be found immediately following the report of the independent auditors.

## GOVERNMENT STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of Killeen is a central Texas city located in Bell County on U.S. Highway 190, a major U.S. Highway. Interstate 35 is only 17 miles to the east. Killeen is geographically on the main line of the Santa Fe Railroad and encompasses an area of 45.35 square miles. Major metropolitan areas are easily accessible - 60 miles to Waco, 70 miles to Austin, 150 miles to San Antonio, 160 miles to Dallas-Fort Worth and 190 miles to Houston.

Killeen was founded in 1882 by the Santa Fe Railroad and named in honor of an employee of the railroad, Frank P. Killeen. In 1884, the City had a population of 350 and consisted of a post office, a cotton gin, and two grain mills. The 1941 population of 1,265 rose to 7,100 in 1950, due primarily from the activation of Fort Hood, a military base on Killeen's northern border, which began functioning in 1942 and was designated a permanent military installation in 1950. By 1960, Killeen's population was over 21,000 and has grown steadily since then to a 2008 population of 112,434. The City has a warm temperate climate with an average temperature of 69.7 degrees Fahrenheit. The warmest months are July and August with an average maximum temperature between 94 and 96 degrees Fahrenheit. The coolest average temperatures, ranging from 37 to 38 degrees, occur in December and January.

Two basic services essential to any community are health care and education. Outstanding medical facilities are one of the key attractions of the area. The area serves as a Regional Medical Center with 827 hospital beds within 25 miles. Killeen is served by Metroplex Hospital, which provides 173 beds, an intensive care unit, a bassinet nursery, a full-range pathological laboratory, a licensed pharmacy, full-service radiology and a 24-hour physician-staffed emergency room. Metroplex Pavilion is a mental and behavioral health care center located on the Metroplex Hospital Campus. Licensed for 60 beds, it offers numerous treatment programs, and has separate patient areas for children, adolescents, and adults. The main Scott and White Killeen Clinic accommodates 15 Family Medicine physicians and 4 pediatricians. Other Scott and White clinics include the new Killeen West Clinic, Killeen Cancer Center, Killeen Dialysis Center and the Killeen OB/GYN clinic. These clinics offer referral service to specialists in their 486-bed, regional hospital 25 miles away. The Scott and White hospital moved each of its departments early in 2007 to the newly constructed Center for Advanced Medicine, which will be the largest outpatient facility in the region. The military community is served by the 128-bed Darnall Army Hospital and the satellite clinics. Darnall Hospital was rededicated in May 2006 as the Carl R. Darnall Army Medical Center. The new designation will lead to an expansion of medical services, facilities, and staffing offered to active duty military and retirees residing in our community.

High quality education from kindergarten through graduate school is available. The Killeen Independent School District is the largest school district between Dallas and Austin. The district has grown from an enrollment of 20,413 students in 1986-87 to an enrollment of over 37,000. KISD employs over 5,700 teachers and support personnel to serve the District's 49 campuses and is the area's second largest employer. Students attend classes at thirty elementary schools (Pre-K-5), eleven middle schools (6-8), four high schools (9-12), and four specialized campuses. Central Texas College and Tarleton State University System-Central Texas, which are located on a 550 acre campus adjacent to Killeen, provide secondary and graduate educational opportunities. Within a one hour drive of Killeen, there are several major four-year universities including: 1) University of Texas - Austin, Texas, 2) Baylor University - Waco, Texas, 3) Southwestern University - Georgetown, Texas, and 4) University of Mary Hardin Baylor - Belton, Texas.

The quality of life in Killeen is excellent. You can find “Big City” attractions in a “Small Town” environment. Killeen boasts a spacious, beautiful mall of about 700,000 square feet, as well as our own Restaurant Row. With over 135 service clubs, associations, organizations, and 100 churches representing most religious denominations, Killeen provides its residents and guests the type of cultural, religious, and civic-minded opportunities expected of a city on the rise. For the outdoors recreation and sports-minded residents, Killeen features nearly 400 acres of parkland, two public pools, a youth and adult sports complex, a skateboard park, an amphitheatre and recreational and senior centers. In addition, Killeen features one of, if not the finest, municipal golf courses in the State of Texas. The Stonetree Golf Club of Killeen offers a challenging 7,200 yard 18-hole course, featuring one of the finest training facilities in Central Texas, as well as a fully stocked pro shop and beautiful clubhouse and café. Those who prefer water sports can engage in fishing, boating, water skiing, or sailing at either Belton Lake or Stillhouse Hollow Lake. The City even boasts its own rodeo arena, exhibition building, and livestock area. For those who prefer indoor activities, the community has two bowling alleys, a skating rink, an auto racetrack, and over seven physical fitness centers. A City is not complete without cultural activities. Vive Les Arts Societe founded in 1976 develops and promotes cultural activities in Killeen, including an excellent theater group, which is recognized as one of the most talented of its type in Texas. In 1991, Vive Les Arts opened a center featuring a 400-seat theater and a combination gallery-reception area. The Killeen Civic and Conference Center opened in 2002. This 63,000 square foot center boasts a 23,400 square foot ballroom, 3,000 square foot special events room, six large meeting rooms and two small meeting rooms in addition to full-featured kitchen facilities.

The government operates under the council-manager form of government. Policy making and legislative authority are vested in the city council, which consists of a mayor and a seven-member council. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing department heads.

Council members are elected to two-year staggered terms with four council members elected every year. The mayor is elected to two-year terms. Four of the council members are elected on a single-member district basis. They must reside in their respective district and are elected by residents of that district. The mayor and three remaining council members are elected at-large.

The City of Killeen currently enjoys a favorable economic environment, with local indicators reflecting continued stability. In addition to the support provided by neighboring Fort Hood, the nation’s largest armored military installation, the City’s economy strives primarily from service-oriented businesses. Established in 1942, Fort Hood lies adjacent to the City of Killeen and covers an area of 335 square miles (214,968 acres); it is the only post in the United States capable of stationing and training two armored divisions. In fact, Fort Hood is home to the III Corps and is "the Army's premier installation to train and deploy heavy forces." Fort Hood is also the largest single location employer in the State of Texas with over 53,352 military personnel and more than 12,000 civilian employees. Fort Hood contributes approximately \$6.09 billion to the local economy (\$4.7 billion in payroll, \$1.0 billion in contracts and construction, \$125.3 million in technical support, and \$138.5 million in impact aid to schools). With Fort Hood at the cornerstone, the Killeen economy remains one of the fastest growing economies in Texas, along the I-35 technology corridor.

Economic activity continued to show strong growth during 2008. For the fifteenth consecutive year, building permits issued exceeded \$100 million dollars and exceeded over \$200 million for the sixth consecutive year. Total permits issued in FY 2008 were \$294,895,526.

## **BUDGET PROCESS**

The budget process for the City of Killeen is a year round process that is centered on a fiscal year, not a calendar year. Killeen's fiscal year begins on October 1st and ends on September 30th. The Killeen City Charter ("the Charter") vests the responsibility for preparing an annual budget and plan of municipal services with the City Manager. The City Manager must then submit the proposed budget to the City Council for its review and adoption. The City Manager, between forty-five and ninety days prior to the beginning of each fiscal year, submits to the Council a proposed budget, which shall provide a complete financial plan for the fiscal year. The proposed budget is made available as a public record at the time it is presented to the City Council. Public hearings, as required by the Charter and state law, are held on the proposed budget and tax rate. The Council has the opportunity to make changes to the proposed budget during this process, subject to required additional public hearings. The budget is adopted by the favorable vote of a majority of the members of the whole Council and must be adopted not later than September 20<sup>th</sup> of each year. If the Council fails to adopt a budget by this date, the proposed budget submitted by the City Manager shall be deemed to have been adopted by the Council. The FY 2007-08 Budget and Plan of Municipal Services was adopted by the City Council on September 11, 2007.

## **MAJOR INITIATIVES**

The FY 2007-08 Budget identified eight goals and priorities which addressed the needs of the community. Substantial progress on each of these major initiatives was accomplished during the year.

MAINTAINING CURRENT PROGRAMS, SERVICES, AND THE AD VALOREM PROPERTY TAX RATE: The City tax rate for the fiscal year was 0.695 cents per \$100 valuation, which is the same as the FY 2007-08 tax rate. In addition to maintaining the tax rate, the City provided additional services through the addition of eighteen sworn police officer positions, three fire captains, one fire lieutenant, and various other new programs and services totaling over \$9 million dollars city-wide.

STRENGTHENING OUR POLICE DEPARTMENT RESOURCES IN ORDER TO PROVIDE PROACTIVE PATROL TO DETER CRIME AND TO PROVIDE AN ENHANCED FEELING OF SAFETY FOR OUR CITIZENS: A total of nineteen positions have been added to the Police Department budget, consisting of four downtown walking patrol officers, four patrol beat officers, five detectives for CID, four motor officers and two evidence technicians.

PROVIDING FUNDING FOR THE NEW LIONS CLUB PARK FACILITY: A total of nine full time positions and four part time positions were added to the Community Services budget; two custodians, one principal secretary, recreation supervisor, two recreation specialists, one part time recreation specialist, three office assistants, and three part time office assistants to adequately staff the new Family Recreation Center located at Lions Park.

PROVIDING ADEQUATE PAY AND BENEFITS TO CITY EMPLOYEES: Effective October 1, 2007, the City funded a 4% cost of living adjustment (COLA) for all civil and non-civil service employees and a 2% market adjustment for civil service employees. The budget also continues to fund the employee tuition reimbursement program that was started in FY 2005-06.

PROVIDE FUNDING FOR STREET IMPROVEMENTS: Funding for street maintenance was increased by \$250,000 and two pothole patching teams were added to the 2007-08 budget. A total of four positions were added.

PROVIDE FUNDING FOR ADDITIONAL PROGRAMS IN THE WATER AND SEWER FUND: Major programs funded in the Water and Sewer Fund included an Inflow / Infiltration reduction study and a water expansion crew consisting of four operator / apprentice positions needed to meet the demand of infrastructure in new subdivisions, aging lines, and maintaining hydrants for fire protection.

PROVIDE FUNDING FOR ADDITIONAL PROGRAMS IN THE DRAINAGE UTILITY FUND: Major programs funded in the Drainage Utility Fund include one drainage crew leader, three drainage crew equipment operators and four (4) drainage service workers as a result of the damage due to heavy rains in 2007.

Provide funding for Economic Development: Funding for the Greater Killeen Chamber of Commerce and the Killeen Economic Development Corporation has been increased in the proposed budget to expand marketing efforts and promote Killeen as an ideal place to live and to do business. Proposed funding for the Killeen Chamber of Commerce (GKCC) and the Killeen Economic Development Corporation (KEDC) in FY 2007-08 is \$1,327,766.

## **DEPARTMENT FOCUS**

Each year the government focuses attention on departmental efforts and accomplishments. This year, the Lions Club Park Operations Division has been selected for this purpose. The facility features a state of the art fitness center, indoor walking track, aerobics room, two full size basketball / volleyball courts, children's game room and restroom and shower facilities for members of the facility. The facility serves as the primary headquarters for Parks and Recreation staff.

### **PROGRAM DESCRIPTIONS:**

The Lions Club Operations division supports the day to day operations of the Lions Club Park Family Recreation Center. The facility lodges the city's first ever fitness center, indoor walking track, aerobics room, two full size basketball / volleyball courts, children's game room and restroom and shower facilities for members of the facility. The facility serves as the primary headquarters for Parks and Recreation staff.

### **ACCOMPLISHMENTS:**

- Provided full service recreation and athletic program for residents.
- Hosted invitational basketball tournaments.
- Provided gym access for the growing number of club volleyball / basketball teams.
- Provided access to structured affordable health and fitness facilities.
- Provided an indoor alternative for walkers seeking refuge from inclement weather walking conditions.
- Provided access to structured game facilities for area youth.
- Generated in excess of \$73,000 in revenue via memberships sold at the Family Recreation Center.
- Sold over 800 memberships to the Family Recreation Center.
- Enrolled over 1,400 members to the Family Recreation Center.
- Started Jazzercise, Zumba and No Whining Allowed classes at the Family Recreation Center.

**KEY OBJECTIVES / PERFORMANCE MEASURES:**

Improve the quality of health and fitness programming for residents and provide full service athletic and recreational programming for residents.

	<u>Actual</u> <u>2006-07</u>	<u>Budget</u> <u>2007-08</u>	<u>Estimated</u> <u>2007-08</u>	<u>Adopted</u> <u>2008-09</u>
Members of the Facility	*	*	1,400	2,000
Youth basketball participants	*	*	450	550

\* Note: The Lions Club Park facility opened in FY 2007-08. At that time the new division had no data to base its performance measures.

**AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Killeen for its comprehensive annual financial report for the fiscal year ended September 30, 2007. This was the eighteenth consecutive year that the city has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another Certificate of Achievement.

The City of Killeen received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2007 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and expect to receive this award for the fiscal year beginning October 1, 2008.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Internal Auditor, the entire staff of the Finance Department and the assistance of administrative personnel in the various departments, and through the competent service of our independent auditors. We also wish to express our sincere appreciation to the City Council for their interest and support in planning and conducting the financial affairs of the City of Killeen in a responsible and progressive manner.

Respectfully submitted,



Barbara A. Gonzales  
Chief Financial Officer



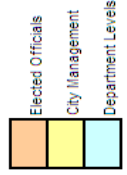
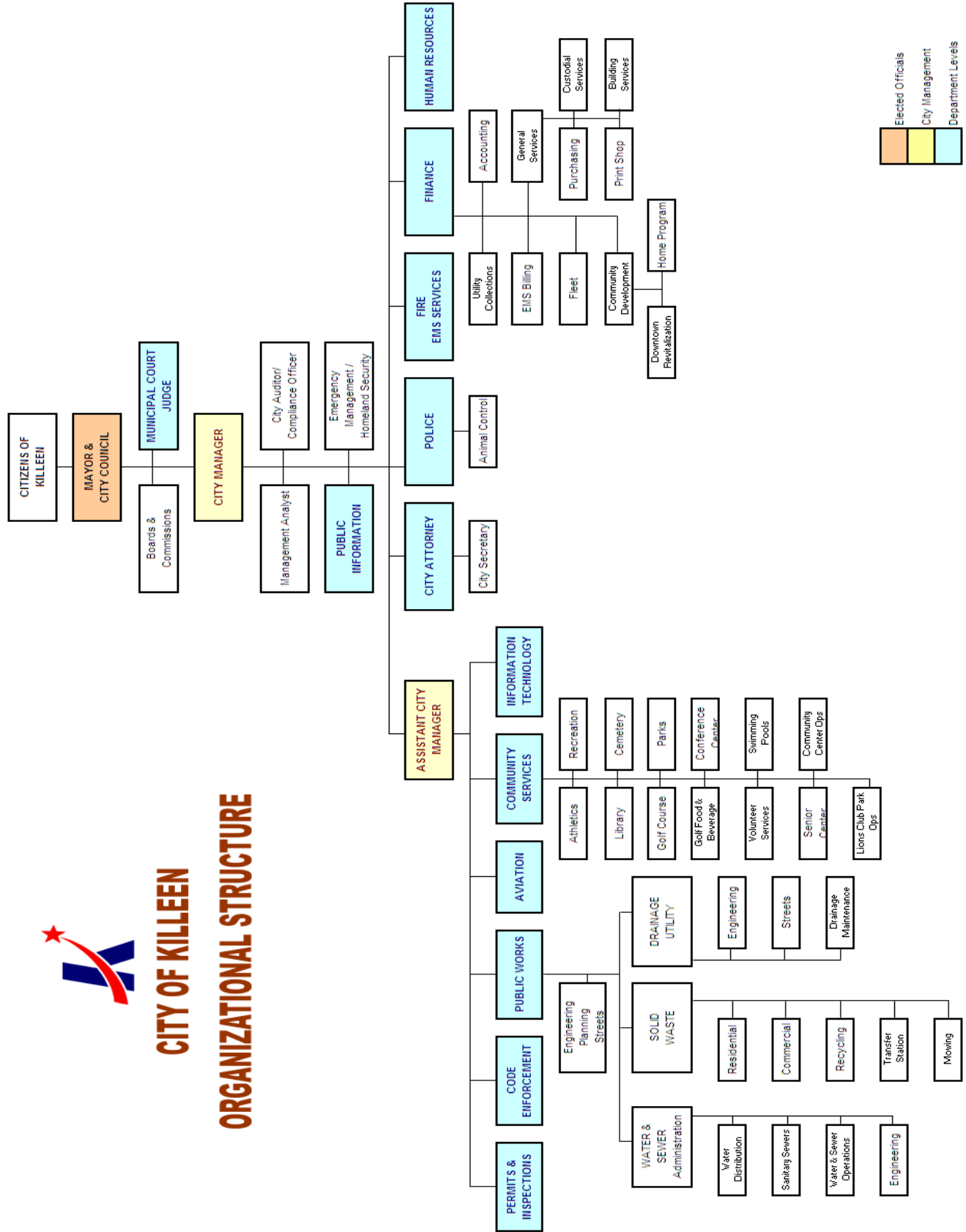
Connie J. Green  
City Manager  
Chief Executive Officer





# CITY OF KILLEEN

## ORGANIZATIONAL STRUCTURE



**CITY OF KILLEEN  
PRINCIPAL CITY OFFICIALS  
SEPTEMBER 30, 2008**

Mayor	Timothy L. Hancock
Mayor Pro Tem – District 3	Fred Latham
Councilman – District 1	Kenny Wells
Councilman – District 2	Juan Rivera
Councilman – District 4	Otis Evans
Councilman – At Large	Larry Cole
Councilman – At Large	Scott Cosper
Councilman – At Large	Billy C. Workman
City Manager	Connie Green
Assistant City Manager	Glenn Morrison
Building Official	Earl Abbott
City Attorney	Katherine H. Davis
City Secretary	Paula Miller
Chief of Police	Dennis M. Baldwin
Director of Aviation	John Sutton
Director of Community Development	Leslie Hinkle
Director of Community Services	Vacant
Director of Convention & Visitor’s Bureau	Connie Kuehl
Director of Finance	Barbara Gonzales
Director of Fleet	Kim Randall
Director of General Services	Brenda Essenburg
Director of Human Resources	Debbie Maynor
Director of Information Technology	Donald Fine
Director of Library Services	Deanna Frazee
Director of Planning	Dr. Ray Shanaa
Director of Public Information	Hilary Shine
Director of Public Works	James Butler
Director of Solid Waste and Drainage Services	Wayne McBride
Director of Street Services	John Koester
Director of Utility Services	Robert White
Director of Volunteer Services	Will Brewster
Director of Water & Sewer	Robert White
Fire Chief	Jerry Gardner
Presiding Municipal Judge	Barbara Weaver

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Killeen  
Texas

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

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President

Executive Director





## **Independent Auditors' Report**

The Honorable Mayor and  
City Council  
City of Killeen, 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 Killeen, Texas as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Killeen's 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 for the City of Killeen, Texas as of September 30, 2008, and the respective changes in financial position, and, where applicable cash flows 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 a report dated February 27, 2009, on our consideration of the City of Killeen's internal control over financial reporting and on 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 over 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 conjunction in assessing the results of our audit.

Management's Discussion and Analysis, the Schedule of Funding Progress and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund 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.

**Independent Auditors' Report**  
**(continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Killeen's basic financial statements. The introductory section, combining and individual fund 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 fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report 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

*Ernst & Young, LLP*

February 27, 2009

**City of Killeen, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2008**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Killeen, we offer readers of the City of Killeen's financial statement this narrative overview and analysis of the financial activities of the City of Killeen for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with our letter of transmittal which can be found on pages iii - viii of this report and the basic financial statements that follow this section. This discussion and analysis includes comparative data to fiscal year ended September 30, 2007. All amounts, unless otherwise indicated, are expressed in dollars.

**Fiscal Year 2007-08 Financial Highlights**

*City-wide:*

- The City's total net assets were \$303.4 million at September 30, 2008, of which \$102.5 million were in Governmental Activities and \$200.9 million were in Business-type Activities.
- Total City revenues were \$133.4 million, of which \$75.5 million were derived from Governmental Activities and \$57.9 million were derived from Business-type Activities.
- Total City expenses were \$119.0 million, of which \$75.9 million were incurred by Governmental Activities and \$43.1 million were incurred by Business-type Activities.
- The total revenue and expense amounts stated above do not include transfers between funds.

*Fund Level:*

- Governmental funds reported combined ending fund balances of \$76.4 million at September 30, 2008. Of the combined ending fund balances, \$4.3 million is reserved for debt service, \$45.2 million is reserved in capital project funds, \$1.3 million is reserved for encumbrances and inventories, and \$25.6 million is unreserved of which \$21.2 million is unreserved, undesignated in the General Fund.
- Governmental Fund revenues were \$75.5 million, an increase of \$6 million from fiscal year 2007's \$69.5 million.
- Governmental Fund expenditures increased to \$101.9 million in fiscal year 2008, up \$19.8 million from the prior year.
- Enterprise fund operating revenues were \$49.0 million in fiscal year 2008, up \$4.3 million from the prior year.
- Enterprise fund operating expenses were \$40.3 million in fiscal year 2008, an increase of \$3.9 million from the prior year.
- Non-operating revenues, including capital contributions, were \$8.8 million in fiscal year 2008, compared to prior year of \$11.9 million.

*General Fund:*

- General Fund revenues were \$58.8 million, an increase of \$3.1 million from the prior year.
- General Fund expenditures were \$65.8 million, an increase of \$7.7 million over the prior year.
- Net transfers into the General Fund were \$5.1 million in fiscal year 2008, an increase of approximately \$1.6 million from the prior year.
- Unreserved, undesignated fund balance for the general fund was \$21.2 million at September 30, 2008 or 32.2 percent of total general fund expenditures of \$65.8 million. The undesignated ending fund balance is up approximately \$3 million from the prior year.

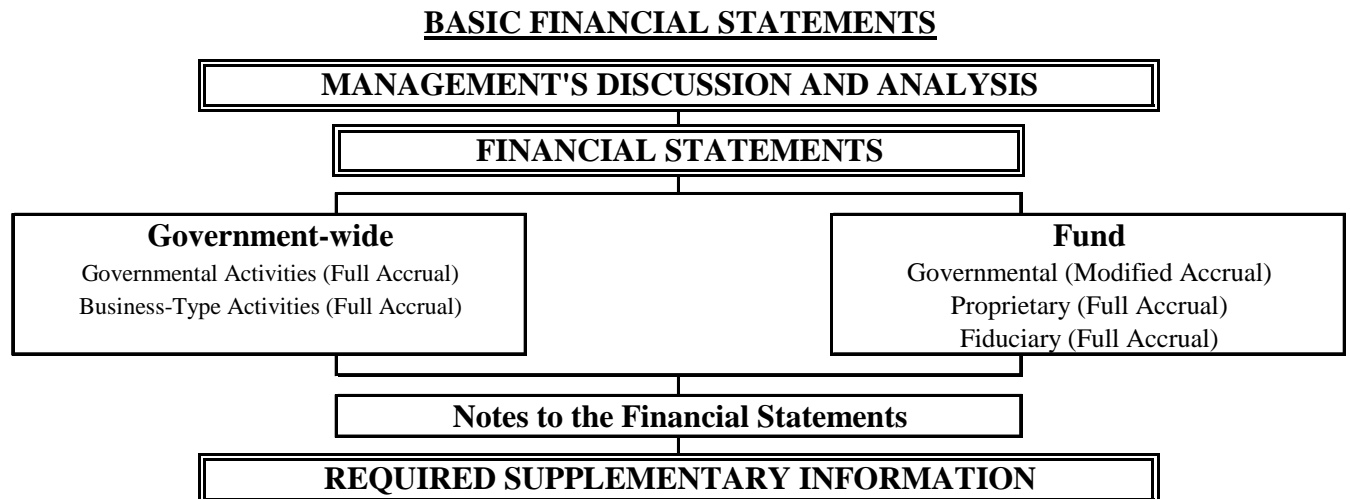
## USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of three sections: introductory, financial and statistical. As illustrated in the chart below, the financial section of this report has three components: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The City implemented Governmental Accounting Standards Board Statement No. 34 (GASB 34) in the 2003 fiscal year. Previously, the primary focus of local governmental financial statements has been summarized fund type information on a current financial resource basis. GASB 34 modified this approach, adding new statements, government-wide statements, which focus on the City as a whole. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual parts of the city government, reporting the operations of the City in more detail than the government-wide statements.

The City implemented Governmental Accounting Standards Board Statement No. 44 (GASB 44) in 2006. The GASB Statement established new standards for the statistical section presentation. The objective of the Statistical Section is to provide additional historical perspective (most recent 10 years), context, and detail to assist users of the financial report to understand and assess a government's economic condition. The objectives are met by providing the information in these five categories: Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic, and Operating.

### Components of the Financial Section



### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction of the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and combining statements 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 a private-sector business.

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. To assess the overall health of the City, one needs to consider other non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

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

Government wide financial statements of the City are divided into two categories:

- **Governmental Activities** – Functions of the City that are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include General Government, Police, Fire, Public Works, Library, Parks and Recreation, Permits and Inspections, Other Community Services, Golf, and Code Enforcement.
- **Business-type Activities** – Functions of the City that are intended to recover all or a significant portion of their costs through user fees and charges. The business-type activities of the City include Airport, Solid Waste, Water and Sewer and Drainage Utility operations.

The government-wide financial statements can be found on pages 18-21 of this report.

### *Fund Financial Statements*

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

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as 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. A reconciliation between changes in net assets and changes in fund balances is provided to facilitate this comparison between government funds and governmental activities.

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). 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 fund and the 2007 G.O & C.O. bond fund because they are considered as major funds. Data from the other governmental funds are combined into a single, aggregated column labeled as "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the "Combining Statements" section of this financial report. The City adopts an annual appropriated budget for its general fund. A Budgetary comparison statement (page 88) has been provided for the general fund to demonstrate compliance with the budget. This budgetary comparison presents a favorable variance in operating transfers.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

#### ***Proprietary Funds***

Proprietary funds are generally used to account for services for which the City charges customers-either outside customers (Enterprise Funds) or internal units or departments of the City (Internal Service Funds). Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following type of proprietary funds:

*Enterprise Funds:* Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Airport, Solid Waste, Water and Sewer and Drainage Utility activities. All enterprise funds except Drainage Utility are considered to be major funds of the City in accordance with the major fund test. However, the City has elected to report the Drainage Utility fund as a major fund.

The basic enterprise fund financial statements can be found on pages 26-35 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City has one private purpose trust fund, which is reported under the fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 41 of this report.

## Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning: General Fund – Budget vs. Actual (page 88), the City’s progress in funding its obligation to provide pension benefits to qualifying employees (page 87).

### Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information.

### Government-Wide Financial Analysis

#### Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the government’s financial position. In the case of the City, assets exceeded liabilities by \$303.4 million for the year ended September 30, 2008.

	<b>Net Assets</b>					
	<i>(in millions of dollars)</i>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Activities</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Assets</b>						
Current and other assets	\$ 88.9	\$ 60.6	\$ 79.1	\$ 61.5	\$ 168.0	\$ 122.1
Capital Assets	141.7	120.3	213.6	201.4	\$ 355.3	321.7
Total Assets	<u>\$ 230.6</u>	<u>\$ 180.9</u>	<u>\$ 292.7</u>	<u>\$ 262.9</u>	<u>\$ 523.3</u>	<u>\$ 443.8</u>
<b>Liabilities</b>						
Long-term liabilities outstanding	\$ 117.1	\$ 78.9	\$ 83.9	\$ 65.9	\$ 201.0	\$ 144.8
Other liabilities	11.0	8.1	7.9	5.0	\$ 18.9	13.1
Total Liabilities	<u>128.1</u>	<u>87.0</u>	<u>91.8</u>	<u>70.9</u>	<u>219.9</u>	<u>157.9</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	71.8	47.4	179.4	153.2	\$ 251.2	200.6
Restricted	8.6	27.2	6.4	6.3	\$ 15.0	33.5
Unrestricted	22.1	19.3	15.1	32.5	37.2	51.8
Total Net Assets	<u>102.5</u>	<u>93.9</u>	<u>200.9</u>	<u>192.0</u>	<u>303.4</u>	<u>285.9</u>
Total Liabilities and Net Assets	<u>\$ 230.6</u>	<u>\$ 180.9</u>	<u>\$ 292.7</u>	<u>\$ 262.9</u>	<u>\$ 523.3</u>	<u>\$ 443.8</u>

The largest portion of the City’s net assets, \$251.2 million or 83 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment and systems), less any related debt used to acquire those assets that are 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, \$15.0 million or 5.0 percent, represent resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, unexpended construction contracts, and in the City of Killeen Charter. The remaining balance of unrestricted net assets, \$37.2 million or 12.3 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

### Analysis of Change in Net Assets

The City's net assets overall increased by \$14.39 million during the current fiscal year. These increments are explained in the governmental and business-type activities discussion in the following table.

**Changes in Net Assets**  
(in millions of dollars)

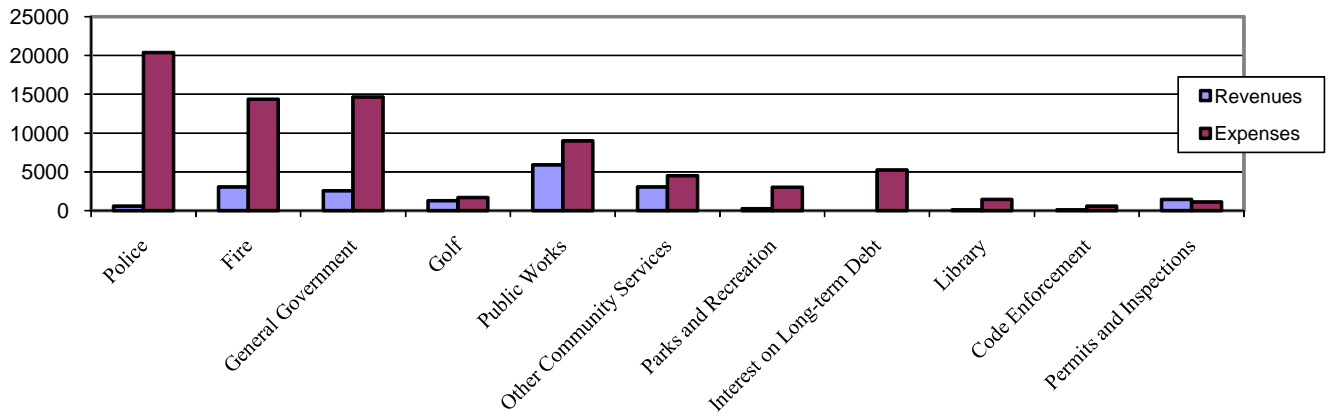
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Activities</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>						
<i>Program revenues:</i>						
Charges for services	\$ 8.39	\$ 7.23	\$ 49.02	\$ 44.75	\$ 57.41	\$ 51.98
Operating grants and contributions	3.40	5.09	0.05	0.02	\$ 3.45	5.11
Capital grants and contributions	6.40	4.29	6.26	8.98	\$ 12.66	13.27
<i>General revenues:</i>						
Property taxes	27.14	23.90	-	-	\$ 27.14	23.90
Business taxes	5.61	5.40	-	-	\$ 5.61	5.40
Sales taxes	21.22	20.01	-	-	\$ 21.22	20.01
Gain on sale of investment	-	-	0.03	-	\$ 0.03	-
Interest and investment income	3.38	3.72	2.50	2.92	\$ 5.88	6.64
<b>Total Revenues</b>	<b><u>75.54</u></b>	<b><u>69.64</u></b>	<b><u>57.86</u></b>	<b><u>56.67</u></b>	<b><u>133.40</u></b>	<b><u>126.31</u></b>
<b>Expenses</b>						
General	14.66	13.06	-	-	\$ 14.66	13.06
Police	20.40	18.04	-	-	\$ 20.40	18.04
Fire	14.34	11.73	-	-	\$ 14.34	11.73
Public Works	8.98	8.84	-	-	\$ 8.98	8.84
Library	1.45	1.32	-	-	\$ 1.45	1.32
Parks and Recreation	3.02	2.60	-	-	\$ 3.02	2.60
Permits and Inspections	1.12	1.40	-	-	\$ 1.12	1.40
Community Services	4.50	4.20	-	-	\$ 4.50	4.20
Golf	1.67	1.47	-	-	\$ 1.67	1.47
Code Enforcement	0.56	-	-	-	\$ 0.56	-
Interest on Long-term Debt	5.23	3.53	-	-	\$ 5.23	3.53
Airport Operations	-	-	6.94	6.03	\$ 6.94	6.03
Solid Waste	-	-	11.12	9.92	\$ 11.12	9.92
Water and Sewer	-	-	23.23	21.81	\$ 23.23	21.81
Drainage Utility	-	-	1.79	1.35	\$ 1.79	1.35
<b>Total Expenses</b>	<b><u>75.93</u></b>	<b><u>66.19</u></b>	<b><u>43.08</u></b>	<b><u>39.11</u></b>	<b><u>119.01</u></b>	<b><u>105.30</u></b>
Change in net assets before transfers	(0.39)	3.45	14.78	17.56	14.39	21.01
Transfers	5.88	4.01	(5.88)	(4.01)	\$ -	-
Change in net assets	5.49	7.46	8.90	13.55	14.39	21.01
Net assets at beginning of year	93.86	86.39	192.01	184.12	285.87	270.51
Prior period adjustment	3.17	-	-	(5.66)	3.17	(5.66)
<b>Net assets at end of year</b>	<b><u>\$ 102.52</u></b>	<b><u>\$ 93.85</u></b>	<b><u>\$ 200.91</u></b>	<b><u>\$ 192.01</u></b>	<b><u>\$ 303.43</u></b>	<b><u>\$ 285.86</u></b>

**Governmental Activities**

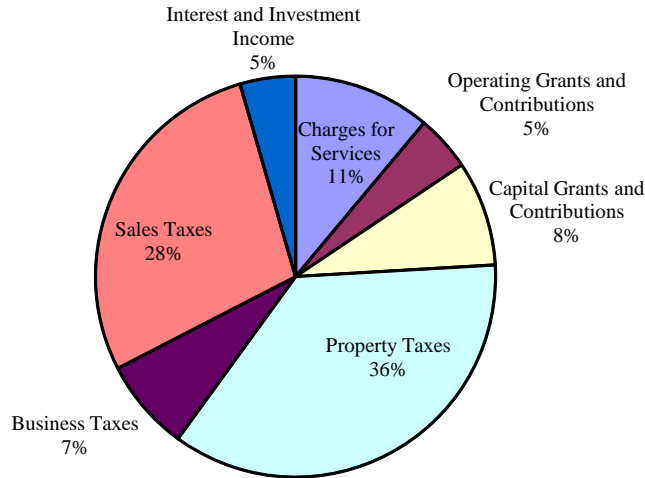
Governmental activities increased the City’s net assets by \$5.49 million, thereby accounting for 38 percent of the total growth in the net assets of the City. Key factors of this increase are as follows:

The charts below illustrate the City’s governmental expenses and revenues by function. As shown, police is the largest function in expense (\$20.40 million), followed by fire (\$14.34 million) and general government (\$14.66 million). General revenues such as sales, property, and business taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, property taxes are the largest single source of funds (\$27.14 million), followed by sales taxes (\$21.22 million) and charges for services (\$8.39 million). Property tax revenue increased by \$3.2 million, sales tax is up \$1.2 million, and charges for services are up \$1.2 million from the previous fiscal year.

**Program Revenues and Expenses - Governmental Activities**  
**Fiscal Year 2007-08**  
 (in thousands of dollars)



Revenue by Source – Governmental Activities  
Fiscal Year 2007-08

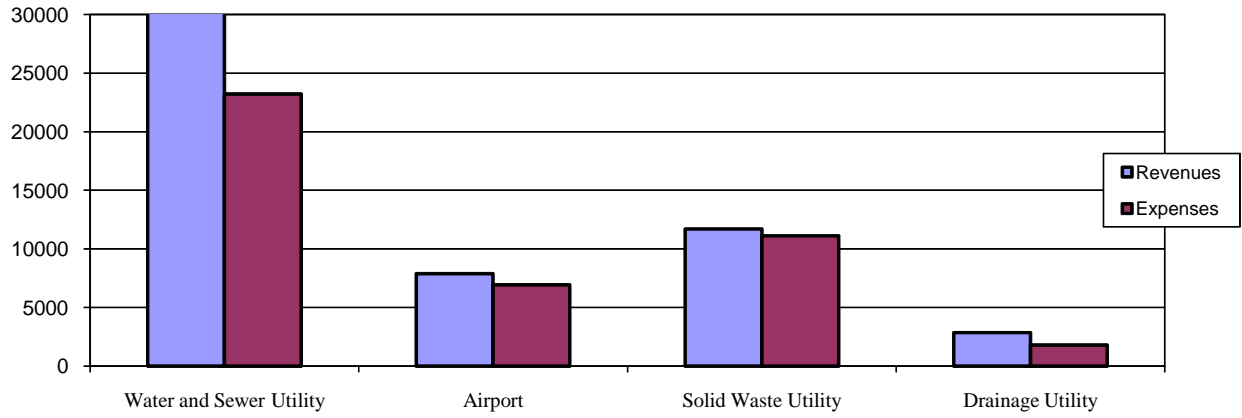


**Business-type Activities**

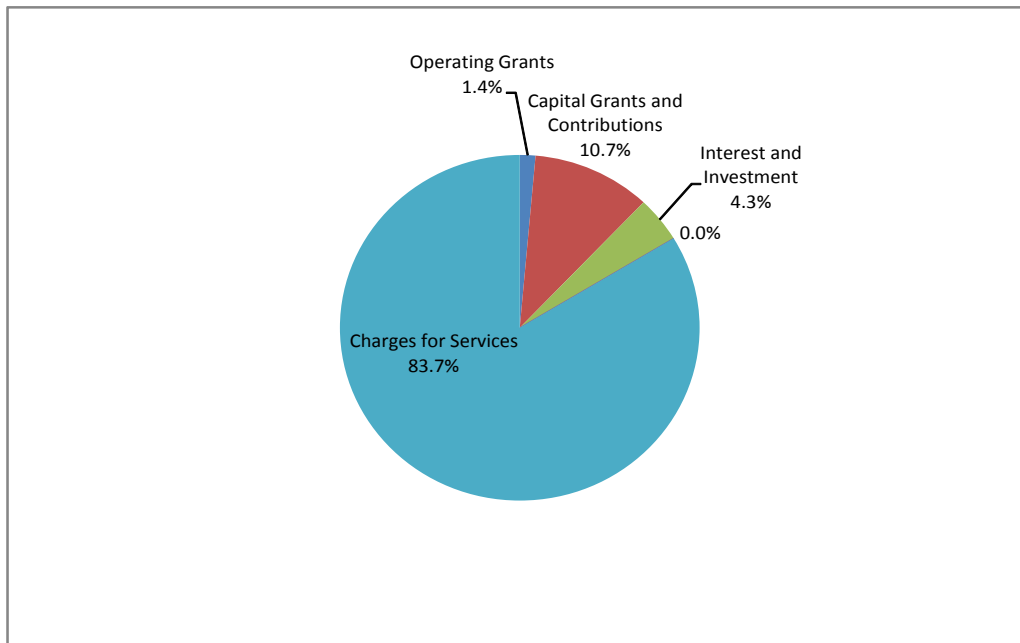
Business-type activities increased the City’s net assets by \$8.9 million, accounting for 61.9 percent of the total growth in the City’s net assets. Key factors of this increase are as follows:

The charts following illustrate the City’s business-type expenses and revenues by fund. The largest of the City’s business-type activities, Water and Sewer utilities, had expenses of \$23.2 million in fiscal year 2008, followed by Solid Waste with expenses of approximately \$11.1 million. For the fiscal year, revenues exceeded expenses in all areas of business. Charges for services provided the largest share of revenues (84.7 percent) followed by capital grants and contributions (10.8 percent) for all business-type activities. Charges for services revenue increased by \$4.3 million this year, while operating expenses increased by \$4.0 million. Total revenues increased by \$1.2 million.

**Program Revenues and Expenses - Business Type Activities**  
**Fiscal Year 2007-08**  
(in thousands of dollars)



**Revenues by Source – Business Type Activities**  
**Fiscal Year 2007-08**



## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. 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. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$76.4 million, an increase of \$25.1 million in comparison with the prior year. Approximately \$24.1 million (31.6 percent) of this total amount constitutes unreserved / undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved for encumbrances, inventories, debt service, and capital projects or designated to be used for emergencies.

Revenues for governmental functions overall totaled approximately \$75.5 million in the fiscal year ended September 30, 2008, which represents a \$6 million increase from the prior fiscal year. Expenditures for governmental functions, totaling \$101.9 million, increased by approximately \$19.8 million from the prior fiscal year. In the fiscal year ended September 30, 2008, expenditures for governmental functions exceeded revenues by approximately \$26.3 million.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved / undesignated fund balance of the general fund was \$21.2 million, while total fund balance was \$24.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved / undesignated fund balance represents 32.2 percent of total general fund expenditures, while total fund balance represents 36.7 percent of that same amount.

### **General Fund Budgetary Highlights**

The following is a brief review of the budgetary changes from the original to the final general fund budget. Operating revenue budgets are not adjusted for increased projections throughout the year. Expenditure budgets were increased in the following categories through budget amendments primarily to cover the increase in motor vehicle fuel costs and light and power costs.

- \$81 thousand increase in general government expenditures
- \$67 thousand increase in public safety expenditures
- \$159 thousand increase in community services expenditures

### **Proprietary Funds**

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



At the end of the fiscal year, the unrestricted net assets for the Airport Fund were \$7.1 million, the Solid Waste Fund had \$2.9 million, the Water and Sewer Fund had \$2.1 million and the Drainage Utility Fund had \$3.1 in unrestricted net assets. The total growth in net assets for the enterprise funds was \$8.9 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City’s business-type activities.

**Fiduciary Funds**

The City maintains a fiduciary fund for the assets of the Firemen’s Pension Trust Fund. The Firemen’s Pension Trust Fund manages the investment of monies held in trust for retirement annuity payments at appropriate amounts and times in the future. As of the end of the fiscal year 2007-08, the net assets of the Firemen’s Pension Trust Fund totaled \$17.5 million, representing a decrease of \$1.8 million in total net assets since September 30, 2007. The change is primarily related to appreciation of the fair value of the plan’s investments.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City’s capital assets for its governmental and business-type activities as of September 30, 2008, amount to \$355.2 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, vehicles, furniture, fixtures, equipment, construction in progress and infrastructure. The total increase in the City’s capital assets (net of accumulated depreciation) for the current fiscal year was 33.4 million (a 15 percent increase for governmental activities and a 5.7 percent increase for business-type activities) as shown in the table below.

**Capital Assets**  
*(net of depreciation, in millions of dollars)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Activities</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 7.1	\$ 6.7	\$ 1.6	\$ 1.6	\$ 8.7	\$ 8.3
Buildings and						
Land Improvements	31.5	20.5	139.4	137.1	170.9	157.6
Improvements Other	-	-	50.2	50.8	50.2	50.8
Vehicles	3.6	3.7	3.2	3.7	6.8	7.4
Furniture, Fixtures,					-	
Office Equipment	5.4	3.8	2.6	2.1	8.0	5.9
Construction in Progress	13.6	16.3	16.6	6.2	30.2	22.5
Infrastructure Assets	80.4	69.3	-	-	80.4	69.3
<b>Total</b>	<b>\$ 141.6</b>	<b>\$ 120.3</b>	<b>\$ 213.6</b>	<b>\$ 201.5</b>	<b>\$ 355.2</b>	<b>\$ 321.8</b>

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

- Governmental activities’ construction in progress decreased by \$2.7 million due to the completion of major street, roadway, and traffic improvement projects.
- Business-type activities’ construction in progress increased by \$10.4 million due to the construction of the passenger boarding bridge for the airport, the new solid waste administration facility, and several water and sewer infrastructure projects.

- Business-type activities' building and land improvements increased by \$2.3 million due to the completion of several projects that were previously shown in construction in progress.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Section IV, Note D, in the Notes to the Financial Statements for further information regarding capital assets.

### Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$194.4 million. Of this amount, \$51.1 million is general obligation bonds backed by the full faith and credit of the City and \$78.7 million in revenue bonds, certificates of obligation or other obligations of the City's business enterprises. The remainder includes revenue bonds, certificates of obligation, and other obligations of \$64.6 million of governmental activities.

During fiscal year 2008, the City's total bonded debt increased by approximately \$54.7 million. The increase is due to the fact that the City issued new debt in fiscal year 2008. The City made scheduled payments against the bonds, which reduced the amount owed by the City.

**Outstanding Debt**  
(in millions of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 46.6	\$ 32.0	\$ 4.5	\$ 5.5	\$ 51.1	\$ 37.5
Revenue bonds (less deferred)	-	-	63.1	43.7	63.1	43.7
Certificates of obligation	63.7	41.4	15.6	16.2	79.3	57.6
Capital lease payable	0.9	-	-	-	0.9	-
Less unamortized bond issue costs	(0.7)	(0.5)	(0.8)	(0.6)	(1.5)	(1.1)
Plus unamortized bond premium/ (discounts)	(0.1)	0.3	1.1	1.0	1.0	1.3
Less deferred amounts on refunding	(0.3)	(0.3)	(0.6)	(0.6)	(0.9)	(0.9)
Total bonds payable	<u>\$ 110.1</u>	<u>\$ 72.9</u>	<u>\$ 82.9</u>	<u>\$ 65.2</u>	<u>\$ 193.0</u>	<u>\$ 138.1</u>

The City's debt service management policies are designed to comply with the legal provisions of the various bond ordinance and covenants governing the debt issue. The City established separate interest and sinking funds for each general obligation debt and revenue bond issue except for the \$ 8 million bond issue in the Drainage Utility fund. In addition, bond insurance is obtained for each revenue bond issue as required. City policy attempts to maintain a fund balance of at least two months of annual appropriated expenditures for debt service and any associated fees as a fund balance in the debt service fund at fiscal year end.

The most recent debt issues of the City of Killeen earned ratings from Moody's and Standard & Poors:

**City of Killeen Bonded Debt Ratings  
September 30, 2008**

<b>Bond Type</b>	<b>Standard &amp; Poors</b>	<b>Moody's</b>
General Obligation	AA-	Aa3
Utility Revenue Bond	AA-	Aa3
Certificates of Obligation	AA-	Aa3

The state limits the legal amount of general obligation debt of a governmental entity to \$ 1.25 per \$ 100 valuation. The City's 2008 debt levy equaled \$ 0.2324 per \$ 100 assessed valuation, or 18.6 percent of the maximum allowed.

Additional information on the City's long-term debt can be found in Section IV, Note G, of the notes to the Financial Statements.

**Economic Factors and Next Years' Budget and Rates**

At the time this MD&A was written, leading indicators such as the stock market, money supply, housing market, and the unemployment rates were showing signs of future economic downturn. Economic forecasts clearly reflect the fact that the U.S. economy is showing increased levels of distress in labor markets and very unsteady inflation rates. In the wake of the subprime lending crisis leading to great disruption in the financial and housing markets, the Federal Open Market Committee (FOMC) has voted to lower the federal funds and the discount rates several times over the past fiscal year. At a national level, residential construction activity remained weak. On the contrary, the City of Killeen continues to exhibit steady growth in the single family, duplex, multifamily respectively. In addition, the Nation's unemployment rate was 7.2 percent, compared to a local unemployment rate of 5.6 percent during the same period. The significant increases in the costs of materials and fuel are requiring additional funding to supplement the 2004 and 2007 general obligation and certificate of obligation projects.

The City of Killeen continues to benefit from locally favorable economic conditions, including a stable and diversified service oriented economy, large labor workforce, affordable housing development and growing commercial retail sector. Killeen-Fort Hood's Regional Airport (KFHRA) opened for business in August of 2004 and immediately started setting records for enplanements and deplanements. We continue to see records being set month after month. The future economic development opportunities to be derived from the opening of the KFHRA are unlimited.

Tourism is one of Killeen's major industries and is a significant contributor to the City's economy. Many local hotels, motels and restaurants complement the city's 63,000 square feet Civic and Conference Center. The Center boasts a 23,400 square feet ballroom, 3,000 square feet special events room, six large meeting rooms and two small meeting rooms in addition to full-featured kitchen facilities. Hotel Occupancy tax revenues through the fiscal year ended September 30, 2008 have grown by 134% since the conference center opened in 2002. Construction of several new upscale hotels are underway and expected to add over 600 rooms to the City's inventory during the coming year. The most significant addition was the opening of the City's first 160 room full-service hotel and restaurant directly adjacent to the conference center. Increased tourism connected with the activities of Fort Hood influence the activities at the conference center and hotel occupancy tax receipts. The long-term outlook for local tourism looks positive.

Many factors were considered in preparing the City's budget for fiscal year 2008-09, including national, state, and local economic trends. The concerns of our citizens and the priorities of the City Council were included in the development of the budget. The stability and continuing growth in the local economy allowed the City to address major needs in the budget this year. The budget for the 2008-09 fiscal year includes:

- Conservative projections of major revenue sources.
- Maintain the ad valorem tax rate.
- Strengthened police department resources to deter crime and provide enhanced safety.
- Provide funding for street improvements and infrastructure needs.

As the City continues to work to reduce the projected operating budget deficit, the City remains committed to meet certain obligations, such as:

- Maintaining essential city services.
- Fully funding the City's share of financial obligations associated with the airport.
- Taking care of our employees by maintaining adequate pay plans, adequate benefits, and avoiding employee reductions in force.
- Maintaining the City's financial condition.
- Update and maintain the long-term financial models for each major fund.
- Continued investment in the City's basic infrastructure and public facilities, combined with a careful analysis of their operating costs.
- Maintain the City's financial reserves to ensure the city can provide basic services during economic downturns or major emergencies and make strategic investments in Killeen's economic base.

### **Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact:

City of Killeen Finance Department  
Barbara A. Gonzales, Director of Finance  
101 North College  
P. O. Box 1329  
Killeen, TX 76540  
(254) 501-7730

Or visit our website at:  
<http://www.ci.killeen.tx.us>

## **BASIC FINANCIAL STATEMENTS**

**CITY OF KILLEEN, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008**

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 64,726,266	\$ 25,716,113	\$ 90,442,379
Investments	16,483,104	10,199,490	26,682,594
Receivables (net of allowances for uncollectibles)-			
Grants	137,047	58,542	195,589
Taxes	3,681,062	-	3,681,062
Accounts	1,302,239	5,951,014	7,253,253
Notes receivable	82,729	-	82,729
Accrued interest	207,420	136,038	343,458
Internal balances	(47,313)	47,313	-
Inventories	414,624	314,968	729,592
Prepaid items	-	570,000	570,000
Restricted assets:			
Cash and cash equivalents	1,112,596	35,311,658	36,424,254
Deferred charges	742,197	759,572	1,501,769
Other Assets	90,444	-	90,444
Capital assets:			
Non-depreciable	20,777,738	18,255,209	39,032,947
Depreciable (net)	120,896,750	195,387,041	316,283,791
 Total assets	 \$ 230,606,903	 \$ 292,706,958	 \$ 523,313,861

The accompanying notes are an integral part of this financial statement.

**EXHIBIT A-1**

	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 8,474,582	\$ 5,083,648	\$ 13,558,230
Escrow payable	-	20,196	20,196
Accrued liabilities	445,098	-	445,098
Customer deposits	642,490	1,747,002	2,389,492
Accrued interest payable	818,825	566,121	1,384,946
Unearned revenue	946,883	-	946,883
Deferred amount on refunding bonds	(289,348)	(554,088)	(843,436)
Unamortized bond premium (discount)	(82,982)	1,052,884	969,902
Noncurrent liabilities			
Due within one year	5,184,590	4,961,967	10,146,557
Due in more than one year	111,947,322	78,914,656	190,861,978
Total liabilities	128,087,460	91,792,386	219,879,846
<b><u>NET ASSETS</u></b>			
Investment in capital assets, net of related debt	71,779,033	179,366,423	251,145,456
Restricted for:			
Debt service	4,259,342	6,466,505	10,725,847
Capital projects	4,331,523	-	4,331,523
Unrestricted	22,149,545	15,081,644	37,231,189
Total net assets	\$ 102,519,443	\$ 200,914,572	\$ 303,434,015

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 14,662,853	\$ 2,262,954	\$ 301,860	\$ 300
Police	20,397,809	466,590	9,337	81,262
Fire	14,337,399	2,548,848	495,062	-
Public works	8,982,754	-	-	5,888,521
Library	1,454,180	48,501	24,338	-
Parks and Recreation	3,016,481	244,901	-	-
Permits and Inspections	1,116,316	1,450,396	-	-
Community Services	4,499,962	33,029	2,571,930	430,909
Golf	1,671,261	1,267,776	-	-
Code Enforcement	566,497	67,685	-	-
Interest on long-term debt	5,229,662	-	-	-
Total governmental activities	<u>75,935,174</u>	<u>8,390,680</u>	<u>3,402,527</u>	<u>6,400,992</u>
Business-type activities:				
Airport Operations	6,945,205	4,349,157	-	3,542,040
Solid Waste	11,119,731	11,669,439	-	-
Water and Sewer	23,228,947	30,195,389	-	2,721,455
Drainage Utility	1,792,628	2,807,992	49,885	-
Total business-type activities	<u>43,086,511</u>	<u>49,021,977</u>	<u>49,885</u>	<u>6,263,495</u>
Total primary government	<u>\$ 119,021,685</u>	<u>\$ 57,412,657</u>	<u>\$ 3,452,412</u>	<u>\$ 12,664,487</u>

General revenues:  
Taxes:  
Ad Valorem Taxes  
Penalties and Interest  
Beverage Taxes  
Franchise Taxes  
City Sales Taxes  
Bingo Taxes  
Investment Income  
Gain on Sale of Capital Assets  
Transfers  
Total general revenues and transfers

Change in net assets  
Net assets - beginning  
Prior period adjustments  
Net assets-ending

The accompanying notes are an integral part of this financial statement.



**EXHIBIT A-2**

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (12,097,739)	\$ -	\$ (12,097,739)
(19,840,620)	-	(19,840,620)
(11,293,489)	-	(11,293,489)
(3,094,233)	-	(3,094,233)
(1,381,341)	-	(1,381,341)
(2,771,580)	-	(2,771,580)
334,080	-	334,080
(1,464,094)	-	(1,464,094)
(403,485)	-	(403,485)
(498,812)	-	(498,812)
(5,229,662)	-	(5,229,662)
<u>(57,740,975)</u>	<u>-</u>	<u>(57,740,975)</u>
-	945,992	945,992
-	549,708	549,708
-	9,687,897	9,687,897
-	1,065,249	1,065,249
<u>-</u>	<u>12,248,846</u>	<u>12,248,846</u>
<u>(57,740,975)</u>	<u>12,248,846</u>	<u>(45,492,129)</u>
26,916,750	-	26,916,750
222,122	-	222,122
310,536	-	310,536
5,078,001	-	5,078,001
21,220,074	-	21,220,074
222,237	-	222,237
3,380,735	2,500,202	5,880,937
-	31,794	31,794
5,877,838	(5,877,838)	-
<u>63,228,293</u>	<u>(3,345,842)</u>	<u>59,882,451</u>
5,487,318	8,903,004	14,390,322
93,859,542	192,011,568	285,871,110
3,172,583	-	3,172,583
<u>\$ 102,519,443</u>	<u>\$ 200,914,572</u>	<u>\$ 303,434,015</u>

**CITY OF KILLEEN, TEXAS**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2008**

<u>ASSETS</u>	General Fund	2007 G.O. & C.O. Bonds	Other Governmental Funds	Total Governmental Funds
Assets-				
Cash and cash equivalents	\$ 8,064,822	\$ 36,109,173	\$ 20,552,271	\$ 64,726,266
Investments	16,483,104	-	-	16,483,104
Receivables (net of allowances for uncollectibles) -				
Grants	-	-	137,047	137,047
Taxes	3,538,875	-	142,187	3,681,062
Accounts	1,282,069	-	20,170	1,302,239
Notes receivable	82,729	-	-	82,729
Accrued interest	59,502	147,918	-	207,420
Inventories	414,624	-	-	414,624
Restricted assets -				
Cash and cash equivalents	1,089,023	-	23,573	1,112,596
Due from other funds	31,672	-	6,196	37,868
Other current assets	89,844	-	600	90,444
Total assets	<u>\$ 31,136,264</u>	<u>\$ 36,257,091</u>	<u>\$ 20,882,044</u>	<u>\$ 88,275,399</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities-				
Accounts payable	\$ 4,023,548	\$ 1,852,886	\$ 2,598,148	\$ 8,474,582
Due to state agencies	445,098	-	-	445,098
Due to other funds	-	27,968	57,213	85,181
Customer deposits	635,854	-	6,636	642,490
Vacation and sick leave payable	65,880	-	-	65,880
Deferred revenue	1,853,954	-	162,357	2,016,311
Unearned revenue	-	-	139,294	139,294
Total liabilities	<u>7,024,334</u>	<u>1,880,854</u>	<u>2,963,648</u>	<u>11,868,836</u>
Fund balances -				
Reserved:				
Encumbrances	754,278	-	101,922	856,200
Inventories	414,624	-	-	414,624
Debt service	240,170	-	4,019,172	4,259,342
Capital projects	-	34,376,237	10,821,286	45,197,523
Unreserved:				
Designated (Note F)	1,525,000	-	-	1,525,000
Undesignated - general fund	21,177,858	-	-	21,177,858
Undesignated - special revenue funds	-	-	2,976,016	2,976,016
Total fund balances	<u>24,111,930</u>	<u>34,376,237</u>	<u>17,918,396</u>	<u>76,406,563</u>
Total liabilities and fund balances	<u>\$ 31,136,264</u>	<u>\$ 36,257,091</u>	<u>\$ 20,882,044</u>	<u>\$ 88,275,399</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF KILLEEN, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

Total fund balances - governmental funds balance sheet	\$ 76,406,563
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds.	141,674,488
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(116,770,330)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>1,208,722</u>
Net assets of governmental activities - statement of net assets	<u>\$ 102,519,443</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF KILLEEN, TEXAS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General Fund	2007 G.O. & C.O. Bonds	Other Governmental Funds	Total Governmental Funds
Revenues -				
Taxes	\$ 42,897,091	\$ -	\$ 11,040,715	\$ 53,937,806
Licenses and permits	1,438,989	-	-	1,438,989
Intergovernmental	758,031	-	2,265,128	3,023,159
Charges for services	4,339,351	-	518,615	4,857,966
Fines	2,087,985	-	556,211	2,644,196
Miscellaneous	1,354,581	1,077,700	1,323,627	3,755,908
Developer contributions	5,888,521	-	-	5,888,521
Total revenues	<u>58,764,549</u>	<u>1,077,700</u>	<u>15,704,296</u>	<u>75,546,545</u>
Expenditures -				
Current -				
General government	5,664,471	-	1,432,499	7,096,970
Public safety	33,168,472	-	20,222	33,188,694
Public works	5,100,406	-	-	5,100,406
Community services	8,311,346	-	2,255,482	10,566,828
Miscellaneous	5,448,820	-	19,616	5,468,436
Capital Outlay	7,839,432	7,571,517	14,867,156	30,278,105
Debt service -				
Principal	224,234	-	4,896,200	5,120,434
Interest	15,936	-	4,779,214	4,795,150
Fiscal charges	-	254,580	4,796	259,376
Total expenditures	<u>65,773,117</u>	<u>7,826,097</u>	<u>28,275,185</u>	<u>101,874,399</u>
Excess (deficiency) of revenues over expenditures	<u>(7,008,568)</u>	<u>(6,748,397)</u>	<u>(12,570,889)</u>	<u>(26,327,854)</u>
Other financing sources (uses) -				
Issuance of Debt	1,083,775	41,785,000	-	42,868,775
Discounts on Issuance of Debt	-	(441,569)	-	(441,569)
Transfers in	5,400,294	-	1,894,409	7,294,703
Transfers out	(325,571)	(218,797)	(872,497)	(1,416,865)
Total other financing sources (uses)	<u>6,158,498</u>	<u>41,124,634</u>	<u>1,021,912</u>	<u>48,305,044</u>
Net changes in fund balance	<u>(850,070)</u>	<u>34,376,237</u>	<u>(11,548,977)</u>	<u>21,977,190</u>
Fund balances, October 1, 2007	21,789,417	-	29,467,373	51,256,790
Prior Period Adjustment	3,172,583	-	-	3,172,583
Fund balances, September 30, 2008	<u>\$ 24,111,930</u>	<u>\$ 34,376,237</u>	<u>\$ 17,918,396</u>	<u>\$ 76,406,563</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF KILLEEN, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Net change in fund balances - total government funds \$ 21,977,190

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This reconciling item represents the amount by which capital outlays exceeded depreciation in the current period. 21,365,913

The issuance of long-term debt (i.e. bonds, notes payable) provides current financial resources to the 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 reconciling item represents the net effect of these differences in the treatment of long-term debt and related items. (37,040,153)

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. This reconciling item reflects the net of such expenses. (813,741)

Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds. This reconciling item represents the total of such revenues. (1,891)

Change in Net Assets of Governmental Activities - Statement of Activities \$ 5,487,318

The accompanying notes are an integral part of this financial statement.

**CITY OF KILLEEN, TEXAS  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
SEPTEMBER 30, 2008**

<u>ASSETS</u>	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
Cash and cash equivalents	\$ 6,572,421	\$ 2,371,263	\$ 16,295,378
Investments	-	2,000,238	8,199,252
Receivables (net of allowances for uncollectibles) -			
Grants	58,542	-	-
Accounts	-	1,466,833	4,264,733
Accrued interest	-	4,558	131,480
Due from other funds	-	52,691	-
Inventories	67,371	-	247,597
Prepaid items	-	-	570,000
Restricted assets -			
Cash and cash equivalents	759,765	255,894	25,655,767
Deferred charges	-	52,963	597,923
Total Current Assets	<u>7,458,099</u>	<u>6,204,440</u>	<u>55,962,130</u>
Property and Equipment:			
Land	1,319,003	72,165	243,332
Buildings and improvements	87,286,544	9,469,273	82,077,330
Improvements other than buildings	-	-	53,645,376
Furniture and equipment	673,960	3,142,999	3,796,597
Vehicle	767,670	8,160,506	2,982,579
Construction in progress	2,421,296	2,079,430	11,884,210
Less accumulated depreciation	(17,497,665)	(10,036,495)	(32,404,919)
Net Property and Equipment	<u>74,970,808</u>	<u>12,887,878</u>	<u>122,224,505</u>
Total Assets	<u>\$ 82,428,907</u>	<u>\$ 19,092,318</u>	<u>\$ 178,186,635</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT A-7**

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 477,051	\$ 25,716,113
-	10,199,490
-	58,542
219,448	5,951,014
-	136,038
-	52,691
-	314,968
-	570,000
8,640,232	35,311,658
108,686	759,572
<u>9,445,417</u>	<u>79,070,086</u>
-	1,634,500
-	178,833,147
2,444,430	56,089,806
964,359	8,577,915
449,061	12,359,816
235,773	16,620,709
(534,564)	(60,473,643)
<u>3,559,059</u>	<u>213,642,250</u>
<u>\$ 13,004,476</u>	<u>\$ 292,712,336</u>

(Continued)

**CITY OF KILLEEN, TEXAS  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS (CONTINUED)  
SEPTEMBER 30, 2008**

<u>LIABILITIES AND NET ASSETS</u>	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprises Fund
Liabilities:			
Accounts payable	\$ 216,569	\$ 1,077,956	\$ 3,254,631
Escrow payable	20,196	-	-
Due to other funds	-	-	5,378
Customer deposits	-	-	1,747,002
Vacation and sick leave payable	152,508	216,479	249,912
Current portion of general obligation bonds payable	-	-	3,686,100
Current portion of certificate of obligation bonds payable	-	360,000	-
Restricted accrued interest payable	-	-	514,295
Total Current liabilities	<u>389,273</u>	<u>1,654,435</u>	<u>9,457,318</u>
General obligation bonds payable - long-term	-	-	63,942,399
Certificate of obligation bonds payable - long term	-	8,217,257	-
Deferred amount on refunding bonds	-	-	(554,088)
Unamortized bond premium (discount)	-	(61,070)	1,178,245
Total Non-Current Liabilities	<u>-</u>	<u>8,156,187</u>	<u>64,566,556</u>
Total Liabilities	<u>389,273</u>	<u>9,810,622</u>	<u>74,023,874</u>
Net Assets:			
Investment in capital assets (net of related debt)	74,970,808	5,678,922	96,933,343
Restricted:			
Debt service	-	729,109	5,156,438
Unrestricted:	7,068,826	2,873,665	2,072,980
Total Net Assets	<u>82,039,634</u>	<u>9,281,696</u>	<u>104,162,761</u>
Total Liabilities and Net Assets	<u>\$ 82,428,907</u>	<u>\$ 19,092,318</u>	<u>\$ 178,186,635</u>

The accompanying notes are an integral part of this statement.



**EXHIBIT A-7 (CONT'D)**

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 534,492	\$ 5,083,648
-	20,196
-	5,378
-	1,747,002
26,968	645,867
-	3,686,100
270,000	630,000
51,826	566,121
<u>883,286</u>	<u>12,384,312</u>
-	63,942,399
6,755,000	14,972,257
-	(554,088)
<u>(64,291)</u>	<u>1,052,884</u>
<u>6,690,709</u>	<u>79,413,452</u>
<u>7,573,995</u>	<u>91,797,764</u>
1,783,350	179,366,423
580,958	6,466,505
<u>3,066,173</u>	<u>15,081,644</u>
<u>5,430,481</u>	<u>200,914,572</u>
<u>\$ 13,004,476</u>	<u>\$ 292,712,336</u>

**CITY OF KILLEEN, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET ASSETS – ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
Operating Revenues:			
Charges for services	\$ 4,349,157	\$ 11,669,439	\$ 30,195,389
Total operating revenues	<u>4,349,157</u>	<u>11,669,439</u>	<u>30,195,389</u>
Operating Expenses:			
Purchase of water	-	-	5,453,574
Sewage treatment	-	-	4,716,864
Salaries	1,540,886	2,990,157	3,838,666
Employee benefits	454,477	877,072	1,127,431
Repairs and maintenance	300,504	1,272,564	831,997
Supplies	149,451	903,776	664,994
Depreciation	3,058,783	1,419,151	3,492,523
Miscellaneous service and charges	1,441,104	326,617	1,102,028
Refuse disposal costs	-	2,945,294	-
Total operating expenses	<u>6,945,205</u>	<u>10,734,631</u>	<u>21,228,077</u>
Operating Income (Loss)	<u>(2,596,048)</u>	<u>934,808</u>	<u>8,967,312</u>
Non-Operating Revenues (Expenses)			
Gain on Sale of Equipment	-	31,794	-
Grants	3,542,040	-	-
Investment revenue	203,319	238,071	1,767,253
Industrial development	-	-	(663,883)
Interest expense	-	(385,100)	(1,336,987)
Total Non-Operating Revenues (Expenses)	<u>3,745,359</u>	<u>(115,235)</u>	<u>(233,617)</u>
Net Income Before Contributions and Transfers	<u>1,149,311</u>	<u>819,573</u>	<u>8,733,695</u>
Contributions and Transfers			
Contributions - developer	-	-	2,721,455
Transfers out	-	(1,813,610)	(4,046,533)
Total Contributions and Transfers	<u>-</u>	<u>(1,813,610)</u>	<u>(1,325,078)</u>
Change in Net Assets	1,149,311	(994,037)	7,408,617
Beginning Net Assets, October 1, 2007	80,890,323	10,275,733	96,754,144
Ending Net Assets, September 30, 2008	<u>\$ 82,039,634</u>	<u>\$ 9,281,696</u>	<u>\$ 104,162,761</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT A-8**

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 2,807,992	\$ 49,021,977
<u>2,807,992</u>	<u>49,021,977</u>
-	5,453,574
-	4,716,864
529,339	8,899,048
159,654	2,618,634
214,789	2,619,854
91,983	1,810,204
271,354	8,241,811
196,768	3,066,517
-	2,945,294
<u>1,463,887</u>	<u>40,371,800</u>
<u>1,344,105</u>	<u>8,650,177</u>
-	31,794
49,885	3,591,925
291,559	2,500,202
-	(663,883)
<u>(328,741)</u>	<u>(2,050,828)</u>
<u>12,703</u>	<u>3,409,210</u>
<u>1,356,808</u>	<u>12,059,387</u>
-	2,721,455
<u>(17,695)</u>	<u>(5,877,838)</u>
<u>(17,695)</u>	<u>(3,156,383)</u>
1,339,113	8,903,004
4,091,368	192,011,568
<u>\$ 5,430,481</u>	<u>\$ 200,914,572</u>

**CITY OF KILLEEN, TEXAS  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Business Type Activities- Enterprise Funds			
	Airport	Solid Waste	Water and Sewer	Drainage Utility
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers and users	\$ 4,561,828	\$ 11,703,160	\$ 30,082,567	\$ 2,763,133
Payments to suppliers	(1,836,415)	(5,117,034)	(10,613,280)	(222,425)
Payments to employees	(1,982,734)	(3,844,334)	(4,947,608)	(675,044)
Payments for interfund services used	-	(4,544)	-	-
Net cash provided by operating activities	<u>742,679</u>	<u>2,737,248</u>	<u>14,521,679</u>	<u>1,865,664</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Industrial development	-	-	(663,883)	-
Transfers out to other funds	-	(1,813,610)	(4,046,533)	(17,695)
Net cash used by noncapital financing activities	<u>-</u>	<u>(1,813,610)</u>	<u>(4,710,416)</u>	<u>(17,695)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributions/grants	3,542,040	-	2,721,455	49,885
Purchase and construction of capital assets	(3,427,674)	(2,715,757)	(12,799,423)	(1,522,589)
Gain on sale of equipment	-	31,794	-	-
Issuance of long-term debt	-	-	21,165,000	-
Principal paid on long term debt	-	(346,000)	(2,692,800)	(255,000)
Interest and fees paid on long term debt	-	(347,243)	(1,353,856)	(321,157)
Net cash provided (used) by capital and related financing activities	<u>114,366</u>	<u>(3,377,206)</u>	<u>7,040,376</u>	<u>(2,048,861)</u>
<b>Cash Flows from Investing Activities:</b>				
(Purchase) sale of investment securities	-	1,952	(31,117)	-
Interest and dividends on investments	203,319	238,071	1,767,253	291,559
Net cash provided by (used for) investing activities	<u>203,319</u>	<u>240,023</u>	<u>1,736,136</u>	<u>291,559</u>
Net increase (decrease) in cash and cash equivalents	1,060,364	(2,213,545)	18,587,775	90,667
Cash and cash equivalents at beginning of year	<u>6,271,822</u>	<u>4,840,702</u>	<u>23,363,370</u>	<u>9,026,616</u>
Cash and cash equivalents at end of year (including \$759,765, \$255,894, \$25,655,767, and \$8,640,232 for the Airport, Solid Waste, Water and Sewer, and Drainage Utility funds, respectively, reported in restricted cash accounts)	<u>\$ 7,332,186</u>	<u>\$ 2,627,157</u>	<u>\$ 41,951,145</u>	<u>\$ 9,117,283</u>

The accompanying notes are an integral part of this financial statement.

Totals  
 \$ 49,110,688  
 (17,789,154)  
 (11,449,720)  
(4,544)  
19,867,270

(663,883)  
(5,877,838)  
(6,541,721)

6,313,380  
 (20,465,443)  
 31,794  
 21,165,000  
 (3,293,800)  
(2,022,256)  
1,728,675

(29,165)  
2,500,202

2,471,037

17,525,261  
43,502,510

\$ 61,027,771

(Continued)

**CITY OF KILLEEN, TEXAS  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Business Type Activities- Enterprise Funds			
	Airport	Solid Waste	Water and Sewer	Drainage Utility
<b>Reconciliation of Operating Income to Net Cash</b>				
Provided (used) by Operating Activities:				
Operating income (loss)	\$ (2,596,048)	\$ 934,808	\$ 8,967,312	\$ 1,344,105
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	3,058,783	1,419,151	3,492,523	271,354
Change in Assets and Liabilities:				
Decrease (increase) in receivables	212,671	33,721	(112,822)	(44,859)
Provision for bad debt	-	-	-	-
Decrease (increase) in due from other funds	-	(4,544)	-	-
Decrease (increase) in inventories	10,437	-	34,498	-
Decrease (increase) in other assets	-	-	(25,000)	-
Increase (decrease) in payables	44,207	331,217	2,063,036	281,115
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in customer deposits	-	-	83,643	-
Increase (decrease) in vacation and sick leave payable	12,629	22,895	18,489	13,949
Total adjustments	<u>3,338,727</u>	<u>1,802,440</u>	<u>5,554,367</u>	<u>521,559</u>
Net cash provided (used) by operating activities	<u>\$ 742,679</u>	<u>\$ 2,737,248</u>	<u>\$ 14,521,679</u>	<u>\$ 1,865,664</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT A-9 (CONT'D)**

<u>Totals</u>
\$ 8,650,177
8,241,811
88,711
-
(4,544)
44,935
(25,000)
2,719,575
-
83,643
67,962
<u>11,217,093</u>
<u>\$ 19,867,270</u>

**CITY OF KILLEEN, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
SEPTEMBER 30, 2008**

	<u>Fireman's Pension Trust Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 792,637
Temporary Investments	
Fixed income securities	7,165,687
Equities	7,502,808
Partnership ownership	2,088,739
Total assets	<u>\$ 17,549,871</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities -	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
Net Assets:	
Net Assets Held in Trust for	
Pension Benefits	<u>17,549,871</u>
Total liabilities and net assets	<u>\$ 17,549,871</u>

The accompanying notes are an integral part of this financial statement.



**CITY OF KILLEEN, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Fireman's Pension Trust Fund
Additions:	
Contributions:	
Employee contributions	\$ 938,685
Employer contributions	1,254,330
Total Contributions	2,193,015
Net Investment Income:	
Interest and dividends	719,763
Net appreciation (depreciation) in the fair value of plan investments	(3,397,285)
Total Net Investment Income	(2,677,522)
Total Additions (Deletions)	(484,507)
Deductions:	
Benefit Payments	1,208,442
Administrative Expenses	76,825
Termination payments	45,867
Total Deductions	1,331,134
Net increase (decreases)	(1,815,641)
Net Assets - Beginning of the Year	19,365,512
Net Assets- End of the Year	\$ 17,549,871

The accompanying notes are an integral part of this financial statement.



**NOTES TO THE FINANCIAL STATEMENTS**



**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The City of Killeen, Texas, a Home-Rule Municipal Corporation, organized and existing under the Provisions of the Constitution of the State of Texas, adopted its Charter March 3, 1949. The City operates under the Council-Manager form of government and provides the following services as authorized by its Charter: public safety (police and fire), highways and streets, solid waste, community services, water and sewer, airport, drainage and general administrative services. The financial statements of the City of Killeen, Texas, (the primary government) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments" (Statement No. 34). This Statement provides for the most significant change in governmental financial reporting in over twenty years and was implemented on a phased schedule (based on size of government) starting with fiscal years ending 2002 (for larger governments). The City of Killeen implemented GASB Statement No. 34 for the year ending September 30, 2003. The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The previous reporting model emphasized fund types (the total of all funds of a particular type). In the new reporting model as defined by GASB Statement No. 34, the focus is either the City as a whole or major individual funds (within the fund financial statements).

**Government-wide Statements** The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide 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 charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Also included in program revenues are 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.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements** Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

The City's fiduciary fund is presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and activities of its discretely presented component units (which the City does not have) on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Capital Assets and the General Long-term Debt. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets. 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. 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. Unbilled utility receivables are estimated, based on the number of days included in the period. Tap fees approximate cost, therefore, they are recorded as revenue.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

In addition to the government-wide financial statements, the City has prepared governmental fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. 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 government 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. Accordingly, the accounting and financial reporting of the City's General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, penalties, interest revenue, and charges for services. Sales and other taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue. Fines, permits, beverage and bingo taxes are not susceptible to accrual because, generally, they are not measurable until received in cash. Deferred revenue arises when potential revenue (property taxes and assessments) does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. Revenue is recognized in subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources.

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 chosen not to apply subsequent private-sector guidance.

Business type activities, all proprietary funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's water and sewer, solid waste, drainage utility, and airport funds are charges to customers for sales and services. Operating expenses for the Proprietary 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 non-operating revenues and expense.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

All proprietary funds and the pension trust fund are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Unbilled utility accounts receivable have been recorded in the financial statements. Tap fees approximate cost therefore they are recorded as revenue.

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

GASB Statement No. 34 also requires, as supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental funds:

**General Fund** – is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, streets, parks and recreation, and general governmental services.

**2007 General Obligation and Certificates of Obligation Bond Fund** – is a capital projects fund that accounts for construction projects financed through bond proceeds.

Additionally, the City reports the following fund types:

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources (other than those listed below) that are legally restricted to expenditures for specified purposes.

**Capital Projects Funds** – are used to account for financial resources to be used for the acquisition or construction of major capital facilities.



**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

**Debt Service Funds** – are used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

**Airport Fund** – is used to account for the provision of airport facilities. All activities necessary to provide such services are accounted for in this fund.

**Solid Waste Fund** – is used to account for the provision of solid waste collection and disposal services to customers who are billed monthly at a rate sufficient to cover the cost of providing the service.

**Water and Sewer Fund** – is used to account for water and sewer operations. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities.

**Drainage Utility Fund** – is used to account for financial resources to be used for the construction and maintenance of the drainage utility facilities.

The City reports the following fiduciary fund:

**Fireman's Retirement Fund** – is used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future.

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

1) Deposits and Investments:

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

The City is authorized to invest in funds in the following:

- i. Obligations of the United States or its agencies and instrumentalities, which have a stated maturity on the date of purchase of two years or less.
- ii. Direct obligations of the State of Texas or its agencies and instrumentalities.
- iii. Certificates of deposit if issued by a state or national bank domiciled in the State of Texas or a savings and loan association domiciled in the State of Texas.
- iv. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed with the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)**

1) Deposits and Investments (continued):

- v. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and have received a rating of not less than A or its equivalent.
- vi. Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act.
- vii. Eligible investment pools in accordance with the Public Funds Investment Act. Sec. 2256.016-2256.019.
- viii. Any other securities which may be added by the State of Texas as permissible investments for municipal governments which are in compliance with the Public Funds Investment Act.

2) Interfund Transactions and Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Interfund transactions, other than reimbursements, are reported as transfers.

3) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the general fund and the special revenue funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute GAAP basis expenditures or liabilities, since the commitments will be honored during the subsequent year.

4) Cash and Investments

Cash equivalents include demand deposits as well as short-term, highly liquid investments readily convertible to known amounts of cash with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market values.

**CITY OF KILLEEN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2008**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)**

5) Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories 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 governmental-wide and fund financial statements.

6) Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because their use is limited by Council designation or because their use is limited by applicable bond covenants.

7) Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Capital assets are defined by the City using the following thresholds:

<u>Asset Class</u>	<u>Threshold</u>
Land/land improvements	Capitalize All
Buildings/building improvements	\$ 25,000
Facilities and other improvements	\$ 25,000
Infrastructure	Capitalize All
Furniture, Fixtures, Equipment	\$ 1,000
Vehicles	\$ 1,000
Library books/materials (collections)	Capitalize All
Works of art/historical treasures	Capitalize All
Leasehold improvements	\$ 25,000

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 cost of the assets constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest expense, incurred from the date of the borrowing until completion of the project, is offset by interest earned on invested proceeds over the same period.

**CITY OF KILLEEN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2008**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)**

7) Capital Assets (continued)

Property, plant and equipment of the City are depreciated using the straight-line method over the following useful lives;

Assets	Years
Buildings and improvements	15-30
Improvements - other	10-20
Infrastructure	10-50
Furniture, Fixtures, Equipment	3-10
Vehicles	5-10

The useful lives used for GASB 34 depreciation purposes differ from the City’s asset replacement criteria.

8) Compensated Absences

Accruals for vacation and sick pay are reflected in the government-wide and proprietary financial statements for unpaid amounts of vacation and sick pay earned by employees. In the event of termination, all permanent employees will be reimbursed for accrued vacation time. All full-time employees, other than policemen and firemen, upon retirement only, will be reimbursed for accrued sick pay up to 720 hours. Policemen and firemen, upon resignation or retirement, will be reimbursed for accrued sick up to 720 and 1080 hours, respectively.

The governmental funds report a liability for these amounts only if they have matured, for example, as a result of employee resignations and retirements.

Actual vacation and sick benefits paid during the current year that were not accrued in the prior year, are recorded as expenditures in the General Fund. For proprietary funds, vacation and sick pay are recorded as an expense when earned.

9) Transactions Between Funds

Short-term advances between funds, due to the use of a central cash pool, are accounted for in the appropriate interfund receivable and payable accounts. All ending balances in the current year represent short-term financing of related activity that the City intends to settle within one year. Transfers of a recurring or routine nature are legally authorized and are included in the operations of both governmental and proprietary funds.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)**

10) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the 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 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. This has been implemented in the government-wide financial statements prospectively.

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 expenditures.

11) 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.

12) Comparative Data/Reclassifications

Comparative data have not been presented in the accompanying financial statements because their inclusion would make certain statements unduly complex and difficult to understand.

Revenue, expenditures and other financial data are classified in the manner management feels is most meaningful to financial statement users.

13) Pension Plans

It is the policy of the City to fund annual pension costs, which are composed of normal cost and amortization of unfunded prior service cost.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)**

14) Deferred Revenues

Deferred revenues are those where an asset has been recognized for revenue that has been earned, but not yet available to finance expenditures of the current fiscal period. Unearned revenues are those where asset recognition has been met, but for which the earnings process for revenue recognition has not been met. The City has reported in the fund financial statements the following as deferred revenues:

	Fund			Total Governmental Funds
	General	Special Revenue	Debt Service	
Property taxes receivable	\$ 501,754	\$ -	\$ 142,187	\$ 643,941
Miscellaneous	217,050	-	-	217,050
Ambulance fees receivable	564,781	-	-	564,781
Municipal court receivable	487,935	20,170	-	508,105
Notes receivable	82,434	-	-	82,434
Total deferred revenue	<u>\$ 1,853,954</u>	<u>\$ 20,170</u>	<u>\$ 142,187</u>	<u>\$ 2,016,311</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$116,770,330 difference are as follows:

General obligation bonds payable	\$ (46,576,501)
Certificates of obligation bonds payable	(63,697,743)
Capital lease payable	(859,541)
Less: Unamortized bond issuance costs - deferred charges	742,197
Less: Deferred amount on refunding	289,348
Plus: Unamortized premium (discount)	82,982
Accrued interest payable	(818,825)
Vacation and sick leave payable (in excess fund financial statement liability)	<u>(5,932,247)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (116,770,330)</u></u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 \$21,365,913 difference are as follows:

Capital outlay	\$ 29,956,971
Depreciation expense	(8,989,966)
Reclassifications	<u>398,908</u>
Net adjustment to increase net changes in fund balances- total government funds to arrive at changes in net assets of governmental activities	<u><u>\$ 21,365,913</u></u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

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

**A. EXPLANATION OF CERTAIN DIFFERENCE BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS (CONTINUED)**

Another element of that reconciliation states that the issuance of long-term debt 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. These transactions do not have an effect on net assets.

The details of this \$37,040,153 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (17,665,000)
Issuance of certificates of obligation bonds	(24,120,000)
Capital lease financing	(1,083,775)
Less discounts	441,569
Less bond issuance costs	254,580
Principal repayments:	
General obligation debt	3,052,200
Certificate of obligation debt	1,844,000
Note payable	12,039
Capital lease payable	<u>224,234</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (37,040,153)</u></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 \$813,741 difference are as follows:

Vacation and sick leave	\$ (384,025)
Accrued interest	(370,277)
Amortization of bond premium	(6,486)
Amortization of bond issuance costs	(39,174)
Amortization of amount deferred on refunding	<u>(13,779)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (813,741)</u></u>



**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY ACCOUNTING**

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for budgeting current expenditures and capital outlay together by department and the use of encumbrances as discussed below. Annual appropriated budgets are adopted for the General, Special Revenue (except Emergency Management, Library Memorial, Parks, Lion's Club Park, and Photo Red Light Enforcement), and Proprietary Funds. Project-length financial plans are adopted for all Capital Projects Funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year. However, these encumbrances are considered to be expenditures under the budgetary basis of accounting.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 1, the City Manager submits a proposed budget to the City Council for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. On or before September 20, the budget is legally adopted by the City Council.
3. Subsequent to enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget which may result in a change in total appropriations as long as total estimated expenditures do not exceed total estimated resources. The legal level of control (the level at which expenditures may not legally exceed appropriations) is the department. Each special revenue fund represents a single department. The City Manager may reallocate expenditures within a department without prior City Council approval.
4. Formal budgetary integration is employed as a management control device by expenditure category for the following funds, which have legally adopted annual budgets: General Fund, Special Revenue Funds, and Enterprise funds. Formal annual budgetary integration is not employed for Debt Service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Annual budgetary integration is not employed for the Capital Projects funds because the small number of contracts and projects in these funds provides effective project length budgetary control.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**A. BUDGETARY ACCOUNTING (CONTINUED)**

5. Budgets for the General Fund, the Special Revenue Funds, and Enterprise funds are adopted on a basis specified by the charge of the City of Killeen. For the General and Special Revenue Funds, this basis is consistent with the modified accrual basis of accounting, except that encumbrances are charged as expenditures. The budgetary comparison presented in this report is on the budgetary basis, which differs with generally accepted accounting principles.
6. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods except for appropriations for major capital projects.
7. During the year, no material supplemental appropriations were adopted.
8. The general fund over-expended its budget in the Fire Department by \$176,709.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

**Deposits**

All of the City's demand depository accounts are held in a local banking institution under the terms of a written depository contract. The City's policy requires the depository bank to secure the City's funds on a day-to-day basis with approved pledged securities with a market value equal to, but not less than, one hundred percent of the amount on deposit. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2008, \$3,029,827 of the City's \$3,129,827 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance of \$100,000 was covered by FDIC insurance. The carrying value of deposits at September 30, 2008 was \$3,741,203. The City's policy is to maximize its earnings potential by keeping a majority of the City's funds on deposit with Texpool. Funds are transferred from Texpool, as needed, to ensure that the bank balance remains positive at all times. The carrying amount and bank balance of the City's Pension Trust Fund was \$792,637.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

Investments are made in accordance with the Investment Policy adopted by the City on November 14, 1995, and as amended on March 17, 1998 and March 26, 2003 to comply with the Public Funds Investment Act. This policy, which is applicable to all City funds other than Trust and Agency Funds, permits investments in the following:

1. Obligations of the United States or its agencies and instrumentalities that have a stated maturity date from purchase of two years or less.
2. Direct obligations of the State of Texas or its agencies and instrumentalities.
3. Insured or fully collateralized certificates of deposit.
4. Other obligations which are unconditionally guaranteed or insured by, or backed with the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities.
5. Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act.
6. Eligible investments pools if the City Council by resolution authorizes investment in the particular pool.
7. Any other securities that may be added by the State of Texas as permissible investments for municipal governments.

The Investment Policy is consistent with statutory limitations of the State of Texas, requiring collateralization of deposits on a dollar for dollar basis, or Treasury Issues, which are backed by the full faith and credit of the United States Government.

Trust Funds consist of the Fireman's Pension Trust Fund. The City utilizes outside professional money managers to manage these investments. The investments of the Fireman's Pension Trust are limited by state statute. These statutes allow investments in the following:

1. Bonds, securities, and other obligations of the United States, the State of Texas, or a political subdivision of the state.
2. Shares and share accounts of federally insured savings and loan associations.
3. Mortgage obligations insured by the Federal Housing Administration.
4. Registered bonds, common and preferred stocks of companies incorporated in the United States.
5. Guaranteed investment contracts offered by insurance companies.
6. Money market and mutual funds.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

The City's deposit and investment policy addressed the following risks:

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements are mentioned in the previous paragraphs. The City is not exposed to custodial credit risk due to deposits being insured by FDIC insurance and collateralized with pledged securities held in the name of the City.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments, held by an outside party, are fully insured and backed by the U. S. Government and, registered in the name of the City. It is the City's policy to ensure that potential brokers/dealers are in good standing with the National Association of Securities Dealers, registered with the Texas State Securities Board and reports to the Market Reports Division of New York. Therefore, the City is not exposed to custodial credit risk on its investments.

Interest Rate Risk – Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value of those securities if interest rates rise. The allowed maturity of any individual investment owned by the City shall not exceed two years at the time of purchase. Pooled funds shall have a weighted maximum average dollar maturity of less than ninety days, with the maximum maturity for any individual security in the portfolio not to exceed thirteen months. Limiting investment maturities and purchasing government securities are the City's means for limiting exposure to fair value losses arising from interest rate increases.

Credit risk – As of September 30, 2008, the City's investments had the following Standard and Poor's credit ratings:

TexPool – AAAm  
TexStar – AAAM  
TexasTerm – AAAf  
TexasDAILY - AAAM  
U.S. Agency Securities in FHLBs - AAA

Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. All of the City's investments are explicitly guaranteed by the U. S. Government or invested in an external investment pool and therefore, are not exposed to concentration risk.

**CITY OF KILLEEN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

The following summarizes investments of City Funds (excluding the Firemen’s Pension Trust Fund):

	Fair Value	Weighted Average Maturity (years)
TexPool (considered cash & cash equivalents due to liquidity)	\$ 100,971,448	0.180
TexStar	3,596,118	0.002
TexasTerm	25,259,458	0.020
U. S. Agency Securities	19,981,000	0.050
Total fair value	<u>\$ 149,808,024</u>	
Portfolio weighted average maturity		0.252

The following information summarized investments of the Firemen’s Pension Trust:

Investment in Firemen's Pension Trust Mutual Funds	\$ 16,757,234
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Market values of the U.S. Treasury securities, U. S. Agencies and Firemen’s Pension Trust investments are based on quoted market values. In accordance with Governmental Accounting Standards Board Statement (GASB) No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” these securities are reported at fair value. All unrealized gains/losses are reported as net increases (decreases) in the fair value of investments. The City has elected to report short term as well as long-term U. S. Treasury Agency securities at fair value.

**External Investment Pools:**

The City uses the following external investment pools:

TexPool

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool (the Texas Local Government Investment Pool). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Finally, as a requirement to maintain the credit rating, weekly portfolio information must be submitted to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

**TexStar**

The Texas Short Term Asset Reserve Program (TexStar) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar. TexStar will invest only in instruments authorized under both the Public Funds Investment Act and the current TexStar Investment Policy. The primary objectives of TexStar are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet participants' needs, diversification to avoid unreasonable or avoidable risks, and yield.

In order to comply with the Public Funds Investment Act, TexStar maintains a AAAM rating from Standard & Poors which monitors weekly the fund's compliance with its rating requirements. TexStar operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The TexStar Cash Reserve Fund seeks to maintain a net asset value of \$1.00 per unit and provides participants with the investment of funds that require daily liquidity availability. All investments are stated at amortized cost, which closely approximates the market value of the securities. All TexStar securities are marked to market on a daily basis.

**Texas TERM**

The TexasTERM Local Government Investment Pool was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, school districts and other public investors. TexasTERM offers participants two investment portfolio options: TexasTERM and TexasDAILY. TexasTERM is a fixed rate, fixed term portfolio option rated AAAM by Standard and Poor's Corporation. Participants may lock in a fixed rate for a term of 50 to 365 days.

TexasDAILY is a money market portfolio with daily liquidity that is rated AAAM by Standard and Poor's.

The Pool is directed by an Advisory Board of experienced local governmental finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field. The TexasTerm Program is managed by a team of industry leaders known throughout Texas for superior service and advice.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

Their extensive experience in working with local governments throughout the State gives the Program an in-depth understanding of the investment needs, preferences and limitations faced by counties, school districts, municipalities and authorities.

The Program also has an Advisory Board made up of representatives of several participating local governments who meet periodically to discuss TexasTerm's services and provide recommendations for enhancements.

**B. PROPERTY TAXES**

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessed value for the roll of January 1, 2007, upon which the 2008 fiscal year levy was based, was \$ 3,975,581,548.

The tax assessment of October 1, 2007 sets a tax levy at \$ .695 per \$ 100 of assessed valuation at 100 percent of assumed market value. The City may levy a tax of up to \$ 1.50 per \$ 100 of assessed valuations for operations and maintenance purposes.

Taxes are due by January 1 following the October 1 levy date, at which time a lien attaches to the property. Tax collections during the fiscal year ended September 30, 2008, for the fiscal year 2008 tax levy, were 96.05 percent of the total tax levy for that year.

Delinquent property taxes, estimated to be collectible within 60 days after the fiscal year end, are recognized as revenues. Other delinquent property taxes are recorded as deferred revenue.

At September 30, 2008, delinquent property taxes receivable were \$ 643,941, net of allowance for uncollectibles for \$ 214,646.

Since 1982, the appraisal of property within the City has been the responsibility of the county wide appraisal district. The appraisal district is required under the property tax code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessments ratios. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, and adjusted for new improvements, exceeds the rate of the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. RECEIVABLES**

Receivables at September 30, 2008 for the City's individual major governmental funds, in the aggregate non-major governmental funds, and proprietary funds, net of allowances for uncollectible accounts, consist of the following:

	General	2007 G.O. & C.O. Bonds	Other Governmental Funds	Airport	Solid Waste	Water & Sewer	Drainage Utility	Total
Receivables:								
Grants	\$ -	\$ -	\$ 137,047	\$ 58,542	\$ -	\$ -	\$ -	\$ 195,589
Taxes	3,538,875	-	142,187	-	-	-	-	3,681,062
Accounts	1,282,069	-	20,170	-	1,466,833	4,264,733	219,448	7,253,253
Notes receivable	82,729	-	-	-	-	-	-	82,729
Accrued interest	59,502	147,918	-	-	4,558	131,480	-	343,458
Total Net								
Receivables:	<u>\$ 4,963,175</u>	<u>\$ 147,918</u>	<u>\$ 299,404</u>	<u>\$ 58,542</u>	<u>\$ 1,471,391</u>	<u>\$ 4,396,213</u>	<u>\$ 219,448</u>	<u>\$ 11,556,091</u>

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2008.



**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. CAPITAL ASSETS**

In compliance with GASB 34 requirements, the City is recording its governmental fund's infrastructure. The Proprietary fund's infrastructure has already been recorded in previous years.

Capital asset activity for the year ended September 30, 2008 was as follows:

**Primary Government**

	Balance 9/30/2007	Additons	Deletions	Balance 9/30/2008
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,694,574	\$ 408,652	\$ -	\$ 7,103,226
Construction in progress	16,323,706	9,924,369	(12,573,563)	13,674,512
Total capital assets, not being depreciated	<u>23,018,280</u>	<u>10,333,021</u>	<u>(12,573,563)</u>	<u>20,777,738</u>
Capital assets, being depreciated:				
Buildings and improvements	33,250,501	12,387,782	-	45,638,283
Vehicles	14,919,208	1,354,990	(397,768)	15,876,430
Furniture, fixtures, and equipment	17,687,455	3,178,994	(1,140)	20,865,309
Infrastructure Assets	152,439,263	15,674,655	-	168,113,918
Total capital assets being depreciated	<u>218,296,427</u>	<u>32,596,421</u>	<u>(398,908)</u>	<u>250,493,940</u>
Less accumulated depreciation for:				
Buildings and improvements	12,746,668	1,406,929	-	14,153,597
Vehicles	11,233,697	1,447,621	(397,768)	12,283,550
Furniture, fixtures, and equipment	13,839,939	1,575,648	(1,140)	15,414,447
Infrastructure assets	83,185,828	4,559,768	-	87,745,596
Total accumulated depreciation	<u>121,006,132</u>	<u>8,989,966</u>	<u>(398,908)</u>	<u>129,597,190</u>
Total capital assets being depreciated, net	<u>97,290,295</u>	<u>23,606,455</u>	<u>-</u>	<u>120,896,750</u>
Governmental activities capital assets, net	<u>\$ 120,308,575</u>	<u>\$ 33,939,476</u>	<u>\$(12,573,563)</u>	<u>\$ 141,674,488</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. CAPITAL ASSETS (CONTINUED)**

	Balance 9/30/2007	Additons	Deletions	Balance 9/30/2008
<b>Airport activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,319,003	\$ -	\$ -	\$ 1,319,003
Construction in progress	99,514	2,321,782	-	2,421,296
Total capital assets, not being depreciated	<u>1,418,517</u>	<u>2,321,782</u>	<u>-</u>	<u>3,740,299</u>
Capital assets being depreciated:				
Buildings and improvements	86,269,215	1,017,329	-	87,286,544
Furniture and equipment	585,394	88,566	-	673,960
Vehicles	777,290	-	(9,620)	767,670
Total capital assets being depreciated	<u>87,631,899</u>	<u>1,105,895</u>	<u>(9,620)</u>	<u>88,728,174</u>
Less accumulated depreciation for:				
Buildings and improvements	13,582,062	2,913,818	-	16,495,880
Furniture and equipment	458,280	51,108	-	509,388
Vehicles	408,158	93,859	(9,620)	492,397
Total accumulated depreciation	<u>14,448,500</u>	<u>3,058,785</u>	<u>(9,620)</u>	<u>17,497,665</u>
Total capital assets, being depreciated, net	<u>73,183,399</u>	<u>(1,952,890)</u>	<u>-</u>	<u>71,230,509</u>
Aviation activities capital assets, net	<u>\$ 74,601,916</u>	<u>\$ 368,892</u>	<u>\$ -</u>	<u>\$ 74,970,808</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. CAPITAL ASSETS (CONTINUED)**

	Balance 9/30/2007	Additons	Deletions	Balance 9/30/2008
<b>Solid Waste activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 72,165	\$ -	\$ -	\$ 72,165
Construction in progress	201,822	1,877,608	-	2,079,430
Total capital assets, not being depreciated	<u>273,987</u>	<u>1,877,608</u>	<u>-</u>	<u>2,151,595</u>
Capital assets, being depreciated:				
Buildings and improvements	9,457,196	12,077	-	9,469,273
Furniture and equipment	3,384,485	291,984	(533,470)	3,142,999
Vehicles	7,626,418	534,088	-	8,160,506
Total capital assets being depreciated	<u>20,468,099</u>	<u>838,149</u>	<u>(533,470)</u>	<u>20,772,778</u>
Less accumulated depreciation for:				
Buildings and improvements	1,242,772	351,003	-	1,593,775
Furniture and equipment	2,491,768	274,256	(533,470)	2,232,554
Vehicles	5,416,275	793,891	-	6,210,166
Total accumulated depreciation	<u>9,150,815</u>	<u>1,419,150</u>	<u>(533,470)</u>	<u>10,036,495</u>
Total capital assets, being depreciated, net	<u>11,317,284</u>	<u>(581,001)</u>	<u>-</u>	<u>10,736,283</u>
Solid waste activities capital assets, net	<u>\$ 11,591,271</u>	<u>\$ 1,296,607</u>	<u>\$ -</u>	<u>\$ 12,887,878</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. CAPITAL ASSETS (CONTINUED)**

	Balance 9/30/2007	Additons	Deletions	Balance 9/30/2008
<b>Water and Sewer activities</b>				
Capital assets, not being depreciated:				
Land	\$ 168,147	\$ 75,185	\$ -	\$ 243,332
Construction in progress	5,732,173	7,106,083	(954,046)	11,884,210
Total capital, assets not being depreciated	<u>5,900,320</u>	<u>7,181,268</u>	<u>(954,046)</u>	<u>12,127,542</u>
Capital assets being depreciated:				
Buildings and improvements	76,090,660	5,986,670	-	82,077,330
Improvements - other	53,540,361	105,015	-	53,645,376
Furniture and equipment	3,414,360	384,293	(2,056)	3,796,597
Vehicles	3,050,434	97,920	(165,775)	2,982,579
Total capital assets being depreciated	<u>136,095,815</u>	<u>6,573,898</u>	<u>(167,831)</u>	<u>142,501,882</u>
Less accumulated depreciation for:				
Buildings and improvements	19,777,688	1,540,825	-	21,318,513
Improvements - other	4,266,076	1,458,495	-	5,724,571
Furniture and equipment	2,763,078	256,468	(2,056)	3,017,490
Vehicles	2,271,688	238,432	(165,775)	2,344,345
Total accumulated depreciation	<u>29,078,530</u>	<u>3,494,220</u>	<u>(167,831)</u>	<u>32,404,919</u>
Total capital assets, being depreciated, net	<u>107,017,285</u>	<u>3,079,678</u>	<u>-</u>	<u>110,096,963</u>
Water/Sewer activities capital assets, net	<u>\$ 112,917,605</u>	<u>\$ 10,260,946</u>	<u>\$ (954,046)</u>	<u>\$ 122,224,505</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. CAPITAL ASSETS (CONTINUED)**

	Balance 9/30/2007	Additons	Deletions	Balance 9/30/2008
<b>Drainage Utility activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 173,448	\$ 99,121	\$ (36,796)	\$ 235,773
Total capital assets not being depreciated	173,448	99,121	(36,796)	235,773
Capital assets being depreciated:				
Improvements - other	1,647,451	796,979	-	2,444,430
Furniture and equipment	675,511	288,848	-	964,359
Vehicles	74,624	374,437	-	449,061
Total capital assets being depreciated	2,397,586	1,460,264	-	3,857,850
Less accumulated depreciation for:				
Improvements - other	81,909	85,693	-	167,602
Furniture and equipment	153,642	148,188	-	301,830
Vehicles	27,658	37,474	-	65,132
Total accumulated depreciation	263,209	271,355	-	534,564
Total capital assets, being depreciated, net	2,134,377	1,188,909	-	3,323,286
Drainage Utility activities capital assets, net	\$ 2,307,825	\$ 1,288,030	\$ (36,796)	\$ 3,559,059

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. CAPITAL ASSETS (CONTINUED)**

	Balance 9/30/2007	Additons	Deletions	Balance 9/30/2008
<b>Total Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,559,315	\$ 75,185	\$ -	\$ 1,634,500
Construction in progress	6,206,957	11,404,594	(990,842)	16,620,709
Total capital assets, not being depreciated	<u>7,766,272</u>	<u>11,479,779</u>	<u>(990,842)</u>	<u>18,255,209</u>
Capital assets, being depreciated:				
Buildings and improvements	171,817,071	7,016,076	-	178,833,147
Improvement - other	55,187,812	901,994	-	56,089,806
Furniture and equipment	8,059,750	1,053,691	(535,526)	8,577,915
Vehicles	11,528,766	1,006,445	(175,395)	12,359,816
Total capital assets being depreciated	<u>246,593,399</u>	<u>9,978,206</u>	<u>(710,921)</u>	<u>255,860,684</u>
Less accumulated depreciation for:				
Buildings and improvements	34,602,522	4,805,646	-	39,408,168
Improvements - other	4,347,985	1,544,188	-	5,892,173
Furniture and equipment	5,866,768	730,020	(535,526)	6,061,262
Vehicles	8,123,779	1,163,656	(175,395)	9,112,040
Total accumulated depreciation	<u>52,941,054</u>	<u>8,243,510</u>	<u>(710,921)</u>	<u>60,473,643</u>
Total capital assets, being depreciated, net	<u>193,652,345</u>	<u>1,734,696</u>	<u>-</u>	<u>195,387,041</u>
Business-type activities capital assets, net	<u>\$ 201,418,617</u>	<u>\$ 13,214,475</u>	<u>\$ (990,842)</u>	<u>\$ 213,642,250</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. CAPITAL ASSETS (CONTINUED)**

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

Governmental activities:

General Government	\$ 1,990,798
Police	1,076,585
Fire	562,112
Public Works	3,718,870
Community Services	549,882
Permits and inspections	47,700
Parks and recreation	705,516
Library	194,888
Golf	143,615
	<u>\$ 8,989,966</u>

Business-type activities:

Airport	\$ 3,058,785
Solid Waste	1,419,150
Water and Sewer	3,494,220
Drainage Utility	271,355
	<u>\$ 8,243,510</u>

**Construction Commitments**

The City has active Water and Sewer, Drainage Utility, Solid Waste, Aviation, and Governmental construction projects as of September 30, 2008. At year-end the City's commitments with contractors are as follows:

	Contract Amount	Spent-to-Date	Remaining Commitment
Water and Sewer	\$ 9,631,815	\$ 5,036,618	\$ 4,595,197
Drainage Utility	1,524,697	970,096	554,601
Solid Waste	1,988,273	1,886,275	101,998
Aviation	2,903,353	2,642,479	260,874
Governmental Funds	35,371,707	8,049,428	27,322,279
	<u>\$ 51,419,845</u>	<u>\$ 18,584,895</u>	<u>\$ 32,834,949</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of interfund receivables and payables at September 30, 2008 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 31,672	\$ -
2007 G.O. & C.O. Bonds	-	27,968
Special Revenue:		
Community Development	818	-
CDBG Home Program	-	4,522
Debt Service:		
Refunding bond 1999	5,378	-
Tax Interest and sinking 1999	-	4,288
Tax Interest and Sinking 2005	-	48,403
Total Other Governmental Funds	<u>37,868</u>	<u>85,181</u>
Solid Waste	52,691	-
Water and Sewer	-	5,378
Totals	<u>\$ 90,559</u>	<u>\$ 90,559</u>

Interfund receivables and payables represent short term advances that will be repaid within the current year from grant and operating revenues.

Transfers during the year ended September 30, 2008 were:

	Transfers In	Transfers Out
General	\$ 5,400,294	\$ 325,571
2007 G.O. & C.O. Bonds	-	218,797
Other Governmental Funds		
Special Revenue:		
Hotel Occupancy Tax	300,000	695,000
Debt Service:		
Certificate of Obligation 2000	695,000	-
Certificate of Obligation 1996	-	22,772
Refunding Bond 1999	-	82,286
Limited Tax Notes 2000	-	72,439
General Obligation Interest and Sinking 2004	22,772	-
Tax Interest and Sinking 2006	72,439	-
General Obligation 2007	403,757	-
Certificates of Obligation 2007	400,441	-
Total Governmental Funds	<u>7,294,703</u>	<u>1,416,865</u>
Enterprise:		
Solid Waste	-	1,813,610
Water & Sewer	-	4,046,533
Drainage	-	17,695
Totals	<u>\$ 7,294,703</u>	<u>\$ 7,294,703</u>

Transfers between funds were primarily to support debt service and operation of funds.



**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. FUND EQUITY**

Reserves:

The City of Killeen records two general types of reserves. One type is to indicate that a portion of the fund equity is legally segregated for a specific future use. The second type of reserve is to indicate that a portion of the fund equity is not appropriated for expenditures.

Following is a list of all reserves used by the City and a description of each:

Reserved for encumbrances – an account used to segregate a portion of fund balance for expenditure upon vendor performance.

Reserved for inventories – an account used to segregate a portion of fund balance to indicate that inventory does not represent available spendable resources even though it is a component of assets.

Reserved for debt service – these reserves were established to account for debt service resources legally restricted to the payment of long-term debt principal and interest amounts maturing in future years.

Reserved for capital projects – these reserves were established in conjunction with the issuance of long-term debt. The proceeds of such debt are restricted to funding the cost of extensions, enlargements, additions, or replacements of new or existing infrastructure and other large capital items.

Reserved for employee pension benefits – these reserves are to be used for retirement annuity payments to firefighters.

Designations:

Designated for emergencies – these reserves were established to be used in extraordinary situations in which resources are needed to maintain normal fund operations.

The following is a schedule of fund equity reserves and designations by fund:

	General	Special Revenue	Debt Service	Capital Projects	Proprietary Enterprise	Fiduciary Pension Trust
<b>Reserve</b>						
Encumbrances	\$ 754,278	\$ 101,922	\$ -	\$ -	\$ -	\$ -
Reserve for Inventories	414,624	-	-	-	-	-
Debt Service	240,170	-	4,019,172	-	8,081,936	-
Capital Projects	-	-	-	45,197,523	-	-
Employee Pension Benefits	-	-	-	-	-	17,549,871
<b>Designations</b>						
Designated for Emergencies	1,525,000	-	-	-	3,262,000	-
	<u>\$ 2,934,072</u>	<u>\$ 101,922</u>	<u>\$ 4,019,172</u>	<u>\$ 45,197,523</u>	<u>\$ 11,343,936</u>	<u>\$ 17,549,871</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. LONG-TERM DEBT**

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2008 is as follows:

	September 30, 2007	Additions	Deletions	September 30, 2008	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation bonds	\$ 31,963,701	\$ 17,665,000	\$ (3,052,200)	\$ 46,576,501	\$ 2,938,900
Certificates of obligation	41,421,743	24,120,000	(1,844,000)	63,697,743	1,765,000
Unamortized bond issue costs	(526,791)	(254,580)	39,174	(742,197)	-
Unamortized bond premiums/(discounts)	352,101	(441,569)	6,486	(82,982)	-
Deferred amount on refunding	(303,127)	-	13,779	(289,348)	-
Total bonds payable	<u>72,907,627</u>	<u>41,088,851</u>	<u>(4,836,761)</u>	<u>109,159,717</u>	<u>4,703,900</u>
Compensated absences	5,561,040	449,905	(12,818)	5,998,127	280,086
Capital lease payable	-	1,083,775	(224,234)	859,541	200,604
Note payable	12,039	-	(12,039)	-	-
Governmental activity long-term debt	<u>\$ 78,480,706</u>	<u>\$ 42,622,531</u>	<u>\$ (5,085,852)</u>	<u>\$ 116,017,385</u>	<u>\$ 5,184,590</u>
<b>Business Type Activities:</b>					
<b>Water and Sewer Debt:</b>					
Revenue bonds	\$ 43,670,000	\$ 21,165,000	\$ (1,730,000)	\$ 63,105,000	\$ 2,715,000
General obligation bonds	5,486,299	-	(962,800)	4,523,499	971,100
Unamortized bond issue costs	(460,432)	(194,400)	56,909	(597,923)	-
Unamortized bond premium	1,256,365	6,857	(84,977)	1,178,245	-
Deferred amount on refunding	(642,838)	-	88,750	(554,088)	-
Total Water and Sewer long-term debt	<u>\$ 49,309,394</u>	<u>\$ 20,977,457</u>	<u>\$ (2,632,118)</u>	<u>\$ 67,654,733</u>	<u>\$ 3,686,100</u>
<b>Solid Waste Debt:</b>					
Certificates of obligation	\$ 8,923,257	\$ -	\$ (346,000)	\$ 8,577,257	\$ 360,000
Unamortized bond issue costs	(55,611)	-	2,648	(52,963)	-
Unamortized bond discount	(64,124)	-	3,054	(61,070)	-
Total Solid Waste long-term debt	<u>\$ 8,803,522</u>	<u>\$ -</u>	<u>\$ (340,298)</u>	<u>\$ 8,463,224</u>	<u>\$ 360,000</u>
<b>Drainage Utility:</b>					
Certificates of obligation	\$ 7,280,000	\$ -	\$ (255,000)	\$ 7,025,000	\$ 270,000
Unamortized bond issue costs	(114,724)	-	6,038	(108,686)	-
Unamortized bond discount	(67,863)	-	3,572	(64,291)	-
Total Drainage Utility long-term debt	<u>\$ 7,097,413</u>	<u>\$ -</u>	<u>\$ (245,390)</u>	<u>\$ 6,852,023</u>	<u>\$ 270,000</u>
Business-type activity long-term debt	<u>\$ 65,210,329</u>	<u>\$ 20,977,457</u>	<u>\$ (3,217,806)</u>	<u>\$ 82,969,980</u>	<u>\$ 4,316,100</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. LONG-TERM DEBT (CONTINUED)**

Long-term debt at September 30, 2008 is comprised of the following:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
<b>Governmental Fund</b>						
General obligation bonds:						
1999 Refunding	3.10-4.70	04/01/99	08/01/13	\$ 2,029,800	\$ 1,103,299	\$ 926,501
2004 Refunding	2.00-5.00	10/01/04	08/01/29	24,325,000	6,060,000	18,265,000
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	10,000,000	40,000	9,960,000
2007 Various purpose	4.00-4.63	10/01/07	08/01/32	17,665,000	240,000	17,425,000
Tax/Revenue Certificates of Obligation:						
1999 Various purpose	4.00-4.30	04/01/99	08/01/99	1,500,000	1,320,000	180,000
2000 Hotel Occ. & Civic Center	4.50-5.50	12/15/00	08/01/30	10,500,000	1,640,000	8,860,000
2001 Various purpose	4.60-6.10	06/15/01	08/01/26	6,000,000	790,000	5,210,000
2002 Golf Course	2.70-4.50	12/01/02	08/01/12	2,000,000	1,030,000	970,000
2003 Various purpose	3.25-5.00	06/15/03	02/01/23	9,000,000	380,000	8,620,000
2004 Various purpose	2.00-4.75	10/01/04	08/01/29	6,000,000	1,015,000	4,985,000
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	11,500,000	297,257	11,202,743
2007 Various purpose	4.00-5.00	10/01/07	08/01/32	24,120,000	450,000	23,670,000
Total				<u>\$ 124,639,800</u>	<u>\$ 14,365,556</u>	<u>\$ 110,274,244</u>
<b>Proprietary Funds</b>						
Revenue Bonds:						
1999 Various purpose	5.00-7.00	10/15/99	08/15/19	\$ 9,000,000	\$ 9,000,000	\$ -
2001 Various purpose	4.75-5.75	06/15/01	08/15/21	8,700,000	1,170,000	7,530,000
2004 Various purpose	2.25-5.00	10/01/04	08/15/24	20,200,000	1,300,000	18,900,000
2005 Refunding	3.25-4.50	09/15/05	08/15/19	16,875,000	1,365,000	15,510,000
2007 Various purpose	4.00-5.00	10/01/07	08/15/27	21,165,000	-	21,165,000
General Obligation Bonds:						
1999 Refunding	3.10-4.70	04/01/99	08/01/13	9,910,200	5,386,701	4,523,499
Tax/Revenue Certificates of Obligation:						
1999 Various purpose	4.00-4.30	04/01/99	08/01/09	1,000,000	880,000	120,000
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	9,100,000	642,743	8,457,257
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	8,000,000	975,000	7,025,000
Total				<u>\$ 103,950,200</u>	<u>\$ 20,719,444</u>	<u>\$ 83,230,756</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. LONG-TERM DEBT (CONTINUED)**

**General Obligation Bonds**

Annual debt service requirements to maturity for General Obligation bonds are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 2,938,900	\$ 2,047,834	\$ 971,100	\$ 204,408
2010	2,067,200	1,904,982	962,800	162,651
2011	1,905,500	1,827,931	954,500	119,806
2012	1,983,800	1,751,923	946,200	76,377
2013	2,081,101	1,670,562	688,899	32,378
2014-2018	9,070,000	7,152,413	-	-
2019-2023	9,890,000	5,226,253	-	-
2024-2028	11,065,000	2,817,700	-	-
2029-2032	5,575,000	582,462	-	-
<b>Total</b>	<b>\$ 46,576,501</b>	<b>\$ 24,982,060</b>	<b>\$ 4,523,499</b>	<b>\$ 595,620</b>

**Capital Lease Payable**

Annual debt service requirements to maturity for Capital Lease Payable are as follows:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 200,604	\$ 39,566
2010	209,838	30,332
2011	219,497	20,673
2012	229,602	10,569
<b>Total</b>	<b>\$ 859,541</b>	<b>\$ 101,140</b>

**Revenue Bonds**

The City also issues bonds where the city pledges income derived from the acquired or constructed assets to pay debt service. The original amount of Revenue bonds issued in prior years was \$ 74,765,000.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. LONG-TERM DEBT (CONTINUED)**

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Business-type Activities	
	Principal	Interest
2009	\$ 2,715,000	\$ 2,881,361
2010	3,870,000	2,776,886
2011	3,050,000	2,626,198
2012	3,225,000	2,500,373
2013	3,655,000	2,370,173
2014-2018	22,515,000	8,932,434
2019-2023	15,575,000	4,216,551
2024-2027	8,500,000	908,177
Total	<u>\$ 63,105,000</u>	<u>\$ 27,212,153</u>

**Tax and Revenue Certificates of Obligation**

Annual debt service requirements to maturity for Tax and Revenue Certificates of Obligation are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 1,765,000	\$ 2,865,116	\$ 630,000	\$ 687,541
2010	2,605,000	2,787,121	530,000	664,106
2011	2,715,000	2,678,919	545,000	644,506
2012	2,830,000	2,564,336	565,000	624,156
2013	2,575,000	2,449,617	590,000	601,844
2014-2018	12,825,000	10,654,854	3,355,000	2,628,406
2019-2023	15,575,000	7,647,474	4,160,000	1,830,964
2024-2028	14,015,000	4,217,046	4,020,000	849,192
2029-2032	8,792,743	968,012	1,207,257	126,080
Total	<u>\$ 63,697,743</u>	<u>\$ 36,832,495</u>	<u>\$ 15,602,257</u>	<u>\$ 8,656,795</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. LONG-TERM DEBT (CONTINUED)**

All bonded debt requires semiannual payments of interest. The various bond ordinances provide the City with rights of redemption at par, plus accrued interest at specified future dates.

The bond indentures required the establishment and maintenance of interest and sinking funds and reserve funds in varying amounts. In addition, there are restrictions concerning the maintenance of sufficient rates charged for services to users to generate enough funds for debt service requirements, the maintenance of accounting records and insurance, as well as reporting the results of the City's operations to specified major bond holders. The City is in compliance with all significant requirements and restrictions.

On April 1, 1999 the City issued \$ 11,940,000 in General Obligation Bonds with an average interest rate of 3.7% to refund and legally defease \$ 1,890,000 of General Obligation Bonds, Series 1991, \$ 2,375,000 of Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993, and \$ 6,805,000 of Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993-B. The net proceeds of \$ 11,675,135 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U. S. securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the series bonds referred to above. It is bond counsel's opinion that the advance refunding is a legal defeasance, and the holders of the refunded obligations may obtain payment of principal and interest solely from the funds of the irrevocable trust. As a result, the refunded portions of the bonds referred to above have been excluded from exhibit A-1 (statement of net assets) and long-term obligations of the water and sewer enterprise fund. As of September 30, 2008 the outstanding maturities on the refunded debt were \$ 1,300,000 for the Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993, and \$ 4,025,000 of Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993-B.

The City's debt service requirements are decreased by \$ 395,127 over a period beginning fiscal year 1998-1999 and ending with the fiscal year 2012-2013. This refunding allowed the City of Killeen to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$ 315,579.

On December 1, 2002 and June 15, 2003, the City issued \$ 2,000,000 and \$ 9,000,000 in Combination Tax and Revenue Certificates of Obligation, Series 2002 and Series 2003, respectively. The \$ 2,000,000 bond issue was used to purchase land and existing improvements for municipal golf course purposes, improvements to the City's municipal golf course, and improvements to parks and recreation facilities. The \$ 9,000,000 was used to pay for expenditures in connection with the design, planning, acquisition, construction, equipping and/or renovating of the City's airport project.

October 1, 2004, the City issued \$ 24,325,000 in General Obligation Refunding and Improvement bonds, Series 2004 with an interest rate of 2.00-5.00% to refund \$ 1,025,000 of Series 1993, General Obligation bonds, \$ 5,200,000 of Series 1995, General Obligation bonds and \$ 2,300,000 of Series 1996, Combination Tax & Revenue Certificates of Obligation bonds. The net proceeds were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. LONG-TERM DEBT (CONTINUED)**

to provide for all future debt service payments on the refunded bonds referred to above. As a result, the bonds referred to above are considered under Texas State law, Article 717K, V.A.T.C.S., as amended to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Assets. The remaining proceeds of the bonds will be used to pay for the construction and improvement of city streets, public safety, and parks and recreation.

The difference between the principal amount of \$24,325,000 and the sales price of \$25,068,759 represents a \$743,759 unamortized premium, which has been netted against an underwriter's discount of \$143,563. The net premium is being amortized over the life of the bonds using the interest method and is presented as an addition to the face value of the bonds. The advanced refunding of the bonds referred to above resulted in a \$344,464 difference between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the financial statements as a deduction to long-term debt, is being amortized over the life of the Series 1993 debt in accordance with GASB 7 entitled Advanced Refundings resulting in Defeasance of Debt. The refunded portions of the bonds referred to above have been excluded from exhibit A-1 (Statement of Net Assets) and long-term obligations. As of September 30, 2008, the outstanding maturities on the refunded debt were \$1,700,000 for the Series 1995 General Obligation bonds, and \$1,300,000 for Series 1996 Combination Tax & Revenue Certificates of Obligation bonds.

The transaction resulted in future cash flow savings of \$452,233 through September 30, 2010 and an economic gain (difference between the present value of the old debt and new debt service payments) of \$431,118.

In addition to the General Obligation bonds, Series 2004, the City issued \$3,000,000 of Combination Tax and Revenue Certificates of Obligation, Series 2004 with an interest rate of 2.00-4.75% for construction and improvements to the City Golf course and \$3,000,000 of Combination Tax and Revenue Certificates of Obligation, Series 2004 with an interest rate of 2.00 – 4.75% for the construction and improvement of streets and public safety facilities.

On October 1, 2004, the City issued \$20,200,000 in Water and Sewer System Revenue bonds, Series 2004 with an interest rate of 2.25-5.00% to pay for construction and improvements to the City's waterworks and sewer system.

On September 15, 2005, the City issued \$16,875,000 in Water and Sewer Revenue Refunding bonds, Series 2005 with an interest rate of 3.25-4.5% to refund \$ 3,000,000 of Series 1996, Water and Sewer Revenue bonds, \$7,110,000 of Series 1997, Water and Sewer Revenue Bonds, and \$6,400,000 of Series 1999, Water and Sewer Revenue bonds. The net proceeds were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds referred to above. As a result, the bonds referred to above are considered under Texas State law, Article 717K, V.A.T.C.S., as amended to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Assets. The remaining proceeds of the bonds will be used to pay for the costs associated with the issuance.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. LONG-TERM DEBT (CONTINUED)**

The difference between the principal amount of \$16,875,000 and the sales price of \$17,385,749 represents a \$510,749 unamortized premium, which has been netted against an underwriter's discount of \$109,083. The net premium is being amortized over the life of the bonds using the interest method and is presented as an addition to the face value of the bonds. The advanced refunding of the bonds referred to above resulted in a \$634,671 difference between the reacquisition price and the net carrying amount of the old debt. The difference, reported in the financial statements as a deduction to long-term, is being amortized over the life of the Series 2005 debt in accordance with GASB 7 entitled Advanced Refundings resulting in Defeasance of Debt. The refunded portions of the bonds referred to above have been excluded from exhibit A-1 (Statement of Net Assets) and long-term obligations. As of September 30, 2008, the outstanding maturities on the refunded debt were \$2,200,000 for Series 1996 Water and Sewer Revenue bonds, \$6,935,000 for Series 1997 Water and Sewer Revenue bonds, and \$6,400,000 for Series 1999 Water and Sewer Revenue bonds. This transaction resulted in future cash flow savings of \$824,711 through September 30, 2024 and an economic gain (difference between the present value of the old debt and new debt service payments) of \$906,227.

On September 15, 2005, the City issued \$20,600,000 in Combination Tax and Revenue Certificates of Obligation, Series 2005 with an interest rate of 3.25 – 4.5% to pay for the construction of a communications tower, constructing and improving streets, and purchases of heavy equipment and ambulances. In addition, the City issued \$ 8,000,000 in Combination Tax and Revenue Certificates of Obligation, Series 2006 and \$10,000,000 in General Obligation Bonds, Series 2006 on May 1, 2006 with interest rates of 4.00 – 4.70% and 4.00 – 4.70%, respectively to pay for drainage utility projects and the construction of a family recreation and senior center complex.

On October 1, 2007, the City issued \$17,665,000 in General Obligation Bonds, Series 2007 with an interest rate of 4.00 – 4.50% to pay for constructing, improving, renovating and equipping public safety buildings and facilities including police headquarters, animal control facilities and Fire Station No. 8. In addition, the City issued \$24,120,000 in Combination Tax and Revenue Certificates of Obligation, Series 2007 with an interest rate of 4.00 – 4.50% to pay for various projects to include road improvements; acquiring and purchasing vehicles and equipment for the Public Works, Fire and Police Departments; and constructing the new police headquarters, City park and recreational facilities, Fire Station No. 8, and animal control facilities.

**H. PRIOR PERIOD ADJUSTMENT**

The City is restating net assets as of October 1, 2007 due to recognizing sales tax revenue on the susceptible to accrual method. In doing so, the October and November 2007 sales tax revenue will be recorded in the 2006-07 fiscal year and the October and November 2008 sales tax revenue will be recorded in the 2007-08 fiscal year. In prior years the difference in those months was immaterial and twelve months was recorded; therefore, an entry to record the amount was not necessary, but due to the economic changes taking place, the difference is no longer immaterial. The amount of the related prior period adjustment is \$3,172,583.



**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**V. OTHER INFORMATION**

**A. RISK MANAGEMENT**

The City has insurable risks in various area, including property, casualty, automobile, airport, surety bonding, comprehensive liability and workmen's compensation. The City has obtained insurance against risks through commercial carriers for airport liability and surety bonding. There were no related settlements in excess of insurance coverage during the past three fiscal years. All other insurance against risk is through the Texas Municipal League (TML) Intergovernmental Risk Pool, as discussed below. Management believes the amount and types of coverage are adequate to protect the City from losses which could reasonably be expected to occur.

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability or risk. The City participates in the TML Intergovernmental Risk Pool for various risk areas, wherein member cities pools risks and funds and share in the costs of losses. Claims against the City in each respective are expected to be paid by that public entity risk pool. However, in the event the public entity risk pool became insolvent, or otherwise unable to pay claims, the City may have to pay the claims.

**B. COMMITMENTS AND CONTINGENCIES**

The City is committed under various leases for building and office space, data processing, and police equipment. These leases are considered for accounting purposes to be replaced in the ordinary course of business with similar leases. Future aggregate annual commitments are not material to the City's financial statements.

In 2003, the City of Killeen completed the process of moving airline operations from the Killeen Municipal Airport to Ft. Hood's Robert Gray Army Airfield as part of a joint use agreement with the U.S. Army. This is a regional intermodal transportation project that involved the construction of a new terminal building, aircraft parking aprons, east side parallel taxi way, fuel and maintenance facilities, major access roadways to the terminal site, and vehicle parking facilities. On October 24, 2000 the City issued \$2,000,000 in Limited Tax Notes, Series 2000 to help finance the right of way. These notes are to be redeemed over a period of 7 years. Then on June 15, 2003, the City issued \$9,000,000 in Combination Tax and Revenue Certificates of Obligation, Series 2003, to provide additional funds for this joint use project. In addition, several federal, state and local governmental agencies are participating in the funding of this estimated \$ 91 million project. Included in the estimated cost of this project are all costs necessary for right of way acquisitions related to the construction of the major access roadways to the terminal site.

The City currently has an operating lease agreement with the Department of the Army for joint –use of a tract of land containing 345 acres and exclusive use of a tract of land containing approximately 76.571 acres. The lease term is for 50 years, with an option to renew for an additional 50 years if the City is in full compliance with the terms of the lease.

In lieu of paying rent on the lease, the City is required to perform certain services related to the property, such as maintenance, protection, repairs, site restoration and improvements. Currently, no estimate is available for the annual amount of such expenditures related to satisfying the requirements of the lease.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**V. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE BENEFITS**

**Plan Descriptions**

The City provides pension benefits for all of its full-time employees, except firemen, through a nontraditional, joint contributory, hybrid defined plan in the state-wide Texas Municipal Retirement System (TARS), one of 827 administered by TMRS, an agent multi-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Deposit Rate:	7%
Matching Ratio (City to Employee)	2 to 1
A member is vested after:	5 years
Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are:	5 years/ age 60 or 20 years/any age

**Contributions**

Under the state law governing TMRS, the actuary annually determines the City contributions rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**V. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE BENEFITS (CONTINUED)**

**Contributions (continued)**

City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25 year amortization period. The unit credit actuarial cost method is used for determining the City's contribution rate. Both the City and the employee make contributions monthly. Since the City needs to know its contributions rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2007, valuation is effective for rates beginning January 2009).

The City of Killeen is one of 827 municipalities having their benefit plan administered by TMRS. Each of the 827 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/07 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report.

Separate copies of TMRS' financial report can be obtained by contacting TMRS at P. O. Box 149153, 1200 North Interstate 35, Austin, TX 78714-9153.

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

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

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the city's unfunded actuarial accrued liability would have been \$18,794,588 and the funded ratio would have been 72.5%.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**V. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE BENEFITS (CONTINUED)**

**Contributions (continued)**

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

*Schedule of Actuarial Liabilities and Funding Progress*

Actuarial Valuation Date	12/31/2007	12/31/2006	12/31/2005
Actuarial Value of Assets	\$ 49,517,276	\$ 44,009,771	\$ 41,083,115
Actuarial Accrued Liability	\$ 66,346,162	\$ 60,828,956	\$ 56,366,278
Percentage Funded	74.64%	72.35%	72.9%
Unfunded (Over funded) Actuarial Accrued Liability (UAAL)	\$ 16,828,886	\$ 16,819,185	\$ 15,283,163
Annual Covered Payroll	\$ 31,035,339	\$ 27,299,198	\$ 24,375,195
UAAL as a Percentage of Covered Payroll	54.23%	61.61%	62.7%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	\$ 3,795,179	\$ 3,428,543	\$ 2,958,458
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Subtotal	3,795,179	3,428,543	2,958,458
Contributions Made	3,795,179	3,428,543	2,958,458
Increase in NPO	-	-	-
NPO at the end of the period	\$ -	\$ -	\$ -

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**V. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE BENEFITS (CONTINUED)**

**Contributions (continued)**

Actuarial Assumptions

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization	25 years – closed period
Asset Valuation Method	Amortized Cost
Assumptions:	
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Inflation	3.0%
Cost-of-Living Adjustments	0.0%

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**V. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE BENEFITS (CONTINUED)**

Plan Description – Firefighter’s Relief and Retirement Fund

The Board of Trustees of the Killeen Firefighter’s Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The Killeen Firefighter’s Relief and Retirement Fund is considered part of the City of Killeen financial reporting entity and is included in the City’s financial reports as a pension trust fund. A separate stand-alone financial report is not issued.

Both paid and volunteer firefighters in the Killeen Fire Department are covered by the Killeen Firefighter’s Relief and Retirement Fund. The table below summarizes the membership of the fund at September 30, 2006, the date of the most recent actuarial valuation.

	<u>September 30, 2006</u>
1. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	54
2. Current employees	
a. Fully vested	21
b. Partially vested	25
c. Nonvested	153
3. Total	253

The Killeen Firefighter’s Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits for both paid and volunteer firefighters. All benefits and refunds of the deferred pension plan are recognized when due and payable in accordance with the terms of the plan. These benefits fully vest after 20 years of credited service. Paid firefighters may retire at the earlier of age 55 with 20 years of service or age 50 with 25 years of service. A partially vested benefit is provided for paid firefighters with at least 10 years service. Volunteer firefighters may retire at age 55 with 20 years service. The Plan effective April 1, 1999 and amended October 1, 1999 and August 1, 2006 provides a monthly benefit for paid firefighters at retirement, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 58.4% of Highest 60-Month Average Salary plus 2.20% of Highest 60 Month Average Salary for each year of service in excess of 20 years. The monthly benefit for volunteer firefighters at retirement is equal to \$ 155.00 per month payable in a Joint and Two-Thirds to Spouse form of annuity.

There is no provision for automatic post retirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc post retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters’ Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**V. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE BENEFITS (CONTINUED)**

Summary of Significant Accounting Policies and Plan Asset Matters

The Killeen Firefighter's Relief and Retirement Fund financial statements are prepared using the accrual basis of accounting. The fund's fiscal year began October 1, 2007 and ended September 30, 2008. Employee and employer contributions are recognized as revenues in the period in which the salaries are earned. Investment income is recognized as it is earned. All unrealized gains/losses on sales of assets are recognized on the transaction date.

Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each paid firefighter and by the City and as a dollar amount for volunteer firefighters by the City and/or by the volunteer firefighters. Employee and employer contributions are recognized when due.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement.

Using the entry age actuarial cost method, the plan's normal cost is determined as a percentage of payroll. The actuarial value of assets was determined based on the market value with assets smoothed with a five-year deferred recognition method, with the actuarial value not more than 110% or less than 90% of the market value of assets. The actuarial assumptions included an investment return assumption of 8% per year (net of expenses), projected salary increases of 4% per year as a general salary increase and 1.6% per year on average as a promotion and longevity increase for a total averaging 5.6% per year based on a 30-year career, and no postretirement cost-of-living adjustments. An inflation assumption of 4% per year is included in the investment return and salary increase assumptions. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using an open, level percentage of payroll method, assuming that the payroll will increase 4% per year, was 24 years as of the September 30, 2006 actuarial valuation based on the plan provisions effective April, 1, 1999 and amended October 1, 1999 and August 31, 2006. The costs of administering the plan are financed from the trust.

The funding policy of the Killeen Firefighter's Relief and Retirement Fund requires contributions equal to 10% of pay by the paid firefighters and 13% of payroll by the City. Contributions by the City of \$ 102 per year per volunteer and \$ 16,010 per year through December 31, 2007 are also required.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**V. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE BENEFITS (CONTINUED)**

Actuarial Cost Method	Entry Age
Amortization Method	Level % of projected payroll, open
Amortization Period	24 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 90%/110% corridor on market
Actuarial Assumptions:	
Investment Rate of Return, net of expenses	8% per year
Inflation	4% per year
Projected salary increases	
general salary increase	4% per year
promotion and longevity increase (average)	1.6% per year
total increase (average for a 30 year career)	5.6% per year
Payroll growth rate	4% per year
Postretirement cost-of-living adjustments	None



**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF KILLEEN, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
FIREMEN'S PENSION TRUST FUND  
SEPTEMBER 30, 2008**

**I. Schedule of Funding Progress**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll <sup>1</sup>	UAAL as a Percentage of Covered Payroll
1998	9/30/1998	\$ 9,273,403	\$ 11,316,851	\$ 2,403,448	81.9%	\$ 3,731,750	54.8%
2000	9/30/2000	11,545,699	15,569,564	4,023,865	74.2%	4,467,823	90.1%
2002	9/30/2002	<sup>2,3</sup> 10,872,235	19,317,195	8,444,960	56.3%	4,936,246	171.1%
2004	9/30/2004	<sup>2,3</sup> 13,458,288	22,964,558	9,506,270	58.6%	5,473,090	173.7%
2006	9/30/2006	<sup>2,3</sup> 15,842,065	26,998,706	11,156,641	58.7%	8,245,812	135.3%

<sup>1</sup> The covered payroll is based on estimated annualized salaries used in the valuation.

<sup>2</sup> Economic and demographic assumptions were revised.

<sup>3</sup> Reflects plan benefits provisions effective April 1, 1999 and amended October 1, 1999.

**II. Schedule of Employer Contributions**

Reporting Year Ended September 30	Annual Required Contribution (ARC)	Actual Contribution	Percentage of Required Contribution Contributed
1999	\$ 310,364	\$ 310,364	100%
2000	353,117	353,117	100%
2001	416,299	416,299	100%
2002	440,151	440,151	100%
2003	464,924	464,924	100%
2004	535,208	535,208	100%
2005	631,206	631,206	100%
2006	861,208	861,208	100%
2007	998,010	998,010	100%
2008	1,254,330	1,254,330	100%

<sup>1</sup> The annual required contribution (ARC) is equal to the actual city fixed contribution based on actual covered payroll as reported in the fund's annual report to the State of Texas Fire Fighters' Pension Commission plus \$ 16,010 for volunteer firefighters through December 31, 2007 plus \$ 102 per volunteer firefighter.

<sup>2</sup> The ARC is equal to 11.25% of actual covered payroll plus \$ 16,010 plus \$ 102 per volunteer firefighter.

**CITY OF KILLEEN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 42,897,091	\$ 42,390,969	\$ 42,390,969	\$ 506,122
Licenses and permits	1,438,989	1,163,800	1,163,800	275,189
Intergovernmental	758,031	931,509	1,010,027	(251,996)
Charges for services	4,339,351	4,132,384	4,164,537	174,814
Fines	2,087,985	1,838,947	1,838,947	249,038
Miscellaneous	1,354,581	1,852,500	1,852,500	(497,919)
Total revenues	<u>52,876,028</u>	<u>52,310,109</u>	<u>52,420,780</u>	<u>455,248</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	11,759,369	12,193,352	12,274,315	514,946
Public safety	33,554,350	33,367,165	33,434,231	(120,119)
Public works	5,085,501	5,204,570	5,204,570	119,069
Community services	8,523,554	9,040,152	9,198,945	675,391
Total expenditures	<u>58,922,774</u>	<u>59,805,239</u>	<u>60,112,061</u>	<u>1,189,287</u>
Excess (deficiency) of revenues (under) expenditures	(6,046,746)	(7,495,130)	(7,691,281)	1,644,535
<b>Other financing sources (uses):</b>				
Issuance of debt	1,083,775	-	-	1,083,775
Transfers in	5,400,294	5,160,124	5,160,124	240,170
Transfers out	(325,571)	(300,000)	(300,000)	(25,571)
Total other financing sources (uses)	<u>6,158,498</u>	<u>4,860,124</u>	<u>4,860,124</u>	<u>1,298,374</u>
Net change in fund balance	111,752	<u>\$ (2,635,006)</u>	<u>\$ (2,831,157)</u>	<u>\$ 2,942,909</u>
Fund balances, as restated October 1	21,789,417			
Current year encumbrances	754,278			
Prior year encumbrances	(1,716,100)			
Prior period adjustment	3,172,583			
Adjusted fund balance	<u>24,000,178</u>			
Fund balance, September 30	<u>\$ 24,111,930</u>			

**COMBINING STATEMENTS**  
**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF KILLEEN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents	\$ 3,766,889	\$ 4,066,485	\$ 12,718,897	\$ 20,552,271
Receivables (net of allowances for uncollectibles):				
Grants	137,047	-	-	137,047
Taxes	-	142,187	-	142,187
Accounts	20,170	-	-	20,170
Restricted assets:				
Cash and Cash Equivalents	23,573	-	-	23,573
Due from other funds	818	5,378	-	6,196
Other current assets	600	-	-	600
	<u>\$ 3,949,097</u>	<u>\$ 4,214,050</u>	<u>\$ 12,718,897</u>	<u>\$ 20,882,044</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities :				
Accounts payable	\$ 700,537	\$ -	\$ 1,897,611	\$ 2,598,148
Due to other funds	4,522	52,691	-	57,213
Customer deposits	6,636	-	-	6,636
Deferred revenue	20,170	142,187	-	162,357
Unearned revenue	139,294	-	-	139,294
Total liabilities	<u>871,159</u>	<u>194,878</u>	<u>1,897,611</u>	<u>2,963,648</u>
Fund Balances:				
Reserved:				
Encumbrances	101,922	-	-	101,922
Debt service	-	4,019,172	-	4,019,172
Capital projects	-	-	10,821,286	10,821,286
Unreserved:				
Undesignated	2,976,016	-	-	2,976,016
Total fund balances	<u>3,077,938</u>	<u>4,019,172</u>	<u>10,821,286</u>	<u>17,918,396</u>
	<u>\$ 3,949,097</u>	<u>\$ 4,214,050</u>	<u>\$ 12,718,897</u>	<u>\$ 20,882,044</u>

**CITY OF KILLEEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2008**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Taxes	\$ 2,069,099	\$ 8,971,616	\$ -	\$ 11,040,715
Intergovernmental	1,953,732	-	311,396	2,265,128
Charges for services	518,615	-	-	518,615
Fines	556,211	-	-	556,211
Miscellaneous	143,438	504,174	676,015	1,323,627
Total revenues	<u>5,241,095</u>	<u>9,475,790</u>	<u>987,411</u>	<u>15,704,296</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,432,499	-	-	1,432,499
Community services	2,255,482	-	-	2,255,482
Public safety	20,222	-	-	20,222
Miscellaneous	19,616	-	-	19,616
Capital outlay	345,900	-	14,521,256	14,867,156
<b>Debt service:</b>				
Principal	-	4,896,200	-	4,896,200
Interest	-	4,779,214	-	4,779,214
Fiscal charges	-	4,796	-	4,796
Total expenditures	<u>4,073,719</u>	<u>9,680,210</u>	<u>14,521,256</u>	<u>28,275,185</u>
Excess (deficiency) of revenues over expenditures	1,167,376	(204,420)	(13,533,845)	(12,570,889)
<b>Other financing sources (uses):</b>				
Transfers in	300,000	1,594,409	-	1,894,409
Transfers out	(695,000)	(177,497)	-	(872,497)
Total other financing sources (uses)	<u>(395,000)</u>	<u>1,416,912</u>	<u>-</u>	<u>1,021,912</u>
Net change in fund balance	772,376	1,212,492	(13,533,845)	(11,548,977)
Fund balances, October 1	<u>2,305,562</u>	<u>2,806,680</u>	<u>24,355,131</u>	<u>29,467,373</u>
Fund balances, September 30	<u>\$ 3,077,938</u>	<u>\$ 4,019,172</u>	<u>\$ 10,821,286</u>	<u>\$ 17,918,396</u>





## **SPECIAL REVENUE FUNDS**

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

**Law Enforcement Grant Fund:** To account for the operation of projects utilizing Law Enforcement Block Grant Funds. These projects are for the purpose of reducing crime and improving the public safety.

**State Seizure Fund:** To account for the revenues and expenditures restricted to the Chapter 429 Fund and state seizure requirements.

**Federal Seizure Fund:** To account for revenues and expenditures that are restricted by federal seizure requirements.

**Emergency Management:** To account for revenues and expenditures restricted for the management of emergency situations.

**Hotel Occupancy Tax Fund:** To account for the levy and utilization of the hotel occupancy tax. State law required that revenues from this tax be used for advertising and promotion of the City. This fund is also used to account for the revenues and expenditures of the Killeen Civic and Conference Center.

**Special Events Center Fund:** To account for the funds to be used for the construction and operation of the Special Events Center.

**Cablesystem Improvements Fund:** To Account for resources contributed to the City, the use of which is restricted to the acquisition of appropriate equipment and other expenditure items for the benefit of the cable franchise system.

**Library Memorial Fund:** To account for revenues that are restricted for use to the Public Library.

**Parks Fund:** To account for funds to be used for the development and improvement of City park land.

**Community Development Fund:** To account for the operations of projects utilizing Community Development Block Grant funds. Such revenues are restricted to expenditures for specified projects authorized by the Department of Housing and Urban Development.

**CDBG Home Program Fund:** To account for program funds received from the Department of Housing and Urban Development. These programs are restricted to expenditures authorized by the Department of Housing and Urban Development.

**Lion's Club Park Fund:** To account for resources contributed to the City and received from the Texas Parks and Wildlife Department, restricted to the development of a public park.

**Court Technology Fund:** To account for technology related expenditures of the Municipal Court from technology fees collected as enacted by the Texas Legislature.

**Court Security Fund:** To account for Municipal Court security related expenditures from security fees collected as enacted by the Texas Legislature.

**Juvenile Case Manager Fund:** To account for fees assessed and collected from defendants upon conviction of a fine-only misdemeanor offense. Funds are used to finance the salary and benefits of the Juvenile Case Manager appointed to assist in administering the Municipal Court juvenile docket and supervising the Court's order in juvenile court.

**Photo Red Light Enforcement:** To account for fees received from the photo red light ticket violation enforcement program and applicable authorized expenditures.

**CITY OF KILLEEN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2008**

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents	\$ 154,558	\$ 342,264	\$ 12,880	\$ 15,490
Receivables (net of allowances for uncollectibles):				
Grants	-	-	-	32,036
Accounts	-	-	-	-
Restricted Assets:				
Cash and cash equivalents	-	-	-	-
Due from other funds	-	-	-	-
Other current assets	600	-	-	-
	<u>\$ 155,158</u>	<u>\$ 342,264</u>	<u>\$ 12,880</u>	<u>\$ 47,526</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 6,155	\$ 149,938	\$ -	\$ 33,702
Due to other funds	-	-	-	-
Customer deposits	6,636	-	-	-
Deferred revenue	-	-	-	-
Unearned revenue	139,164	-	-	-
Total liabilities	<u>151,955</u>	<u>149,938</u>	<u>-</u>	<u>33,702</u>
Fund Balances:				
Reserved:				
Encumbrances	3,203	-	-	-
Unreserved:				
Undesignated	-	192,326	12,880	13,824
Total fund balances	<u>3,203</u>	<u>192,326</u>	<u>12,880</u>	<u>13,824</u>
	<u>\$ 155,158</u>	<u>\$ 342,264</u>	<u>\$ 12,880</u>	<u>\$ 47,526</u>
Total liabilities and fund balances	<u>\$ 155,158</u>	<u>\$ 342,264</u>	<u>\$ 12,880</u>	<u>\$ 47,526</u>

**EXHIBIT C-3**

Hotel Occupancy Tax	Special Events Center	Cablesystem Improvements	Library Memorial	Parks
\$ 1,851,006	\$ 93,659	\$ 289,705	\$ 21,302	\$ 12,423
-	-	-	-	-
-	-	-	-	-
23,573	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,874,579</u>	<u>\$ 93,659</u>	<u>\$ 289,705</u>	<u>\$ 21,302</u>	<u>\$ 12,423</u>
\$ 124,978	\$ 16,415	\$ 4,977	\$ 7,891	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
130	-	-	-	-
<u>125,108</u>	<u>16,415</u>	<u>4,977</u>	<u>7,891</u>	<u>-</u>
92,269	-	644	3,102	-
<u>1,657,202</u>	<u>77,244</u>	<u>284,084</u>	<u>10,309</u>	<u>12,423</u>
<u>1,749,471</u>	<u>77,244</u>	<u>284,728</u>	<u>13,411</u>	<u>12,423</u>
<u>\$ 1,874,579</u>	<u>\$ 93,659</u>	<u>\$ 289,705</u>	<u>\$ 21,302</u>	<u>\$ 12,423</u>

(CONTINUED)

**CITY OF KILLEEN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
SEPTEMBER 30, 2008**

	<u>Community Development</u>	<u>CDBG Home Program</u>	<u>Lion's Club Park</u>	<u>Court Technology</u>
<b><u>ASSETS</u></b>				
Assets:				
Cash and cash equivalents	\$ 235,117	\$ 22,761	\$ 1,348	\$ 261,521
Receivables (net of allowances for uncollectibles):				
Grants	93,127	11,884	-	-
Accounts	-	-	-	3,542
Restricted Assets:				
Cash and cash equivalents	-	-	-	-
Due from other funds	818	-	-	-
Other current assets	-	-	-	-
	<u>\$ 329,062</u>	<u>\$ 34,645</u>	<u>\$ 1,348</u>	<u>\$ 265,063</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 329,062	\$ 27,419	\$ -	\$ -
Due to other funds	-	4,522	-	-
Customer deposits	-	-	-	-
Deferred revenue	-	-	-	3,542
Unearned revenue	-	-	-	-
Total liabilities	<u>329,062</u>	<u>31,941</u>	<u>-</u>	<u>3,542</u>
Fund Balances:				
Reserved:				
Encumbrances	-	2,704	-	-
Unreserved:				
Undesignated	-	-	1,348	261,521
Total fund balances	<u>-</u>	<u>2,704</u>	<u>1,348</u>	<u>261,521</u>
	<u>\$ 329,062</u>	<u>\$ 34,645</u>	<u>\$ 1,348</u>	<u>\$ 265,063</u>

**EXHIBIT C-3 (CONT'D)**

<u>Court Security</u>	<u>Juvenile Case Manager</u>	<u>Photo Red Light Enforcement</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 44,242	\$ 135,096	\$ 273,517	\$ 3,766,889
-	-	-	137,047
3,624	13,004	-	20,170
-	-	-	23,573
-	-	-	818
-	-	-	600
<u>\$ 47,866</u>	<u>\$ 148,100</u>	<u>\$ 273,517</u>	<u>\$ 3,949,097</u>
\$ -	\$ -	\$ -	\$ 700,537
-	-	-	4,522
-	-	-	6,636
3,624	13,004	-	20,170
-	-	-	139,294
<u>3,624</u>	<u>13,004</u>	<u>-</u>	<u>871,159</u>
-	-	-	101,922
<u>44,242</u>	<u>135,096</u>	<u>273,517</u>	<u>2,976,016</u>
<u>44,242</u>	<u>135,096</u>	<u>273,517</u>	<u>3,077,938</u>
<u>\$ 47,866</u>	<u>\$ 148,100</u>	<u>\$ 273,517</u>	<u>\$ 3,949,097</u>

**CITY OF KILLEEN, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,630	81,262	-	21,309
Charges for services	-	-	-	-
Fines	-	-	-	-
Miscellaneous	419	8,213	1,424	385
Total revenues	<u>7,049</u>	<u>89,475</u>	<u>1,424</u>	<u>21,694</u>
Expenditures:				
Current:				
General government	1,748	-	-	33,701
Community services	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	6,157	149,938	33,992	-
Total Expenditures	<u>7,905</u>	<u>149,938</u>	<u>33,992</u>	<u>33,701</u>
Excess (Deficiency) of Revenues Over Expenditures	(856)	(60,463)	(32,568)	(12,007)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(856)	(60,463)	(32,568)	(12,007)
Fund Balances, October 1	4,059	252,789	45,448	25,831
Fund Balances, September 30	<u>\$ 3,203</u>	<u>\$ 192,326</u>	<u>\$ 12,880</u>	<u>\$ 13,824</u>

EXHIBIT C-4

Hotel Occupancy Tax	Special Events Center	Cablesystem Improvements	Library Memorial	Parks
\$ 1,850,880	\$ -	\$ 218,219	\$ -	\$ -
8,247	-	-	-	-
518,615	-	-	-	-
-	-	-	-	-
45,745	2,779	4,506	10,591	354
<u>2,423,487</u>	<u>2,779</u>	<u>222,725</u>	<u>10,591</u>	<u>354</u>
1,369,131	-	-	-	-
204,628	-	73,120	-	-
-	-	-	-	-
19,536	-	-	-	80
18,916	-	60,483	15,576	-
<u>1,612,211</u>	<u>-</u>	<u>133,603</u>	<u>15,576</u>	<u>80</u>
811,276	2,779	89,122	(4,985)	274
300,000	-	-	-	-
(695,000)	-	-	-	-
<u>(395,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
416,276	2,779	89,122	(4,985)	274
1,333,195	74,465	195,606	18,396	12,149
<u>\$ 1,749,471</u>	<u>\$ 77,244</u>	<u>\$ 284,728</u>	<u>\$ 13,411</u>	<u>\$ 12,423</u>

(CONTINUED)

**CITY OF KILLEEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Community Development	CDBG Home Program	Lion's Club Park	Court Technology
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,569,828	266,456	-	-
Charges for services	-	-	-	-
Fines	-	-	-	161,539
Miscellaneous	31,560	36,543	919	-
Total revenues	<u>1,601,388</u>	<u>302,999</u>	<u>919</u>	<u>161,539</u>
Expenditures:				
Current:				
General government	-	-	-	-
Community services	1,600,954	344,214	32,566	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	434	-	-	37,764
Total Expenditures	<u>1,601,388</u>	<u>344,214</u>	<u>32,566</u>	<u>37,764</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(41,215)	(31,647)	123,775
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(41,215)	(31,647)	123,775
Fund Balances, October 1	-	43,919	32,995	137,746
Fund Balances, September 30	<u>\$ -</u>	<u>\$ 2,704</u>	<u>\$ 1,348</u>	<u>\$ 261,521</u>



**EXHIBIT C-4 (CONT'D)**

<u>Court Security</u>	<u>Juvenile Case Manager</u>	<u>Photo Red Light Enforcement</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-2)</u>
\$ -	\$ -	\$ -	\$ 2,069,099
-	-	-	1,953,732
-	-	-	518,615
47,236	73,919	273,517	556,211
-	-	-	143,438
<u>47,236</u>	<u>73,919</u>	<u>273,517</u>	<u>5,241,095</u>
27,919	-	-	1,432,499
-	-	-	2,255,482
-	20,222	-	20,222
-	-	-	19,616
22,640	-	-	345,900
<u>50,559</u>	<u>20,222</u>	<u>-</u>	<u>4,073,719</u>
(3,323)	53,697	273,517	1,167,376
-	-	-	300,000
-	-	-	(695,000)
-	-	-	(395,000)
(3,323)	53,697	273,517	772,376
47,565	81,399	-	2,305,562
<u>\$ 44,242</u>	<u>\$ 135,096</u>	<u>\$ 273,517</u>	<u>\$ 3,077,938</u>

**CITY OF KILLEEN, TEXAS**  
**LAW ENFORCEMENT GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Intergovernmental	\$ 6,630	\$ 15,342	\$ 15,342	\$ (8,712)
Miscellaneous	419	-	-	419
Total revenues	<u>7,049</u>	<u>15,342</u>	<u>15,342</u>	<u>(8,293)</u>
Expenditures:				
General government	1,748	5,000	5,000	3,252
Capital outlay	8,714	52,063	52,063	43,349
Total expenditures	<u>10,462</u>	<u>57,063</u>	<u>57,063</u>	<u>46,601</u>
Net change in fund balance	(3,413)	<u>\$ (41,721)</u>	<u>\$ (41,721)</u>	<u>\$ 38,308</u>
Fund balances, October 1	4,059			
Current year encumbrances	3,203			
Prior year encumbrances	<u>(646)</u>			
Adjusted fund balance	<u>6,616</u>			
Fund balances, September 30	<u>\$ 3,203</u>			

**CITY OF KILLEEN, TEXAS**  
**STATE SEIZURE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Intergovernmental	\$ 81,262	\$ -	\$ -	\$ 81,262
Miscellaneous	8,213	-	-	8,213
Total revenues	<u>89,475</u>	<u>-</u>	<u>-</u>	<u>89,475</u>
Expenditures:				
Capital outlay	<u>149,938</u>	<u>50,000</u>	<u>200,000</u>	<u>50,062</u>
Total expenditures	<u>149,938</u>	<u>50,000</u>	<u>200,000</u>	<u>50,062</u>
Net change in fund balance	(60,463)	<u>\$ (50,000)</u>	<u>\$ (200,000)</u>	<u>\$ 139,537</u>
Fund balances, October 1	<u>252,789</u>			
Fund balances, September 30	<u>\$ 192,326</u>			

**CITY OF KILLEEN, TEXAS  
FEDERAL SEIZURE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 1,424	\$ -	\$ -	\$ 1,424
Total revenues	<u>1,424</u>	<u>-</u>	<u>-</u>	<u>1,424</u>
Expenditures:				
Capital outlay	<u>33,992</u>	<u>45,156</u>	<u>45,156</u>	<u>11,164</u>
Total expenditures	<u>33,992</u>	<u>45,156</u>	<u>45,156</u>	<u>11,164</u>
Net change in fund balance	(32,568)	<u>\$ (45,156)</u>	<u>\$ (45,156)</u>	<u>\$ 12,588</u>
Fund balances, October 1	<u>45,448</u>			
Fund balances, September 30	<u>\$ 12,880</u>			

**CITY OF KILLEEN, TEXAS**  
**HOTEL OCCUPANCY TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 1,850,880	\$ 1,410,000	\$ 1,410,000	\$ 440,880
Intergovernmental	8,247	8,330	8,330	(83)
Charges for services	518,615	510,000	510,000	8,615
Miscellaneous	45,745	45,000	45,000	745
Total revenues	<u>2,423,487</u>	<u>1,973,330</u>	<u>1,973,330</u>	<u>450,157</u>
Expenditures:				
Current:				
General government	1,228,504	1,473,053	1,465,041	236,537
Community services	223,431	211,353	211,353	(12,078)
Miscellaneous	19,536	35,955	30,195	10,659
Capital outlay	18,916	5,830	19,602	686
Total expenditures	<u>1,490,387</u>	<u>1,726,191</u>	<u>1,726,191</u>	<u>235,804</u>
Excess of revenues				
Over expenditures	933,100	247,139	247,139	685,961
Other financing sources (uses):				
Transfers in	300,000	536,669	536,669	(236,669)
Transfers out	(695,000)	(692,291)	(692,291)	(2,709)
Total other financing sources (uses)	<u>(395,000)</u>	<u>(155,622)</u>	<u>(155,622)</u>	<u>(239,378)</u>
Net change in fund balance	538,100	<u>\$ 91,517</u>	<u>\$ 91,517</u>	<u>\$ 446,583</u>
Fund balances, October 1	1,333,195			
Current year encumbrances	92,269			
Prior year encumbrances	<u>(214,093)</u>			
Adjusted fund balance	<u>1,211,371</u>			
Fund balances, September 30	<u>\$ 1,749,471</u>			

**CITY OF KILLEEN, TEXAS  
SPECIAL EVENTS CENTER FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 2,779	\$ -	\$ -	\$ 2,779
Total revenues	<u>2,779</u>	<u>-</u>	<u>-</u>	<u>2,779</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,779	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,779</u>
Fund balances, October 1	<u>74,465</u>			
Fund balances, September 30	<u>\$ 77,244</u>			

**CITY OF KILLEEN, TEXAS**  
**CABLE SYSTEM IMPROVEMENTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 218,219	\$ 198,000	\$ 198,000	\$ 20,219
Miscellaneous	4,506	2,500	2,500	2,006
Total revenues	<u>222,725</u>	<u>200,500</u>	<u>200,500</u>	<u>22,225</u>
Expenditures:				
Current:				
Community services	73,120	118,696	105,196	32,076
Capital outlay	21,837	10,000	23,500	1,663
Total expenditures	<u>94,957</u>	<u>128,696</u>	<u>128,696</u>	<u>33,739</u>
Net change in fund balance	127,768	<u>\$ 71,804</u>	<u>\$ 71,804</u>	<u>\$ 55,964</u>
Fund balances, October 1	195,606			
Current year encumbrances	644			
Prior year encumbrances	<u>(39,290)</u>			
Adjusted fund balance	<u>156,960</u>			
Fund balances, September 30	<u>\$ 284,728</u>			

**CITY OF KILLEEN, TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,569,828	\$ 1,910,518	\$ 1,910,518	\$ (340,690)
Miscellaneous	31,560	20,000	20,000	11,560
Total revenues	<u>1,601,388</u>	<u>1,930,518</u>	<u>1,930,518</u>	<u>(329,130)</u>
Expenditures:				
Current:				
Community Services	1,574,101	1,929,513	1,890,906	316,805
Capital outlay	434	1,005	440	6
Total expenditures	<u>1,574,535</u>	<u>1,930,518</u>	<u>1,891,346</u>	<u>316,811</u>
Net change in fund balance	26,853	<u>\$ -</u>	<u>\$ 39,172</u>	<u>\$ (12,319)</u>
Fund balances, October 1	-			
Prior year encumbrances	<u>(26,853)</u>			
Adjusted fund balance	<u>(26,853)</u>			
Fund balances, September 30	<u>\$ -</u>			



**CITY OF KILLEEN, TEXAS**  
**CDBG HOME PROGRAM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 266,456	\$ 1,337,512	\$ 1,337,512	\$ (1,071,056)
Miscellaneous	36,543	36,543	12,187	24,356
Total revenues	<u>302,999</u>	<u>1,374,055</u>	<u>1,349,699</u>	<u>(1,046,700)</u>
Expenditures:				
Current:				
Community services	306,840	1,355,671	1,327,013	1,020,173
Total expenditures	<u>306,840</u>	<u>1,355,671</u>	<u>1,327,013</u>	<u>1,020,173</u>
Net change in fund balance	(3,841)	<u>\$ 18,384</u>	<u>\$ 22,686</u>	<u>\$ (26,527)</u>
Fund balances, October 1	43,919			
Current year encumbrances	2,704			
Prior year encumbrances	<u>(40,078)</u>			
Adjusted fund balance	<u>6,545</u>			
Fund balances, September 30	<u>\$ 2,704</u>			

**CITY OF KILLEEN, TEXAS  
COURT TECHNOLOGY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Fines	\$ 161,539	\$ 40,000	\$ 40,000	\$ 121,539
Total revenues	<u>161,539</u>	<u>40,000</u>	<u>40,000</u>	<u>121,539</u>
Expenditures:				
Miscellaneous	<u>2,971</u>	<u>-</u>	<u>-</u>	<u>(2,971)</u>
Total Expenditures	<u>2,971</u>	<u>-</u>	<u>-</u>	<u>(2,971)</u>
Net change in fund balance	158,568	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 118,568</u>
Fund balances, October 1	137,746			
Current year encumbrances	-			
Prior year encumbrances	<u>(34,793)</u>			
Adjusted fund balance	<u>102,953</u>			
Fund balances, September 30	<u>\$ 261,521</u>			

**CITY OF KILLEEN, TEXAS  
COURT SECURITY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
<b>Revenues:</b>				
Fines	\$ 47,236	\$ 40,530	\$ 40,530	\$ 6,706
Total revenues	47,236	40,530	40,530	6,706
<b>Expenditures:</b>				
<b>Current:</b>				
General government	27,919	40,530	40,530	12,611
Capital outlay	22,640	-	22,640	-
Total expenditures	50,559	40,530	63,170	12,611
Net change in fund balance	(3,323)	\$ -	\$ (22,640)	\$ 19,317
Fund balances, October 1	47,565			
Fund balances, September 30	\$ 44,242			

**CITY OF KILLEEN, TEXAS**  
**JUVENILE CASE MANAGER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Fines	\$ 73,919	\$ 32,451	\$ 32,451	\$ 41,468
Total revenues	<u>73,919</u>	<u>32,451</u>	<u>32,451</u>	<u>41,468</u>
Expenditures:				
Current:				
Public safety	<u>20,222</u>	<u>32,451</u>	<u>32,451</u>	<u>12,229</u>
Total expenditures	<u>20,222</u>	<u>32,451</u>	<u>32,451</u>	<u>12,229</u>
Net change in fund balance	53,697	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,697</u>
Fund balances, October 1	<u>81,399</u>			
Fund balances, September 30	<u>\$ 135,096</u>			

## **DEBT SERVICE FUNDS**

The Debt Service Fund is used to account for the accumulation of resources and payment of general, certificate, and contractual obligation bond principal and interest from government resources.

- ❖ Certificates of Obligation 2000
- ❖ Tax Interest and Sinking 1999
- ❖ Certificates of Obligation 1996
- ❖ Refunding Bond 1999
- ❖ Limited Tax Notes 2000
- ❖ Certificates of Obligation 2001
- ❖ Tax Interest and Sinking 2002
- ❖ Tax Interest and Sinking 2003
- ❖ Tax Interest and Sinking 2004
- ❖ General Obligation Interest and Sinking 2004
- ❖ Tax Interest and Sinking 2005
- ❖ Tax Interest and Sinking 2006
- ❖ General Obligation 2007
- ❖ Certificates of Obligation 2007

**CITY OF KILLEEN, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
SEPTEMBER 30, 2008**

	Certificates of Obligation 2000	Tax Interest and Sinking 1999	Certification of Obligation 1996	Refunding Bond 1999	Limited Tax Notes 2000	Certificates of Obligation 2001	Tax Interest and Sinking 2002
<u>ASSETS</u>							
Assets:							
Cash and cash equivalents	\$ 53,443	\$ 113,297	\$ -	\$ 583,530	\$ -	\$ 133,504	\$ 89,173
Receivables (net of allowances - for uncollectibles):							
Taxes	-	5,480	-	5,498	-	11,349	5,881
Due from other funds	-	-	-	5,378	-	-	-
Total assets	<u>\$ 53,443</u>	<u>\$ 118,777</u>	<u>\$ -</u>	<u>\$ 594,406</u>	<u>\$ -</u>	<u>\$ 144,853</u>	<u>\$ 95,054</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Due to other funds	\$ -	\$ 4,288	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	5,480	-	5,498	-	11,349	5,881
Total liabilities	<u>-</u>	<u>9,768</u>	<u>-</u>	<u>5,498</u>	<u>-</u>	<u>11,349</u>	<u>5,881</u>
Fund balances:							
Reserved:							
Debt service	53,443	109,009	-	588,908	-	133,504	89,173
Total fund balances	<u>53,443</u>	<u>109,009</u>	<u>-</u>	<u>588,908</u>	<u>-</u>	<u>133,504</u>	<u>89,173</u>
Total liabilities and fund balances	<u>\$ 53,443</u>	<u>\$ 118,777</u>	<u>\$ -</u>	<u>\$ 594,406</u>	<u>\$ -</u>	<u>\$ 144,853</u>	<u>\$ 95,054</u>

**EXHIBIT C-16**

Tax Interest and Sinking 2003	Tax Interest and Sinking 2004	General Obligation Interest and Sinking 2004	Tax Interest and Sinking 2005	Tax Interest and Sinking 2006	General Obligation 2007	Certificates of Obligation 2007	Total Nonmajor Debt Service Funds (See Exhibit C-1)
\$ 138,337	\$ 207,352	\$ 985,901	\$ 388,259	\$ 202,313	\$ 555,354	\$ 616,022	\$ 4,066,485
10,181	9,944	57,747	7,899	6,475	8,629	13,104	142,187
-	-	-	-	-	-	-	5,378
<u>\$ 148,518</u>	<u>\$ 217,296</u>	<u>\$ 1,043,648</u>	<u>\$ 396,158</u>	<u>\$ 208,788</u>	<u>\$ 563,983</u>	<u>\$ 629,126</u>	<u>\$ 4,214,050</u>
\$ -	\$ -	\$ -	\$ 48,403	\$ -	\$ -	\$ -	\$ 52,691
10,181	9,944	57,747	7,899	6,475	8,629	13,104	142,187
10,181	9,944	57,747	56,302	6,475	8,629	13,104	194,878
138,337	207,352	985,901	339,856	202,313	555,354	616,022	4,019,172
138,337	207,352	985,901	339,856	202,313	555,354	616,022	4,019,172
<u>\$ 148,518</u>	<u>\$ 217,296</u>	<u>\$ 1,043,648</u>	<u>\$ 396,158</u>	<u>\$ 208,788</u>	<u>\$ 563,983</u>	<u>\$ 629,126</u>	<u>\$ 4,214,050</u>

**CITY OF KILLEEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Certificates of Obligation 2000	Tax Interest and Sinking 1999	Certificates of Obligation 1996	Refunding Bond 1999	Limited Tax Notes 2000	Certificates of Obligation 2001	Tax Interest and Sinking 2002
Revenue:							
Taxes	\$ -	\$ 203,426	\$ -	\$ 208,897	\$ -	\$ 469,219	\$ 270,780
Miscellaneous	6,103	7,486	662	28,798	2,261	11,373	7,802
Total revenues	<u>6,103</u>	<u>210,912</u>	<u>662</u>	<u>237,695</u>	<u>2,261</u>	<u>480,592</u>	<u>278,582</u>
Expenditures:							
Current:							
Debt Service							
Principal	215,000	174,000	-	197,200	-	170,000	220,000
Interest	476,016	15,048	-	-	-	276,455	41,225
Fiscal charges	742	822	-	822	-	610	300
Total Expenditures	<u>691,758</u>	<u>189,870</u>	<u>-</u>	<u>198,022</u>	<u>-</u>	<u>447,065</u>	<u>261,525</u>
Excess (Deficiency) of Revenues over Expenditures	(685,655)	21,042	662	39,673	2,261	33,527	17,057
Other Financing Sources:							
Transfers in	695,000	-	-	-	-	-	-
Transfers Out	-	-	(22,772)	(82,286)	(72,439)	-	-
Total Other Financing Sources	<u>695,000</u>	<u>-</u>	<u>(22,772)</u>	<u>(82,286)</u>	<u>(72,439)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	9,345	21,042	(22,110)	(42,613)	(70,178)	33,527	17,057
Fund Balances, October 1	<u>44,098</u>	<u>87,967</u>	<u>22,110</u>	<u>631,521</u>	<u>70,178</u>	<u>99,977</u>	<u>72,116</u>
Fund Balances, September 30	<u>\$ 53,443</u>	<u>\$ 109,009</u>	<u>\$ -</u>	<u>\$ 588,908</u>	<u>\$ -</u>	<u>\$ 133,504</u>	<u>\$ 89,173</u>



**EXHIBIT C-17**

Tax Interest and Sinking 2003	Tax Interest and Sinking 2004	General Obligation Interest and Sinking 2004	Tax Interest and Sinking 2005	Tax Interest and Sinking 2006	General Obligation 2007	Certificates of Obligation 2007	Total Nonmajor Debt Service Funds (See Exhibit C-1)
\$ 495,056	\$ 681,880	\$ 3,567,921	\$ 350,945	\$ 416,219	\$ 916,089	\$ 1,391,184	\$ 8,971,616
10,203	17,877	96,982	22,782	10,332	114,905	166,608	504,174
<u>505,259</u>	<u>699,757</u>	<u>3,664,903</u>	<u>373,727</u>	<u>426,551</u>	<u>1,030,994</u>	<u>1,557,792</u>	<u>9,475,790</u>
130,000	425,000	2,615,000	60,000	-	240,000	450,000	4,896,200
352,938	212,923	944,750	493,960	434,291	639,397	892,211	4,779,214
300	300	300	300	300	-	-	4,796
<u>483,238</u>	<u>638,223</u>	<u>3,560,050</u>	<u>554,260</u>	<u>434,591</u>	<u>879,397</u>	<u>1,342,211</u>	<u>9,680,210</u>
22,021	61,534	104,853	(180,533)	(8,040)	151,597	215,581	(204,420)
-	-	22,772	-	72,439	403,757	400,441	1,594,409
-	-	-	-	-	-	-	(177,497)
<u>-</u>	<u>-</u>	<u>22,772</u>	<u>-</u>	<u>72,439</u>	<u>403,757</u>	<u>400,441</u>	<u>1,416,912</u>
22,021	61,534	127,625	(180,533)	64,399	555,354	616,022	1,212,492
<u>116,316</u>	<u>145,818</u>	<u>858,276</u>	<u>520,389</u>	<u>137,914</u>	<u>-</u>	<u>-</u>	<u>2,806,680</u>
<u>\$ 138,337</u>	<u>\$ 207,352</u>	<u>\$ 985,901</u>	<u>\$ 339,856</u>	<u>\$ 202,313</u>	<u>\$ 555,354</u>	<u>\$ 616,022</u>	<u>\$ 4,019,172</u>

**CITY OF KILLEEN, TEXAS**  
**CERTIFICATES OF OBLIGATION SERIES 2000 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 6,103	\$ 5,000	\$ 5,000	\$ 1,103
Total revenues	<u>6,103</u>	<u>5,000</u>	<u>5,000</u>	<u>1,103</u>
Expenditures:				
Current:				
Debt service:				
Principal	215,000	215,000	215,000	-
Interest	476,016	476,016	476,016	-
Fiscal charges	742	4,000	4,000	3,258
Total expenditures	<u>691,758</u>	<u>695,016</u>	<u>695,016</u>	<u>3,258</u>
Excess (deficiency) of revenues over expenditures	(685,655)	(690,016)	(690,016)	4,361
Other financing sources:				
Transfers in	<u>695,000</u>	<u>695,000</u>	<u>695,000</u>	<u>-</u>
Total other financing sources	<u>695,000</u>	<u>695,000</u>	<u>695,000</u>	<u>-</u>
Net change in fund balance	9,345	<u>\$ 4,984</u>	<u>\$ 4,984</u>	<u>\$ 4,361</u>
Fund balances, October 1	<u>44,098</u>			
Fund balances, September 30	<u>\$ 53,443</u>			

**CITY OF KILLEEN, TEXAS**  
**TAX INTEREST & SINKING SERIES 1999 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 203,426	\$ 195,000	\$ 195,000	\$ 8,426
Miscellaneous	7,486	4,000	4,000	3,486
Total revenues	<u>210,912</u>	<u>199,000</u>	<u>199,000</u>	<u>11,912</u>
Expenditures:				
Current:				
Debt service:				
Principal	174,000	290,000	290,000	116,000
Interest	15,048	25,080	25,080	10,032
Fiscal charges	822	4,000	4,000	3,178
Total expenditures	<u>189,870</u>	<u>319,080</u>	<u>319,080</u>	<u>129,210</u>
Excess (deficiency) of revenues over expenditures	21,042	(120,080)	(120,080)	141,122
Other financing sources:				
Transfers in	-	127,000	127,000	(127,000)
Total other financing sources	<u>-</u>	<u>127,000</u>	<u>127,000</u>	<u>(127,000)</u>
Net change in fund balance	21,042	<u>\$ 6,920</u>	<u>\$ 6,920</u>	<u>14,122</u>
Fund balances, October 1	<u>87,967</u>			
Fund balances, September 30	<u>\$ 109,009</u>			

**CITY OF KILLEEN, TEXAS**  
**CERTIFICATES OF OBLIGATION SERIES 1996 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Miscellaneous	\$ 662	\$ -	\$ -	\$ 662
Total revenues	<u>662</u>	<u>-</u>	<u>-</u>	<u>662</u>
Expenditures:				
Current:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	662	-	-	662
Other financing sources (uses):				
Transfers out	<u>(22,772)</u>	<u>(21,965)</u>	<u>(21,965)</u>	<u>(807)</u>
Total other financing sources (uses)	<u>(22,772)</u>	<u>(21,965)</u>	<u>(21,965)</u>	<u>(807)</u>
Net change in fund balance	(22,110)	<u>\$ (21,965)</u>	<u>\$ (21,965)</u>	<u>\$ (145)</u>
Fund balances, October 1	<u>22,110</u>			
Fund balances, September 30	<u>\$ -</u>			

**CITY OF KILLEEN, TEXAS**  
**REFUNDING BOND SERIES 1999 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 208,897	\$ 200,000	\$ 200,000	\$ 8,897
Miscellaneous	28,798	14,000	14,000	14,798
Total revenues	<u>237,695</u>	<u>214,000</u>	<u>214,000</u>	<u>23,695</u>
Expenditures:				
Current:				
Debt service:				
Principal	197,200	1,160,000	1,160,000	962,800
Interest	-	294,995	294,995	294,995
Fiscal charges	822	4,000	4,000	3,178
Total expenditures	<u>198,022</u>	<u>1,458,995</u>	<u>1,458,995</u>	<u>1,260,973</u>
Excess (deficiency) of revenues over expenditures	39,673	(1,244,995)	(1,244,995)	1,284,668
Other financing sources (uses):				
Transfers out	<u>(82,286)</u>	<u>(1,175,509)</u>	<u>(1,175,509)</u>	<u>1,093,223</u>
Total other financing sources (uses)	<u>(82,286)</u>	<u>(1,175,509)</u>	<u>(1,175,509)</u>	<u>1,093,223</u>
Net change in fund balance	(42,613)	<u>\$ (2,420,504)</u>	<u>\$ (2,420,504)</u>	<u>\$ 2,377,891</u>
Fund balances, October 1	<u>631,521</u>			
Fund balances, September 30	<u>\$ 588,908</u>			

**CITY OF KILLEEN, TEXAS**  
**LIMITED TAX NOTES SERIES 2000 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	2,261	-	-	2,261
Total revenues	<u>2,261</u>	<u>-</u>	<u>-</u>	<u>2,261</u>
Expenditures:				
Current:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	2,261	-	-	2,261
Other financing sources (uses):				
Transfers out	<u>(72,439)</u>	<u>(62,849)</u>	<u>(62,849)</u>	<u>(9,590)</u>
Total other financing sources (uses)	<u>(72,439)</u>	<u>(62,849)</u>	<u>(62,849)</u>	<u>(9,590)</u>
Net change in fund balance	(70,178)	<u>\$ (62,849)</u>	<u>\$ (62,849)</u>	<u>\$ (7,329)</u>
Fund balances, October 1	<u>70,178</u>			
Fund balances, September 30	<u>\$ -</u>			

**CITY OF KILLEEN, TEXAS**  
**CERTIFICATES OF OBLIGATION SERIES 2001 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 469,219	\$ 450,000	\$ 450,000	\$ 19,219
Miscellaneous	11,373	5,000	5,000	6,373
Total revenues	<u>480,592</u>	<u>455,000</u>	<u>455,000</u>	<u>25,592</u>
Expenditures:				
Current:				
Debt service:				
Principal	170,000	170,000	170,000	-
Interest	276,455	276,455	276,455	-
Fiscal charges	610	4,000	4,000	3,390
Total expenditures	<u>447,065</u>	<u>450,455</u>	<u>450,455</u>	<u>3,390</u>
Net change in fund balance	33,527	<u>\$ 4,545</u>	<u>\$ 4,545</u>	<u>\$ 28,982</u>
Fund balances, October 1	<u>99,977</u>			
Fund balances, September 30	<u>\$ 133,504</u>			

**CITY OF KILLEEN, TEXAS**  
**TAX INTEREST & SINKING SERIES 2002 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 270,780	\$ 260,000	\$ 260,000	\$ 10,780
Miscellaneous	7,802	5,000	5,000	2,802
Total revenues	<u>278,582</u>	<u>265,000</u>	<u>265,000</u>	<u>13,582</u>
Expenditures:				
Current:				
Debt service:				
Principal	220,000	220,000	220,000	-
Interest	41,225	41,225	41,225	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>261,525</u>	<u>265,225</u>	<u>265,225</u>	<u>3,700</u>
Net change in fund balance	17,057	<u>\$ (225)</u>	<u>\$ (225)</u>	<u>\$ 17,282</u>
Fund balances, October 1	<u>72,116</u>			
Fund balances, September 30	<u>\$ 89,173</u>			



**CITY OF KILLEEN, TEXAS**  
**TAX INTEREST & SINKING SERIES 2003 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 495,056	\$ 475,000	\$ 475,000	\$ 20,056
Miscellaneous	10,203	6,000	6,000	4,203
Total revenues	<u>505,259</u>	<u>481,000</u>	<u>481,000</u>	<u>24,259</u>
Expenditures:				
Current:				
Debt service:				
Principal	130,000	130,000	130,000	-
Interest	352,938	352,938	352,938	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>483,238</u>	<u>486,938</u>	<u>486,938</u>	<u>3,700</u>
Net change in fund balance	22,021	<u>\$ (5,938)</u>	<u>\$ (5,938)</u>	<u>\$ 27,959</u>
Fund balances, October 1	<u>116,316</u>			
Fund balances, September 30	<u>\$ 138,337</u>			

**CITY OF KILLEEN, TEXAS**  
**TAX INTEREST & SINKING SERIES 2004 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 681,880	\$ 657,000	\$ 657,000	\$ 24,880
Miscellaneous	17,877	8,000	8,000	9,877
Total revenues	<u>699,757</u>	<u>665,000</u>	<u>665,000</u>	<u>34,757</u>
Expenditures:				
Current:				
Debt service:				
Principal	425,000	425,000	425,000	-
Interest	212,923	212,923	212,923	-
Fiscal charges	300	6,000	6,000	5,700
Total expenditures	<u>638,223</u>	<u>643,923</u>	<u>643,923</u>	<u>5,700</u>
Net change in fund balance	61,534	<u>\$ 21,077</u>	<u>\$ 21,077</u>	<u>\$ 40,457</u>
Fund balances, October 1	<u>145,818</u>			
Fund balances, September 30	<u>\$ 207,352</u>			

**CITY OF KILLEEN, TEXAS**  
**GENERAL OBLIGATION INTEREST & SINKING SERIES 2004 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 3,567,921	\$ 3,430,000	\$ 3,430,000	\$ 137,921
Miscellaneous	96,982	35,000	35,000	61,982
Total revenues	<u>3,664,903</u>	<u>3,465,000</u>	<u>3,465,000</u>	<u>199,903</u>
Expenditures:				
Current:				
Debt service:				
Principal	2,615,000	2,615,000	2,615,000	-
Interest	944,750	944,750	944,750	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>3,560,050</u>	<u>3,563,750</u>	<u>3,563,750</u>	<u>3,700</u>
Excess (deficiency) of revenues over expenditures	104,853	(98,750)	(98,750)	203,603
Other financing sources:				
Transfers in	<u>22,772</u>	<u>(98,750)</u>	<u>(98,750)</u>	<u>121,522</u>
Total other financing sources	<u>22,772</u>	<u>(98,750)</u>	<u>(98,750)</u>	<u>121,522</u>
Net change in fund balance	127,625	<u>\$ (197,500)</u>	<u>\$ (197,500)</u>	<u>\$ 325,125</u>
Fund balances, October 1	<u>858,276</u>			
Fund balances, September 30	<u>\$ 985,901</u>			

**CITY OF KILLEEN, TEXAS**  
**TAX INTEREST & SINKING SERIES 2005 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 350,945	\$ 335,000	\$ 335,000	\$ 15,945
Miscellaneous	22,782	15,000	15,000	7,782
Total revenues	<u>373,727</u>	<u>350,000</u>	<u>350,000</u>	<u>23,727</u>
Expenditures:				
Current:				
Debt service:				
Principal	60,000	290,000	290,000	230,000
Interest	493,960	865,385	865,385	371,425
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>554,260</u>	<u>1,159,385</u>	<u>1,159,385</u>	<u>605,125</u>
Excess (deficiency) of revenues over expenditures	(180,533)	(809,385)	(809,385)	628,852
Other financing sources:				
Transfers in	-	605,000	605,000	(605,000)
Total other financing sources	<u>-</u>	<u>605,000</u>	<u>605,000</u>	<u>(605,000)</u>
Net change in fund balance	(180,533)	<u>\$ (204,385)</u>	<u>\$ (204,385)</u>	<u>\$ 23,852</u>
Fund balances, October 1	<u>520,389</u>			
Fund balances, September 30	<u>\$ 339,856</u>			

**CITY OF KILLEEN, TEXAS**  
**TAX INTEREST & SINKING SERIES 2006 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 416,219	\$ 400,000	\$ 400,000	\$ 16,219
Miscellaneous	10,332	8,000	8,000	2,332
Total revenues	<u>426,551</u>	<u>408,000</u>	<u>408,000</u>	<u>18,551</u>
Expenditures:				
Current:				
Debt service:				
Interest	434,291	434,291	434,291	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>434,591</u>	<u>438,291</u>	<u>438,291</u>	<u>3,700</u>
Excess (Deficiency) of Revenues over Expenditures	(8,040)	(30,291)	(30,291)	22,251
Other Financing Sources:				
Transfers in	72,439	62,849	62,849	9,590
Total other financing sources	<u>72,439</u>	<u>62,849</u>	<u>62,849</u>	<u>9,590</u>
Net change in fund balance	64,399	<u>\$ 32,558</u>	<u>\$ 32,558</u>	<u>\$ 31,841</u>
Fund balances, October 1	<u>137,914</u>			
Fund balances, September 30	<u>\$ 202,313</u>			

**CITY OF KILLEEN, TEXAS**  
**GENERAL OBLIGATION SERIES 2007 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 916,089	\$ 888,901	\$ 888,901	\$ 27,188
Miscellaneous	114,905	20,000	20,000	94,905
Total revenues	<u>1,030,994</u>	<u>908,901</u>	<u>908,901</u>	<u>122,093</u>
Expenditures:				
Current:				
Debt service:				
Principal	240,000	-	240,000	-
Interest	639,397	888,901	648,901	9,504
Fiscal charges	-	4,000	4,000	4,000
Total expenditures	<u>879,397</u>	<u>892,901</u>	<u>892,901</u>	<u>13,504</u>
Excess (deficiency) of revenues over expenditures	151,597	16,000	16,000	135,597
Other Financing Sources:				
Transfers in	403,757	-	-	403,757
Total other financing sources	<u>403,757</u>	<u>-</u>	<u>-</u>	<u>403,757</u>
Net change in fund balance	555,354	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 539,354</u>
Fund balances, October 1	<u>-</u>			
Fund balances, September 30	<u>\$ 555,354</u>			

**CITY OF KILLEEN, TEXAS**  
**CERTIFICATE OF OBLIGATION SERIES 2007 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 1,391,184	\$ 1,349,672	\$ 1,349,672	\$ 41,512
Miscellaneous	166,608	35,000	35,000	131,608
Total revenues	<u>1,557,792</u>	<u>1,384,672</u>	<u>1,384,672</u>	<u>173,120</u>
Expenditures:				
Current:				
Debt service:				
Principal	450,000	180,000	450,000	-
Interest	892,211	1,169,673	899,673	7,462
Fiscal charges	-	4,000	4,000	4,000
Total expenditures	<u>1,342,211</u>	<u>1,353,673</u>	<u>1,353,673</u>	<u>11,462</u>
Excess (deficiency) of revenues over expenditures	215,581	30,999	30,999	184,582
Other Financing Sources:				
Transfers in	400,441	-	-	400,441
Total other financing sources	<u>400,441</u>	<u>-</u>	<u>-</u>	<u>400,441</u>
Net change in fund balance	616,022	<u>\$ 30,999</u>	<u>\$ 30,999</u>	<u>\$ 585,023</u>
Fund balances, October 1	<u>-</u>			
Fund balances, September 30	<u>\$ 616,022</u>			





## CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by propriety funds and trust funds.

**Capital Projects fund (2002 C.O.):** To account for expenditure of funds on the Golf Course improvement projects.

**Capital Projects Fund (2004 C.O.):** To account for expenditures for the purchase of Fire, Emergency Medical and Public Works vehicles and equipment.

**Capital Projects Fund (2004 G.O.):** To account for expenditure of funds for various construction projects financed through bond proceeds of \$15,870,000.

**Capital Projects fund (2005 C.O.):** To account for expenditures which include the constructing and installation of a communications tower, constructing and improving streets, purchasing street heavy equipment, purchasing ambulances and other projects financed through bond proceeds.

**Capital Projects Fund (2006 G.O.):** To account for expenditures for the construction of the Family Recreation and Senior Center Complex.

**Capital Projects Fund (1991 G.O. Bonds):** To account for construction improvements and other costs associated with Elms Road and Southern Loop Road projects. Financing was provided by the sale of \$ 2,400,000 of general obligation bonds.

**Capital Projects Fund (1993 G.O. Bonds):** To account for improving streets, constructing public service and animal control facilities, and improving the library building. Financing was provided by the sale of \$ 3,750,000 of general obligation bonds.

**Capital Projects Fund (1995 G.O. Bonds):** To account for constructing and improving streets, and constructing and improving public service buildings. Financing was provided by the sale of \$ 6,745,000 of general obligation bonds.

**Capital Projects Fund (2007 G.O. and C.O. Bonds):** To account for expenditures for the construction of various projects. Financing was provided by the sale of \$17,665,000 of general obligation bonds and \$24,120,000 of certificates of obligation bonds.

**CITY OF KILLEEN, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2008**

	<u>2002</u>	<u>2004</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
	<u>C. O. Bonds</u>	<u>C. O. Bonds</u>	<u>G.O. Bonds</u>	<u>C. O. Bond</u>	<u>G. O. Bonds</u>
<b><u>ASSETS</u></b>					
Assets:					
Cash and cash equivalents	\$ 488	\$ 374,737	\$ 5,817,226	\$ 5,700,925	\$ 495,453
Total assets	<u>\$ 488</u>	<u>\$ 374,737</u>	<u>\$ 5,817,226</u>	<u>\$ 5,700,925</u>	<u>\$ 495,453</u>
<b><u>LIABILITIES</u></b>					
<b><u>AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable	\$ -	\$ 22,762	\$ 239,242	\$ 1,318,760	\$ 316,847
Total liabilities	<u>-</u>	<u>22,762</u>	<u>239,242</u>	<u>1,318,760</u>	<u>316,847</u>
Fund balances:					
Reserved:					
Capital projects	488	351,975	5,577,984	4,382,165	178,606
Total fund balances	<u>488</u>	<u>351,975</u>	<u>5,577,984</u>	<u>4,382,165</u>	<u>178,606</u>
Total liabilities and fund balances	<u>\$ 488</u>	<u>\$ 374,737</u>	<u>\$ 5,817,226</u>	<u>\$ 5,700,925</u>	<u>\$ 495,453</u>

1991 G.O. Bonds	1993 G. O. Bonds	1995 G. O. Bonds	Total Nonmajor Capital Projects funds (See Exhibit C-1)
\$ 835	\$ 124,853	\$ 204,380	\$ 12,718,897
<u>\$ 835</u>	<u>\$ 124,853</u>	<u>\$ 204,380</u>	<u>\$ 12,718,897</u>
\$ -	\$ -	\$ -	\$ 1,897,611
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,897,611</u>
835	124,853	204,380	10,821,286
<u>835</u>	<u>124,853</u>	<u>204,380</u>	<u>10,821,286</u>
<u>\$ 835</u>	<u>\$ 124,853</u>	<u>\$ 204,380</u>	<u>\$ 12,718,897</u>

**CITY OF KILLEEN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	2002	2004	2004	2005	2006
	<u>C. O. Bonds</u>	<u>C. O. Bonds</u>	<u>G.O. Bonds</u>	<u>C. O. Bonds</u>	<u>G. O. Bonds</u>
Revenue:					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 311,396
Investment earnings	13	11,776	315,438	229,235	107,935
Total revenues	<u>13</u>	<u>11,776</u>	<u>315,438</u>	<u>229,235</u>	<u>419,331</u>
Expenditures:					
Current:					
Capital outlay	-	22,762	5,840,147	3,018,825	5,639,522
Total Expenditures	<u>-</u>	<u>22,762</u>	<u>5,840,147</u>	<u>3,018,825</u>	<u>5,639,522</u>
Net Change in Fund Balance	13	(10,986)	(5,524,709)	(2,789,590)	(5,220,191)
Fund Balances, October 1	<u>475</u>	<u>362,961</u>	<u>11,102,693</u>	<u>7,171,755</u>	<u>5,398,797</u>
Fund Balances, September 30	<u>\$ 488</u>	<u>\$ 351,975</u>	<u>\$ 5,577,984</u>	<u>\$ 4,382,165</u>	<u>\$ 178,606</u>

1991 G. O. Bonds	1993 G. O. Bonds	1995 G. O. Bonds	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ 311,396
25	3,959	7,634	676,015
<u>25</u>	<u>3,959</u>	<u>7,634</u>	<u>987,411</u>
-	-	-	14,521,256
<u>-</u>	<u>-</u>	<u>-</u>	<u>14,521,256</u>
25	3,959	7,634	(13,533,845)
810	120,894	196,746	24,355,131
<u>\$ 835</u>	<u>\$ 124,853</u>	<u>\$ 204,380</u>	<u>\$ 10,821,286</u>

**CITY OF KILLEEN, TEXAS**  
**2004 C.O. BONDS CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Investment earnings	\$ 11,776	\$ 2,000	\$ 2,000	\$ 9,776
Total revenues	<u>11,776</u>	<u>2,000</u>	<u>2,000</u>	<u>9,776</u>
Expenditures:				
Capital outlay	<u>22,762</u>	<u>-</u>	<u>-</u>	<u>(22,762)</u>
Total expenditures	<u>22,762</u>	<u>-</u>	<u>-</u>	<u>(22,762)</u>
Net change in fund balance	(10,986)	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ (12,986)</u>
Fund balances, October 1	<u>362,961</u>			
Fund balances, September 30	<u>\$ 351,975</u>			

**CITY OF KILLEEN, TEXAS**  
**2004 G.O. BONDS CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Investment earnings	\$ 315,438	\$ 100,000	\$ 100,000	\$ 215,438
Total revenues	<u>315,438</u>	<u>100,000</u>	<u>100,000</u>	<u>215,438</u>
Expenditures:				
Current:				
Capital outlay	5,840,147	5,209,609	5,209,609	(630,538)
Total expenditures	<u>5,840,147</u>	<u>5,209,609</u>	<u>5,209,609</u>	<u>(630,538)</u>
Net change in fund balance	(5,524,709)	<u>\$ (5,109,609)</u>	<u>\$ (5,109,609)</u>	<u>\$ (415,100)</u>
Fund balances, October 1	<u>11,102,693</u>			
Fund balances, September 30	<u>\$ 5,577,984</u>			

**CITY OF KILLEEN, TEXAS**  
**2005 C.O. BONDS CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Investment earnings	\$ 229,235	\$ 75,000	\$ 75,000	\$ 154,235
Total revenues	<u>229,235</u>	<u>75,000</u>	<u>75,000</u>	<u>154,235</u>
Expenditures:				
Capital outlay	3,018,825	3,502,937	3,502,937	484,112
Total expenditures	<u>3,018,825</u>	<u>3,502,937</u>	<u>3,502,937</u>	<u>484,112</u>
Net change in fund balance	(2,789,590)	<u>\$ (3,427,937)</u>	<u>\$ (3,427,937)</u>	<u>\$ 638,347</u>
Fund balances, October 1	<u>7,171,755</u>			
Fund balances, September 30	<u>\$ 4,382,165</u>			



**CITY OF KILLEEN, TEXAS**  
**2006 G.O. BONDS CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
<b>Revenues:</b>				
Intergovernmental revenue	\$ 311,396	\$ 96,224	\$ 96,224	\$ 215,172
Investments earnings	107,935	112,000	112,000	(4,065)
Total revenues	<u>419,331</u>	<u>208,224</u>	<u>208,224</u>	<u>211,107</u>
<b>Expenditures:</b>				
Capital outlay	<u>5,639,522</u>	<u>7,796,724</u>	<u>7,796,724</u>	<u>2,157,202</u>
Total expenditures	<u>5,639,522</u>	<u>7,796,724</u>	<u>7,796,724</u>	<u>2,157,202</u>
Net change in fund balance	(5,220,191)	<u><u>\$ (7,588,500)</u></u>	<u><u>\$ (7,588,500)</u></u>	<u><u>\$ 2,368,309</u></u>
Fund balances, October 1	<u>5,398,797</u>			
Fund balances, September 30	<u><u>\$ 178,606</u></u>			

**CITY OF KILLEEN, TEXAS**  
**1991 G.O. BONDS CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Investment earnings	\$ 25	\$ -	\$ -	\$ 25
Total revenues	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	25	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25</u>
Fund balances, October 1	<u>810</u>			
Fund balances, September 30	<u>\$ 835</u>			

**CITY OF KILLEEN, TEXAS**  
**1993 G.O. BONDS CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Investment earnings	\$ 3,959	\$ -	\$ -	\$ 3,959
Total revenues	<u>3,959</u>	<u>-</u>	<u>-</u>	<u>3,959</u>
Expenditures:				
Capital outlay	-	16,635	16,635	16,635
Total expenditures	<u>-</u>	<u>16,635</u>	<u>16,635</u>	<u>16,635</u>
Net change in fund balance	3,959	<u>\$ (16,635)</u>	<u>\$ (16,635)</u>	<u>\$ 20,594</u>
Fund balances, October 1	<u>120,894</u>			
Fund balances, September 30	<u>\$ 124,853</u>			

**CITY OF KILLEEN, TEXAS**  
**1995 G.O. BONDS CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Investment earnings	\$ 7,634	\$ 5,000	\$ 5,000	\$ 2,634
Total revenues	<u>7,634</u>	<u>5,000</u>	<u>5,000</u>	<u>2,634</u>
Expenditures:				
Capital outlay	-	89,750	89,750	89,750
Total expenditures	<u>-</u>	<u>89,750</u>	<u>89,750</u>	<u>89,750</u>
Net change in fund balance	7,634	<u>\$ (84,750)</u>	<u>\$ (84,750)</u>	<u>\$ 92,384</u>
Fund balances, October 1	<u>196,746</u>			
Fund balances, September 30	<u>\$ 204,380</u>			

**CITY OF KILLEEN, TEXAS**  
**2007 G.O. BONDS CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Investment earnings	\$ 1,077,700	\$ 350,000	\$ 350,000	\$ 727,700
Total revenues	<u>1,077,700</u>	<u>350,000</u>	<u>350,000</u>	<u>727,700</u>
Expenditures:				
Capital outlay	8,815,021	40,680,000	40,680,000	31,864,979
Fiscal charges	254,580	300,000	300,000	45,420
Total expenditures	<u>9,069,601</u>	<u>40,980,000</u>	<u>40,980,000</u>	<u>31,910,399</u>
Excess (deficiency) of revenues Over expenditures	(7,991,901)	(40,630,000)	(40,630,000)	32,638,099
Other financing sources (uses):				
Issuance of debt	41,785,000	42,005,000	42,005,000	(220,000)
Discounts on issuance of debt	(441,569)	-	-	(441,569)
Transfers out	(218,797)	-	-	(218,797)
Total other financing sources (uses)	<u>41,124,634</u>	<u>42,005,000</u>	<u>42,005,000</u>	<u>(880,366)</u>
Net change in fund balance	33,132,733	<u>\$ 1,375,000</u>	<u>\$ 1,375,000</u>	<u>\$31,757,733</u>
Fund balances, October 1	-			
Current year encumbrances	1,243,504			
Adjusted fund balance	<u>1,243,504</u>			
Fund balances, September 30	<u>\$ 34,376,237</u>			

**CITY OF KILLEEN, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
<b>Taxes:</b>				
Ad valorem	\$ 17,913,220	\$ 17,358,969	\$ 17,358,969	\$ 554,251
Penalty and interest	222,122	180,000	180,000	42,122
Beverage	310,536	230,000	230,000	80,536
Franchise	4,859,782	5,094,000	5,094,000	(234,218)
City sales	19,369,194	19,337,000	19,337,000	32,194
Bingo	222,237	191,000	191,000	31,237
Total taxes	<u>42,897,091</u>	<u>42,390,969</u>	<u>42,390,969</u>	<u>506,122</u>
<b>Licenses, permits and fees:</b>				
Building permits and inspections	730,882	550,000	550,000	180,882
Electrical permits and inspections	166,232	135,000	135,000	31,232
Plumbing permits and inspections	143,763	100,000	100,000	43,763
Miscellaneous licenses	182,971	170,800	170,800	12,171
Taxi operators licenses	3,755	2,500	2,500	1,255
Food handlers permits	19,650	17,000	17,000	2,650
Trailer court licenses	9,780	6,500	6,500	3,280
Building plans review	121,522	125,000	125,000	(3,478)
Mechanical inspections	60,434	57,000	57,000	3,434
Total licenses, permits and fees	<u>1,438,989</u>	<u>1,163,800</u>	<u>1,163,800</u>	<u>275,189</u>
<b>Intergovernmental:</b>				
Bell County contribution - ambulance service	2,707	3,400	3,400	(693)
Civil defense matching funds	-	19,094	19,094	(19,094)
Community assistance	755,324	909,015	987,533	(232,209)
Total intergovernmental	<u>758,031</u>	<u>931,509</u>	<u>1,010,027</u>	<u>(251,996)</u>
<b>Charges for Services:</b>				
Ambulance service fees	2,548,849	2,368,000	2,368,000	180,849
Miscellaneous police receipts	90,265	125,000	125,000	(34,735)
Planning and zoning fees	38,345	48,000	48,000	(9,655)
Cemetery lots	24,525	26,500	26,500	(1,975)
Golf course receipts	1,267,776	1,218,550	1,250,703	17,073
Recreation receipts	215,426	173,000	173,000	42,426
Library charges and contributions	48,501	37,500	37,500	11,001
Swimming pool receipts and lessons	37,979	35,834	35,834	2,145
Code enforcement	963	-	-	963
Code enforcement abatement	66,722	100,000	100,000	(33,278)
Total charges for services	<u>4,339,351</u>	<u>4,132,384</u>	<u>4,164,537</u>	<u>174,814</u>
<b>Fines:</b>				
Municipal court fines	1,706,177	1,534,097	1,534,097	172,080
Arrest fines	232,099	211,200	211,200	20,899
Parking fines	34,869	34,650	34,650	219
Court tax service fee	114,840	59,000	59,000	55,840
Total fines	<u>2,087,985</u>	<u>1,838,947</u>	<u>1,838,947</u>	<u>249,038</u>
<b>Miscellaneous:</b>				
Investment revenue	1,059,017	1,500,000	1,500,000	(440,983)
Miscellaneous receipts	295,564	352,500	352,500	(56,936)
Total Miscellaneous	<u>1,354,581</u>	<u>1,852,500</u>	<u>1,852,500</u>	<u>(497,919)</u>
Totals	<u>\$ 52,876,028</u>	<u>\$ 52,310,109</u>	<u>\$ 52,420,780</u>	<u>\$ 455,248</u>

**CITY OF KILLEEN, TEXAS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
General Government:				
City council	\$ 54,364	\$ 76,214	\$ 76,214	\$ 21,850
City manager	483,276	484,281	483,281	5
Emergency Mgmt/Homeland Security	151,525	154,075	154,075	2,550
City Auditor	72,708	77,421	78,421	5,713
Municipal court	776,955	950,704	950,704	173,749
Public information	133,849	148,571	148,571	14,722
City attorney	655,712	660,674	660,620	4,908
City secretary	96,022	96,313	96,367	345
Financial services	1,972,478	2,090,291	2,090,291	117,813
Human resources	679,056	731,649	731,649	52,593
Information systems	768,068	867,837	867,837	99,769
Non-departmental	5,915,356	5,855,322	5,936,285	20,929
Total General Government	<u>11,759,369</u>	<u>12,193,352</u>	<u>12,274,315</u>	<u>514,946</u>
Public Safety:				
Police	19,537,657	19,583,515	19,568,926	31,269
Animal control	407,718	405,209	433,039	25,321
Fire	13,608,975	13,378,441	13,432,266	(176,709)
Total Public Safety	<u>33,554,350</u>	<u>33,367,165</u>	<u>33,434,231</u>	<u>(120,119)</u>
Public Works:				
Public works	207,396	216,306	216,306	8,910
Traffic	767,431	790,913	780,020	12,589
Street	3,331,803	3,380,207	3,391,100	59,297
Engineering	240,961	264,481	264,481	23,520
Planning	537,910	552,663	552,663	14,753
Total Public Works	<u>5,085,501</u>	<u>5,204,570</u>	<u>5,204,570</u>	<u>119,069</u>
Community Services:				
Community development	386,047	396,717	396,717	10,670
Senior citizens	229,483	215,539	277,365	47,882
Library	1,396,618	1,390,846	1,404,593	7,975
Parks	2,311,900	2,534,268	2,580,948	269,048
Recreation	233,147	417,125	383,445	150,298
Athletics	275,965	369,830	351,830	75,865
Swimming pools	101,378	140,859	140,859	39,481
Golf course	1,527,384	1,536,430	1,568,900	41,516
Cemetery	306,783	319,274	319,274	12,491
Permits and inspections	1,060,703	1,030,140	1,061,034	331
Code enforcement	563,524	548,892	573,748	10,224
Volunteer services	130,622	140,232	140,232	9,610
Total Community Services	<u>8,523,554</u>	<u>9,040,152</u>	<u>9,198,945</u>	<u>675,391</u>
Totals	<u>\$ 58,922,774</u>	<u>\$ 59,805,239</u>	<u>\$ 60,112,061</u>	<u>\$ 1,189,287</u>





**STATISTICAL SECTION**



**CITY OF KILLEEN, TEXAS  
STATISTICAL SECTION  
(UNAUDITED)**

This part of the City of Killeen’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City’s overall financial health. This information has not been audited by the independent auditors.

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Financial Trends	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	152
Revenue Capacity	
These schedules contain information to help the reader assess the City’s significant local revenue sources, the property and sales tax.	164
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City’s currently outstanding debt and the City’s ability to issue additional debt in the future.	170
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	180
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information contained in the City’s financial report relates to the services the City provides and the activities it performs.	182

Sources: Unless otherwise noted, the information in these schedules is derived from the City’s comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003. Schedules presenting government-wide information include information beginning in that year.

TABLE I

**CITY OF KILLEEN, TEXAS  
NET ASSETS BY COMPONENT  
LAST SIX FISCAL YEARS**

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 6,925,605	\$ 6,214,132	\$ 72,121,732
Restricted for:			
Debt service	966,333	1,770,519	2,157,576
Capital projects	1,975,672	1,319,532	1,668,019
Unrestricted	3,461,394	2,351,308	5,428,656
Total governmental activities net assets	<u>\$ 13,329,004</u>	<u>\$ 11,655,491</u>	<u>\$ 81,375,983</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 74,670,451	\$ 103,780,206	\$ 122,964,598
Restricted for:			
Debt service	2,319,315	3,258,464	6,130,078
Capital projects	1,614,967	1,542,978	9,067,780
Unrestricted	22,632,162	23,524,097	16,045,497
Total business-type activities net assets	<u>\$ 101,236,895</u>	<u>\$ 132,105,745</u>	<u>\$ 154,207,953</u>
Primary government			
Invested in capital assets, net of related debt	\$ 81,596,056	\$ 109,994,338	\$ 195,086,330
Restricted for:			
Debt service	3,285,648	5,028,983	8,287,654
Capital projects	3,590,639	2,862,510	10,735,799
Unrestricted	26,093,556	25,875,405	21,474,153
Total primary government activities net assets	<u>\$ 114,565,899</u>	<u>\$ 143,761,236</u>	<u>\$ 235,583,936</u>

Note: The data in this table is abstracted from Exhibit A-1.

<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 66,757,690	\$ 47,388,909	\$ 71,779,033
2,294,404	2,806,680	4,259,342
2,848,184	24,355,131	4,331,523
<u>17,095,997</u>	<u>19,308,822</u>	<u>22,149,545</u>
<u>\$ 88,996,275</u>	<u>\$ 93,859,542</u>	<u>\$ 102,519,443</u>
\$ 146,389,308	\$ 153,152,207	\$ 179,366,423
8,246,358	6,277,051	6,466,505
3,836,414	-	-
<u>23,048,333</u>	<u>32,582,310</u>	<u>15,081,644</u>
<u>\$ 181,520,413</u>	<u>\$ 192,011,568</u>	<u>\$ 200,914,572</u>
\$ 213,146,998	\$ 200,541,116	\$ 251,145,456
10,540,762	9,083,731	10,725,847
6,684,598	24,355,131	4,331,523
<u>40,144,330</u>	<u>51,891,132</u>	<u>37,231,189</u>
<u>\$ 270,516,688</u>	<u>\$ 285,871,110</u>	<u>\$ 303,434,015</u>

**TABLE II**

**CITY OF KILLEEN, TEXAS  
CHANGES IN NET ASSETS  
LAST SIX FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
<b>Governmental activities:</b>				
General government	\$ 5,909,419	\$ 5,842,809	\$ 10,682,868	\$ 8,999,154
Police	12,417,928	13,089,343	13,832,604	16,409,733
Fire	8,088,627	8,486,901	8,821,118	10,237,310
Public works	4,163,846	4,243,173	8,196,856	7,981,922
Library	1,035,455	1,114,788	1,191,165	1,251,417
Parks and recreation	2,304,288	2,260,543	2,275,674	2,343,001
Golf	883,249	938,219	-	-
Permits and inspections	774,467	809,547	660,593	831,036
Community services	2,456,795	2,313,403	1,978,699	1,249,783
Code Enforcement	-	-	-	-
Miscellaneous	4,333,295	5,595,140	4,237,878	3,613,371
Interest in long-term debt	1,975,274	2,114,399	2,544,857	3,294,913
<b>Total governmental activities expenses</b>	<b>\$ 44,342,643</b>	<b>\$ 46,808,265</b>	<b>\$ 54,422,312</b>	<b>\$ 56,211,640</b>
<b>Business-type activities</b>				
Airport operations	\$ 1,788,231	\$ 2,411,035	\$ 4,882,236	\$ 5,433,754
Golf	-	-	1,217,555	1,300,493
Solid waste	6,833,500	7,273,485	7,485,257	9,235,406
Water and Sewer	14,083,204	14,492,967	17,984,565	20,050,177
Drainage Utility	332,238	286,990	430,436	526,775
<b>Total business-type activities expenses</b>	<b>23,037,173</b>	<b>24,464,477</b>	<b>32,000,049</b>	<b>36,546,605</b>
<b>Total primary government expenses</b>	<b>\$ 67,379,816</b>	<b>\$ 71,272,742</b>	<b>\$ 86,422,361</b>	<b>\$ 92,758,245</b>
<b>Program revenues</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	\$ 1,002,461	\$ 915,400	\$ 1,074,124	\$ 1,449,310
Police	784,946	783,196	608,374	615,623
Fire	1,591,157	1,421,718	1,702,125	1,703,377
Library	34,344	34,160	53,122	51,355
Parks and recreation	126,616	117,064	101,373	130,891
Golf course	930,207	609,103	-	-
Permits and inspections	911,366	1,041,730	1,226,994	1,673,018
Community services	781,583	605,946	523,335	541,789
Code Enforcement	-	-	-	-
Miscellaneous	214,465	285,150	384,367	596,207
Operating grants and contributions	1,128,958	1,517,458	2,433,893	1,743,344
Capital grants and contributions	21,138	201,616	154,573	5,230,912
<b>Total governmental activities program revenues</b>	<b>\$ 7,527,241</b>	<b>\$ 7,532,541</b>	<b>\$ 8,262,280</b>	<b>\$ 13,735,826</b>

	2007		2008
\$	13,059,352	\$	14,662,853
	18,035,487		20,397,809
	11,732,401		14,337,399
	8,835,018		8,982,754
	1,324,670		1,454,180
	2,602,046		3,016,481
	1,470,975		1,671,261
	1,402,169		1,116,316
	4,201,866		4,499,962
	-		566,497
	-		-
	3,526,706		5,229,662
\$	<u>66,190,690</u>	\$	<u>75,935,174</u>
\$	6,032,956	\$	6,945,205
	-		-
	9,923,685		11,119,731
	21,805,817		23,228,947
	1,354,988		1,792,628
	39,117,446		43,086,511
\$	<u>105,308,136</u>	\$	<u>119,021,685</u>
\$	1,845,447	\$	2,262,954
	240,764		466,590
	2,371,608		2,548,848
	41,944		48,501
	233,265		244,901
	1,084,479		1,267,776
	1,414,929		1,450,396
	-		33,029
	-		67,685
	-		-
	5,088,196		3,402,527
	4,293,671		6,400,992
\$	<u>16,614,303</u>	\$	<u>18,194,199</u>

TABLE II (CONT'D)

**CITY OF KILLEEN, TEXAS  
CHANGES IN NET ASSETS (CONTINUED)  
LAST SIX FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities-				
Charges for services:				
Airport operations	\$ 1,496,325	\$ 1,478,571	\$ 3,150,301	\$ 3,621,665
Golf	-	-	906,249	981,774
Solid waste	8,524,107	9,694,642	10,344,840	11,076,247
Water and sewer	21,960,301	20,742,089	31,422,147	27,036,300
Drainage utility	-	773,918	826,226	1,608,920
Operating grants and contributions	750,819	-	-	11,857
Capital grants and contributions	13,298,763	20,020,057	7,364,203	19,447,587
Total business-type activities				
program revenues	46,030,315	52,709,277	54,013,966	63,784,350
Total primary government				
program revenues	53,557,556	60,241,818	62,276,246	77,520,176
Net (expense)/revenue				
Governmental activities	(36,815,402)	(39,275,724)	(46,160,032)	(42,475,814)
Business-type activities	22,993,142	28,244,800	22,013,917	27,237,745
Total primary government net expense	\$ (13,822,260)	\$ (11,030,924)	\$ (24,146,115)	\$ (15,238,069)
General Revenues and Other Changes in				
Net Assets				
Governmental activities:				
Ad valorem taxes	\$ 15,389,541	\$ 17,195,320	\$ 18,238,325	\$ 20,427,442
Penalties and interest	150,039	150,943	173,518	172,446
Beverage taxes	144,208	163,675	183,734	188,977
Franchise taxes	4,114,950	3,933,838	4,231,604	4,739,736
City sales taxes	14,113,096	15,634,498	17,395,394	18,452,935
Bingo taxes	105,745	129,452	159,131	199,000
Unrestricted Investment Earnings	528,202	450,595	1,482,665	3,354,917
Gain on sale of capital assets	-	-	-	18,668
Transfers	2,869,788	(56,113)	1,293,046	2,541,985
Total governmental activities	37,415,569	37,602,208	43,157,417	50,096,106
Business -type activities:				
Investment earnings	465,098	379,710	1,368,837	2,568,478
Gain on sale of capital assets	5,052	8,953	12,500	48,222
Transfers	(2,869,788)	56,113	(1,293,046)	(2,541,985)
Total business-type activities	(2,399,638)	444,776	88,291	74,715
Total primary government	35,015,931	38,046,984	43,245,708	50,170,821
Changes in net assets:				
Governmental activities	600,167	(1,673,516)	(3,002,615)	7,620,293
Business-type activities	20,593,504	28,689,576	22,102,208	27,312,460
Total primary government	\$ 21,193,671	\$ 27,016,060	\$ 19,099,593	\$ 34,932,753



2007	2008
\$ 4,182,662	\$ 4,349,157
-	-
11,541,857	11,669,439
26,898,319	30,195,389
2,124,081	2,807,992
25,304	49,885
8,981,423	6,263,495
53,753,646	55,335,357
70,367,949	73,529,556
(49,576,387)	(57,740,975)
14,636,200	12,248,846
\$ (34,940,187)	\$ (45,492,129)
\$ 23,692,133	\$ 26,916,750
205,665	222,122
240,268	310,536
4,960,867	5,078,001
20,009,130	21,220,074
199,589	222,237
3,722,650	3,380,735
-	-
4,013,454	5,877,838
57,043,756	63,228,293
2,920,129	2,500,202
-	31,794
(4,013,454)	(5,877,838)
(1,093,325)	(3,345,842)
55,950,431	59,882,451
7,467,369	5,487,318
13,542,875	8,903,004
\$ 21,010,244	\$ 14,390,322

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**TABLE III**

**CITY OF KILLEEN, TEXAS  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Ad Valorem Taxes*</u>	<u>Penalty and Interest</u>	<u>City Sales Tax</u>	<u>Beverage Tax</u>	<u>Franchise Tax</u>	<u>Bingo</u>	<u>Total</u>
1999	\$ 8,020,570	\$ 70,698	\$ 10,110,528	\$ 98,218	\$ 3,016,639	\$ 93,685	\$ 21,410,338
2000	8,656,577	64,070	11,193,279	95,020	3,039,493	96,409	23,144,848
2001	10,930,055	98,057	12,042,130	122,288	3,761,451	96,891	27,050,872
2002	10,912,106	85,576	12,800,703	135,846	4,007,147	98,180	28,039,558
2003	11,643,486	150,039	13,321,622	144,208	4,114,949	105,742	29,480,046
2004	12,846,085	150,943	14,659,223	163,675	3,933,838	129,452	31,883,216
2005	13,702,865	173,518	16,240,984	183,734	4,231,603	159,132	34,691,836
2006	14,750,670	172,446	18,452,935	188,977	4,739,736	199,000	38,503,764
2007	23,692,133	205,665	20,009,130	240,268	4,960,867	199,589	49,307,652
2008	26,916,750	222,122	21,220,074	310,536	5,078,001	222,237	53,969,720

\*Includes General Fund tax revenues only for 1999-2006.

TABLE IV

**CITY OF KILLEEN, TEXAS**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST SIX FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved				
Encumbrances	\$ 306,008	\$ 528,803	\$ 1,194,710	\$ 930,956
Non-current portion of notes receivable	15,858	15,858	-	-
Inventories	433,794	485,253	291,166	282,285
Debt service	-	-	-	-
Capital Projects	-	-	-	-
Unreserved				
Designated	1,525,000	1,525,000	1,525,000	1,525,000
Undesignated	13,240,969	12,954,178	14,880,099	17,896,691
Total general fund	<u>\$ 15,521,629</u>	<u>\$ 15,509,092</u>	<u>\$ 17,890,975</u>	<u>\$ 20,634,932</u>
All other governmental funds-				
Reserved for-				
Encumbrances	\$ 164,417	\$ 337,535	\$ 465,248	\$ 133,860
Inventories	-	-	-	-
Debt service	966,333	1,770,519	2,157,576	2,294,404
Capital projects	13,744,301	5,261,012	24,509,045	39,978,725
Unreserved, reported in:				
Other governmental funds	-	-	1,045,638	1,753,412
Undesignated - special revenue	809,805	757,107	-	-
Total all other governmental funds	<u>\$ 15,684,856</u>	<u>\$ 8,126,173</u>	<u>\$ 28,177,507</u>	<u>\$ 44,160,401</u>

<u>2007</u>	<u>2008</u>
\$ 1,716,100	\$ 754,278
-	-
361,620	414,624
-	240,170
-	-
1,525,000	1,525,000
<u>18,186,697</u>	<u>21,177,858</u>
<u>\$ 21,789,417</u>	<u>\$ 24,111,930</u>

\$ 328,900	\$ 101,922
-	-
2,806,680	4,019,172
24,355,131	45,197,523
-	-
<u>1,976,662</u>	<u>2,976,016</u>
<u>\$ 29,467,373</u>	<u>\$ 52,294,633</u>

TABLE V

**CITY OF KILLEEN, TEXAS**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST SIX FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 33,942,040	\$ 37,236,747	\$ 40,374,681	\$ 44,209,826
Licenses and permits	911,366	1,041,730	1,226,994	1,673,018
Intergovernmental	1,150,096	1,719,074	2,544,806	1,808,426
Charges for services	3,296,013	2,787,143	2,478,713	2,896,794
Fines	723,143	894,038	1,036,688	1,346,557
Miscellaneous	1,725,039	1,347,704	2,542,252	4,573,737
Developer contribution	-	-	-	-
Total revenues	<u>41,747,697</u>	<u>45,026,436</u>	<u>50,204,134</u>	<u>56,508,358</u>
Expenditures:				
General government	5,545,415	5,467,205	6,366,296	7,568,283
Public safety	19,310,906	20,389,613	21,486,251	25,346,243
Public works	3,966,588	4,042,427	4,517,392	4,303,518
Community Services	6,507,274	6,469,184	5,196,402	4,704,721
Miscellaneous	4,210,902	4,706,548	5,690,519	4,851,202
Capital outlay	4,573,686	7,223,249	3,812,506	13,664,044
Debt service				
Bond issuance costs	90,533	-	120,732	-
Principal	2,453,488	2,842,567	2,907,350	3,066,407
Interest	1,835,077	2,154,860	2,531,840	3,167,191
Fiscal charges	16,515	18,559	18,677	19,089
Total expenditures	<u>48,510,384</u>	<u>53,314,212</u>	<u>52,647,965</u>	<u>66,690,698</u>
Excess of revenues over (under) expenditures	(6,762,687)	(8,287,776)	(2,443,831)	(10,182,340)
Other financing sources (uses):				
Issuance of debt	11,000,000	772,669	18,969,760	21,623,647
Bond issuance costs/premiums/discounts	212,000	-	-	(427,862)
Proceeds from fixed asset dispositions	-	-	-	18,668
Developer contributions	-	-	-	5,152,753
Transfers in	5,276,758	6,064,663	8,272,993	6,711,505
Transfers out	(2,406,970)	(6,120,776)	(2,940,146)	(4,169,520)
Total other financing sources (uses)	<u>14,081,788</u>	<u>716,556</u>	<u>24,302,607</u>	<u>28,909,191</u>
Net change in fund balances	<u>\$ 7,319,101</u>	<u>\$ (7,571,220)</u>	<u>\$ 21,858,776</u>	<u>\$ 18,726,851</u>
Debt service as a percentage of noncapital expenditures	9.8%	10.5%	11.5%	12.1%

	2007	2008
\$	49,259,941	\$ 53,937,806
	1,292,332	1,438,989
	5,088,196	3,023,159
	4,034,110	4,857,966
	1,845,447	2,644,196
	4,711,079	3,755,908
	3,305,484	5,888,521
	<u>69,536,589</u>	<u>75,546,545</u>
	6,656,910	7,096,970
	28,487,534	33,188,694
	4,881,644	5,100,406
	9,822,757	10,566,828
	4,652,358	5,468,436
	19,518,661	30,278,105
	-	-
	4,528,400	5,120,434
	3,507,615	4,795,150
	6,227	259,376
	<u>82,062,106</u>	<u>101,874,399</u>
	(12,525,517)	(26,327,854)
	-	42,868,775
	-	(441,569)
	-	-
	-	-
	6,056,081	7,294,703
	(2,042,627)	(1,416,865)
	<u>4,013,454</u>	<u>48,305,044</u>
\$	<u>(8,512,063)</u>	<u>\$ 21,977,190</u>
	13.1%	14.1%

**TABLE VI**

**CITY OF KILLEEN, TEXAS  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY  
 LAST TEN FISCAL YEARS**

Fiscal Year Ended	Taxable Assessed Value		Less: Tax Exempt Property	Total Taxable Assessed Valuation	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property					
1999	#####	\$215,150,121	\$246,974,810	\$ 1,600,366,220	0.5900	\$ 1,909,969,183	0.8379
2000	1,729,249,013	225,233,350	243,026,079	1,711,456,284	0.6000	2,150,290,929	0.7959
2001	1,807,057,844	265,860,903	245,112,171	1,827,806,576	0.6800	2,288,765,949	0.7986
2002	1,894,856,103	303,325,791	254,849,959	1,943,331,935	0.6800	2,458,816,286	0.7904
2003	2,014,916,592	315,247,673	286,553,517	2,043,610,748	0.6800	2,623,975,762	0.7788
2004	2,522,768,679	320,734,650	307,256,037	2,536,247,292	0.6990	2,854,692,140	0.8884
2005	2,660,558,752	350,370,677	320,635,274	2,690,294,155	0.6950	3,018,010,096	0.8914
2006	2,998,256,599	360,965,321	335,207,423	3,024,014,497	0.6950	3,395,819,417	0.8905
2007	3,492,613,445	362,828,152	350,942,363	3,504,499,234	0.6950	3,904,819,744	0.8975
2008	3,977,228,893	370,077,827	371,725,172	3,975,581,548	0.6950	4,370,335,828	0.9097



**TABLE VII**

**CITY OF KILLEEN, TEXAS  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>City of Killeen General Fund</u>	<u>City of Killeen Debt Service</u>	<u>Total City of Killeen</u>	<u>Bell County</u>	<u>Killeen ISD</u>	<u>Central Texas College</u>	<u>Total</u>
1999	1998	0.44062	0.14938	0.5900	0.3418	1.4580	0.1500	2.5398
2000	1999	0.46120	0.13880	0.6000	0.3657	1.4280	0.1490	2.5427
2001	2000	0.54540	0.13460	0.6800	0.3651	1.4280	0.1485	2.6216
2002	2001	0.51620	0.16380	0.6800	0.3651	1.4280	0.1485	2.6216
2003	2002	0.52110	0.17790	0.6800	0.3651	1.5223	0.1475	2.7149
2004	2003	0.52183	0.17317	0.6990	0.3650	1.5633	0.1475	2.7748
2005	2004	0.52183	0.17317	0.6950	0.3610	1.5583	0.1470	2.7613
2006	2005	0.50020	0.19480	0.6950	0.3760	1.5583	0.1460	2.7753
2007	2006	0.47625	0.21875	0.6950	0.3815	1.4191	0.1420	2.6376
2008	2007	0.46256	0.23244	0.6950	0.3795	1.1412	0.1420	2.3577

Note: Data presented is received from various government agencies.

**TAXABLE VIII**

**CITY OF KILLEEN, TEXAS  
PRINCIPAL PROPERTY TAXPAYERS  
LAST TEN FISCAL YEARS**

Name of Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Oncor Electric Delivery Co. LLC	\$ 39,367,706	1	0.82%			
Central Telephone Co.	27,276,420	2	0.57%	\$ 27,916,132	1	1.51%
Wal-Mart Real Estate	18,312,896	3	0.38%	5,751,440	8	0.31%
Killeen Mall, LLC	16,975,285	4	0.35%			
Watercrest Place LP	13,889,636	5	0.29%			
Sallie Mae, Inc.	12,766,527	6	0.27%			
TWE Advance/Newhouse	11,591,350	7	0.24%			
HEB Grocery Company, LP	10,816,431	8	0.22%			
Fiega/Sierra Creek, LP	10,575,017	9	0.22%	8,232,966	5	0.45%
WLC Brookside Apartments, LP	10,311,320	10	0.21%			
Texas Utilities Electric Company				25,039,349	2	1.36%
Student Loan Marketing Assoc.				19,564,706	3	1.06%
Southwest Shopping Center				12,370,898	4	0.67%
Lowe's Home Center, Inc.				7,063,089	6	0.38%
R.W. Associates				6,632,825	7	0.36%
Arbors of Killeen				5,746,692	9	0.31%
West River Oaks				5,700,002	10	0.31%
Subtotal	171,882,588		3.57%	124,018,099		6.71%
All other taxpayers	4,638,113,480		96.43%	1,723,322,931		93.29%
	<u>\$ 4,809,996,068</u>		<u>100.00%</u>	<u>\$1,847,341,030</u>		<u>100.00%</u>

Source: Bell County Tax Appraisal District

**TABLE IX**

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

Fiscal Year September 30	Total Tax Levy for Fiscal Year	Tax Levy	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years (1)	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1999	1998	\$ 10,899,318	\$ 10,700,911	98.18%	\$ 148,378	\$ 10,849,289	99.54%
2000	1999	11,506,682	11,221,484	97.52%	171,688	11,393,172	99.01%
2001	2000	14,095,851	13,541,305	96.07%	195,560	13,736,865	97.45%
2002	2001	14,947,638	14,370,546	96.14%	345,835	14,716,381	98.45%
2003	2002	15,845,119	15,045,984	94.96%	418,055	15,464,039	97.59%
2004	2003	17,728,368	16,959,606	95.66%	415,950	17,375,556	98.01%
2005	2004	18,697,545	17,957,697	96.04%	441,789	18,399,486	98.41%
2006	2005	21,016,898	20,179,257	96.01%	461,613	20,640,870	98.21%
2007	2006	24,348,127	23,386,242	96.05%	490,899	23,877,141	98.07%
2008	2007	27,630,290	26,697,567	96.62%	339,246	27,036,813	97.85%

(1) Information required by GASB #44 differs from information reported. Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available from the Bell County Tax Assessor's office.

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**TABLE X****CITY OF KILLEEN, TEXAS  
ADOPTED TAX RATE  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Assessed Valuation</u>	<u>Assessments Rate</u>	<u>Gross Tax Rate</u>
2008	2007	\$ 4,347,306,720	100%	0.6950
2007	2006	3,855,441,597	100%	0.6950
2006	2005	3,359,221,920	100%	0.6950
2005	2004	3,010,929,429	100%	0.6950
2004	2003	2,843,503,329	100%	0.6990
2003	2002	2,330,164,265	100%	0.6800
2002	2001	2,198,181,894	100%	0.6800
2001	2000	2,072,918,747	100%	0.6880
2000	1999	1,954,482,363	100%	0.6000
1999	1998	1,847,341,030	100%	0.5900

TABLE XI

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

Fiscal Year	Governmental Activities					Total Governmental Activities	General Obligation Bonds	Revenue Bonds
	General Obligation Bonds	Certificates of Obligation	Limited Tax Notes	Capital Lease Payable				
1999	\$ 16,363,800	\$ 5,000,000	\$ 345,000	\$ -	\$ 21,708,800	\$ 10,036,200	\$ 16,960,000	
2000	15,001,870	4,792,000	230,000	-	20,023,870	9,978,130	25,010,000	
2001	13,561,316	20,715,000	3,030,000	-	37,306,316	9,918,685	32,490,000	
2002	12,164,156	20,322,000	2,485,000	-	34,971,156	9,750,844	31,035,000	
2003	10,676,668	30,806,000	2,035,000	-	43,517,668	9,408,332	29,490,000	
2004	9,166,101	29,949,000	1,560,000	-	40,675,101	8,988,898	27,905,000	
2005	25,784,251	29,718,500	1,065,000	-	56,567,751	7,905,749	46,665,000	
2006	34,659,101	39,797,243	545,000	-	75,001,344	6,415,899	45,320,000	
2007	31,963,701	41,421,743	-	-	73,385,444	5,486,299	43,670,000	
2008	46,576,501	63,697,743	-	859,541	111,133,785	4,523,499	63,105,000	

**TABLE XI (CONT'D)**

Certificates of Obligation	Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Notes Payable	Limited Tax Notes	Total Business -Type Activities			
\$ 2,080,000	\$ 81,469	\$ -	\$ 29,157,669	\$ 50,866,469	0.72%	\$ 602.06
1,653,000	69,605	1,200,000	37,910,735	57,934,605	0.78%	666.60
298,000	12,502	200,000	42,919,187	80,225,503	1.03%	923.08
1,053,000	44,336	800,000	42,683,180	77,654,336	0.95%	769.04
829,000	30,900	600,000	40,358,232	83,875,900	0.96%	830.65
556,000	16,758	300,000	37,766,656	78,441,757	0.84%	760.02
3,406,500	-	-	57,977,249	114,545,000	1.13%	1,109.82
19,702,757	-	-	71,438,656	146,440,000	1.26%	1,418.85
16,203,257	-	-	65,359,556	138,745,000	1.08%	1,344.30
15,602,257	-	-	83,230,756	194,364,541	*	1,728.70

\* Personal income information is unavailable

**TABLE XII**

**CITY OF KILLEEN, TEXAS  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1999	\$ 26,400,000	\$ 2,687,970	\$ 23,712,030	1.24%	\$ 281
2000	24,980,000	2,692,560	22,287,440	1.04%	256
2001	23,480,001	2,681,170	20,798,831	0.91%	239
2002	21,915,000	2,871,930	19,043,070	0.77%	189
2003	20,085,000	1,929,999	18,155,001	0.69%	180
2004	18,154,999	2,405,000	15,749,999	0.55%	153
2005	33,690,000	2,575,000	31,115,000	1.03%	301
2006	41,075,000	3,625,000	37,450,000	1.10%	363
2007	37,450,000	3,775,000	33,675,000	0.86%	326
2008	51,100,000	3,910,000	47,190,000	1.08%	420



**TABLE XIII**

**CITY OF KILLEEN, TEXAS  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 SEPTEMBER 30, 2008**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Bell County	\$ 131,625,000	28.24%	\$ 37,170,900
Killeen Independent School District	135,050,000	77.93%	<u>105,244,465</u>
Subtotal, overlapping debt			142,415,365
City of Killeen			<u>194,364,541</u>
Total direct and overlapping debt			<u><u>\$ 336,779,906</u></u>

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**TABLE XIV**

**CITY OF KILLEEN, TEXAS  
REVENUE BOND COVERAGE – WATER AND SEWER FUND  
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue	Operating Expenses *	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1999	\$ 14,265,369	\$ 9,379,923	\$ 4,885,446	\$ 1,151,000	\$ 1,488,140	\$ 2,639,140	1.85
2000	16,718,385	9,975,415	6,742,970	1,130,000	1,889,759	3,019,759	2.23
2001	17,914,851	11,338,927	6,575,924	1,220,000	1,461,947	2,681,947	2.45
2002	21,111,946	11,365,701	9,746,245	1,455,000	1,828,221	3,283,221	2.97
2003	21,960,302	11,135,352	10,824,950	1,545,000	1,669,701	3,214,701	3.37
2004	20,742,089	11,431,228	9,310,861	1,585,000	1,582,452	3,167,452	2.94
2005	24,775,090	14,616,805	10,158,285	1,440,000	1,492,576	2,932,576	3.46
2006	27,036,300	15,531,689	11,504,611	1,490,000	2,349,391	3,839,391	3.00
2007	26,898,319	16,935,527	9,962,792	1,730,000	2,035,991	3,765,991	2.65
2008	30,195,389	17,735,554	12,459,835	2,715,000	2,881,361	5,596,361	2.23

Source: Finance Department, City of Killeen

\* Total operating expense less depreciation

**TABLE XV**

**CITY OF KILLEEN, TEXAS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
LAST TEN FISCAL YEARS**

Fiscal Year	City of Killeen			Overlapping Bell County		
	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen
1999	\$ 20,923,223	100.00%	\$ 20,923,223	\$ 26,114,931	28.24%	\$ 7,374,857
2000	19,266,145	100.00%	19,266,145	24,813,368	28.24%	7,007,295
2001	36,557,433	100.00%	36,557,433	31,540,000	28.24%	8,906,896
2002	77,610,000	100.00%	77,610,000	29,220,000	28.24%	8,251,728
2003	83,845,000	100.00%	83,845,000	27,805,000	28.24%	7,852,132
2004	78,424,999	100.00%	78,424,999	52,030,000	28.24%	14,693,272
2005	114,545,000	100.00%	114,545,000	53,735,000	28.24%	15,174,764
2006	146,440,000	100.00%	146,440,000	98,050,000	28.24%	27,689,320
2007	138,745,000	100.00%	138,745,000	99,855,000	28.24%	28,199,052
2008	194,364,541	100.00%	194,364,541	131,625,000	28.24%	37,170,900

Source: Bell County Appraisal District and City of Killeen Finance Department

**TABLE XV (CONT'D)**

Killeen Independent School District			Central Texas College			Total Amount Applicable to Killeen
Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	
\$ 99,905,097	77.93%	\$77,856,042	\$ 19,862,000	67.16%	\$13,339,319	\$ 119,493,441
94,356,468	77.93%	73,531,996	13,335,793	67.16%	8,956,319	108,761,754
89,325,258	77.93%	69,611,174	13,666,620	67.16%	9,178,502	124,254,005
84,219,990	77.93%	65,632,638	14,000,000	67.16%	9,402,400	160,896,766
179,795,938	77.93%	140,114,974	12,260,000	67.16%	8,233,816	240,045,922
172,941,739	77.93%	134,773,497	10,440,000	67.16%	7,011,504	234,903,272
167,140,974	77.93%	130,252,961	8,530,000	67.16%	5,728,748	265,701,473
158,793,665	77.93%	123,747,903	6,530,000	67.16%	4,385,548	302,262,771
144,650,000	77.93%	112,725,745	4,445,000	67.16%	2,388,210	282,058,007
135,050,000	77.93%	105,244,465	-	67.16%	-	336,779,906

**TABLE XVI**

**CITY OF KILLEEN, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assessed Value, Tax Roll	\$ 3,975,581,548	\$ 3,504,499,234	\$ 3,024,014,497	\$ 2,690,294,155
	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
Legal Debt Limit	<u>\$ 99,389,539</u>	<u>\$ 87,612,481</u>	<u>\$ 75,600,362</u>	<u>\$ 67,257,354</u>
Actual amount expended for General Obligation Debt Service During the Year	\$ 9,915,584	\$ 8,036,015	\$ 6,252,687	\$ 5,457,867

Source: Bell County Appraisal District and Finance Department, City of Killeen

**TABLE XVI (CONT'D)**

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ 2,536,247,292	\$ 2,330,164,265	\$ 2,198,181,894	\$ 2,072,918,747	\$ 1,954,482,363	\$ 1,847,341,030
<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
<u>\$ 63,406,182</u>	<u>\$ 58,254,107</u>	<u>\$ 54,954,547</u>	<u>\$ 51,822,969</u>	<u>\$ 48,862,059</u>	<u>\$ 46,183,526</u>
\$ 5,015,986	\$ 4,305,080	\$ 4,294,849	\$ 3,696,459	\$ 2,811,846	\$ 2,705,630

TABLE XVII

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

Fiscal Year	City of Killeen Population (a)	Killeen-Temple Fort Hood Metropolitan Statistical Area Population (b)	Personal Income (amounts expressed in thousands) (b)	Per Capita Personal Income	Unemployment Rates (c)
1999	84,488	305,150	\$ 7,048,167	\$ 22,873	3.3%
2000	86,911	312,952	7,458,649	23,833	4.7
2001	86,911	315,281	7,782,476	24,684	5.5
2002	100,976	319,346	8,208,370	25,704	6.1
2003	100,976	324,649	8,739,875	26,921	6.7
2004	103,210	325,398	9,321,254	28,646	5.6
2005	103,210	341,797	10,162,000	29,731	5.3
2006	103,210	357,580	11,648,344	32,575	5.8
2007	103,210	370,008	12,845,443	34,717	4.7
2008	112,434	*	*	*	5.7

## Notes:

Information above is for the Killeen-Temple-Fort Hood Metropolitan Statistical Area.

Sources: (a) U. S. Census Bureau.

(b) U. S. Department of Commerce, Bureau of Economic Analysis.

(c) U. S. Department of Labor, Bureau of Labor Statistics.

\* Information is unavailable.



**TABLE XVIII**

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

Name of Employer	2008			1999		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Fort Hood (includes civilians and soldiers)	58,187	1	68.40%	50,808	1	83.90%
Killeen ISD	6,000	2	7.05%	4,042	2	6.67%
Central Texas College	1,360	3	1.60%	1,374	3	2.27%
Metroplex Hospital	1,300	4	1.53%	874	4	1.44%
Fort Hood Exchange	1,218	5	1.43%			
City of Killeen	1,100	6	1.29%	694	6	1.15%
First National Bank	1,000	7	1.18%			
Sallie Mae	936	8	1.10%	625	7	1.03%
Killeen Mall	800	9	0.94%	800	5	1.32%
Wal-Mart	650	10	0.76%			
AT&T American Transtech				500	8	0.83%
HEB				435	9	0.72%
West Telemarketing				405	10	0.67%
Subtotal	72,551		85.28%	60,557		100.00%
All other employers	12,518		14.72%	*		N/A
Total employment	<u>85,069</u>		<u>100.00%</u>	<u>60,557</u>		<u>100.00%</u>

Source: Greater Killeen Chamber of Commerce

\* Information not available

**TABLE XIX**

**CITY OF KILLEEN, TEXAS  
FULL TIME AND REGULAR PART-TIME EMPLOYEES BY FUNCTION  
FOR THE LAST TEN YEARS**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>General Fund</b>										
City Manager	3	3	3	3	3	3	3	3	3	4
Emergency Management & Homeland Security	0	0	0	0	0	0	0	0	1	1
Internal Audit	0	0	0	0	0	0	0	0	0	1
Municipal Court	15	17	18	18	20	19	19	19	23	23
Public Information	1	1	1	1	1	1	1	2	2	2.5
Killeen Volunteer Services	3	3	3	3	3	3	3	3	3	3
City Attorney	5	5	6	6	6	6	7	7	7	7
City Secretary	1	1	1	1	1	1	1	1	1	1
Finance	4	4	4	5	5	5	6	6	6	6
Accounting	6	6	6	6	7	7	7	7	7	7
Purchasing	5	5	3	3	4	4	4	5	5	5
Building Services	2	2	2	2	2	2	2	3	3	3
Custodial Services	8	6	8	8	8	8	8	8	9	10
Printing Services	0	0	2	2	2	2	2	2	2	2
EMS Billing & Collections	3	3	3	3	5	5	5	5	5	5
Human Resources	6	6	6	6	8	8	8	10	10	11
Information Technology	6	9	10	10	10	10	10	12	12	13
Permits & Inspections	12	14	14	13	11	11	12	14	16	16
Code Enforcement	0	0	0	0	4	7	7	8	8	8
Library Services	14	18	21	21	31	30	30	30	31	32
Golf Course	11	11	12	12	12	12	13	17	18	18
Golf Course Food & Beverage	0	0	0	0	0	0	0	0	5	5
Community Center Operations	0	0	0	0	0	0	0	0	0	6
Parks	25	25	29	31	31	31	31	31	37	33
Lions Club Park	0	0	0	0	0	0	0	0	0	14
Recreation	6	3	3	3	3	3	3	3	3	6
Athletics	0	3	3	3	3	3	3	3	4	3
Cemetery	6	6	6	6	6	6	6	6	6	6
Senior Citizens	2	2	2	2	3	3	3	3	3	5
Community Development	5	6	6	5	4	4	4	4	4	4
Downtown Revitalization	0	0	0	0	0	0	0	0	0	1
Home Program	2	2	2	2	2	2	2	2	1.5	1
Public Works	2	2	2	2	2	2	2	2	2	2
Engineering	2	2	2	4	4	2	2	2	2	2
Traffic	7	8	8	10	10	10	10	10	10	10
Street	32	31	31	35	35	35	35	39	39	43
Planning	5	5	6	6	6	6	7	8	9	9
Police	194	198	198	204	211	214	230	249	263	286
Animal Control	7	8	8	8	8	8	8	8	8	9
Fire	123	123	121	124	128	128	137	143	152	194
<b>Total General Fund</b>	<b>523</b>	<b>538</b>	<b>550</b>	<b>568</b>	<b>599</b>	<b>601</b>	<b>631</b>	<b>675</b>	<b>720.5</b>	<b>817.5</b>
<b>Killeen-Fort Hood</b>										
Regional Airport										
Killeen-Fort Hood										
Regional Airport	0	1	2	3	4	14	37.5	37.5	40	41
<b>Total Killeen-Fort Hood</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>14</b>	<b>37.5</b>	<b>37.5</b>	<b>40</b>	<b>41</b>
Regional Airport Fund	0	1	2	3	4	14	37.5	37.5	40	41
<b>Skylark Field</b>										
Skylark Field	11	11	11	17	20	20	5.5	5.5	4	4
<b>Total Skylark Field Fund</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>17</b>	<b>20</b>	<b>20</b>	<b>5.5</b>	<b>5.5</b>	<b>4</b>	<b>4</b>

TABLE XIX (CONT'D)

**CITY OF KILLEEN, TEXAS**  
**FULL TIME AND REGULAR PART-TIME EMPLOYEES BY FUNCTION**  
**FOR THE LAST TEN YEARS**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Solid Waste</b>										
Code Enforcement	0	0	0	0	1	1	1	0	0	0
Custodial	0	0	0	0	0	0	0	0	1	1
Residential Services	29	23	22	26	32	35	35	38	38	40
Commercial Services	15	16	16	17	18	19	19	19	20	21
Recycle Services	2	2	3	3	4	7	7	7	7	7
Transfer Station	9	9	10	10	10	11	11	11	13	13
Mowing	0	0	0	0	0	0	0	11	11	19
Total Solid Waste Fund	55	50	51	56	65	73	73	86	90	101
<b>Water and Sewer</b>										
Fleet Services	19	20	20	19	19	19	19	19	22	23
Utility Collections	24	26	27	28	29	30	30	32	34	35
GIS	0	0	0	0	2	2	2	3	3	4
Water Distribtuion	12	12	12	12	15	15	15	15	15	19
Sanitary Sewer	11	11	11	11	11	11	11	13	13	13
Water and Sewer Operations	15	18	19	17	18	20	20	24	20	24
Engineering	0	0	0	0	0	0	0	0	8	9
Total Water and Sewer Fund	81	87	89	87	94	97	97	106	115	127
<b>Drainage Utility Fund</b>										
Engineering	0	0	0	1	3	3	3	9	3	3
Maintenance	0	0	0	0	0	0	0	0	12	21
Total Drainage Utility Fund	0	0	0	1	3	3	3	9	15	24
<b>Special Revenue Fund</b>										
Cablesystem PEG	0	0	0	0	1	1	1	0	1.5	1.5
Civic and Conference Center	0	0	0	6	17	15	16	15	14	14
Community Development										
Block Grant	0	0	0	0	6	4	4	4	4	4
Home Program	0	0	0	0	1	1	1	1	0.5	1
Total Special Revenue Fund	0	0	0	6	25	21	22	20	20	20.5
<b>Capital Improvement</b>										
Bond Construction	8	8	6	5	5	5	5	0	0	0
Total Capital Improvement Fund	8	8	6	5	5	5	5	0	0	0
Total all funds	678	695	709	743	815	834	874	939	1005	1135

**CITY OF KILLEEN, TEXAS  
WATERWORKS SYSTEM  
SEPTEMBER 30, 2008**

**WATER USAGE OF THE LAST TEN YEARS (IN MILLION OF GALLONS)**

Fiscal Year	Peak Day Usage	Average Day Usage	Total Usage
1999	*	*	*
2000	18.26	10.59	3882
2001	18.38	11.05	4040
2002	19.26	12.06	4405
2003	21.12	12.30	4495
2004	16.75	11.07	4069
2005	21.17	11.48	4194
2006	22.31	12.99	4747
2007	18.72	11.99	4378
2008	23.37	11.64	4247

\* 1999 Data not available

**TEN LARGEST WATERS CUSTOMERS (IN THOUSANDS OF GALLONS)**

Cusomter	Annual Water Usage	Annual Amount Billed	% of Total Water Usage
Metroplex Hospital	24,413,200	\$ 70,465	0.0057%
West Bell Water Supply	21,637,300	45,951	0.0051%
TGFT Enterprises, Inc.	15,664,900	45,898	0.0037%
CTC	15,319,500	76,155	0.0036%
Stone Hill Apartments	14,435,400	40,569	0.0034%
KISD - Ellison High School	14,056,700	35,756	0.0033%
Goode & Goodnight	13,209,600	37,137	0.0031%
Elm Grove Mobile Home	13,058,300	37,332	0.0031%
JOQ/Allora Way Ltd	12,620,500	36,106	0.0030%
Goodnht & Goode	10,357,300	29,151	0.0024%

Note: Percent of total consumption based on 4,246,584,000 gallons annual consumption.

**CITY OF KILLEEN, TEXAS  
WATERWORKS SYSTEM  
SEPTEMBER 30, 2008**

**MONTHLY WATER RATES (EFFECTIVE 10/1/06)**

The following rates apply to all classes of users inside the city limits.

0 to 2,000 gallons based on meter size:		
	Residential and Multi-Family	Commercial
5/8" and 3/4"	10.30	10.71
1"	11.51	11.98
1-1/2"	14.52	15.10
2"	18.13	18.86
3"	26.58	27.64
4"	38.65	40.20
6"	69.69	72.48
8"	104.95	109.26
10"	147.17	153.06
<b>Residential</b>		<b>Commercial</b>
2,001 -25,000 gals	2.80/1,000	All over 2,000 gallons 2.91/1,000
Over 25,000 gals	3.34/1,000	All over 2,000 gallons 2.80/1,000 Multi-Family & MHP

Water rates for outside the city limites are double the water rates for users inside the city limits.

**TEN LARGEST WASTEWATER CUSTOMERS (MGD)**

Customer	Annual Water Usage	Annual Amount Billed
Central Texas College	45,827,500	\$ 117,842
Metroplex Hospital	28,239,300	81,010
TGFT Enterprises, Inc.	15,664,900	45,901
CTC	15,319,500	74,891
Stone Hill Apartments	14,435,400	42,304
Goode & Goodnight	13,209,600	38,719
Elm Grove Mobile Home	13,058,300	54,628
JOQ/Allora Way, Ltd.	12,620,500	36,996
Goodnight Goode	10,357,300	30,376
Shilo Inns, Killeen, Inc.	7,522,200	20,344

**CITY OF KILLEEN, TEXAS  
MISCELLANEOUS STATISTICS  
SEPTEMBER 30, 2008**

Date of Incorporation	1882	<b>Public Works</b>			
Date of Charter	1949	Paved Streets		503 miles	
Legal Form of Government Home - Rule Municipal Corp.		Unpaved Streets		1 mile	
Management Form of Government		Arterial Streets (State)		30.10 miles	
Countil-Manager		Storm Water Piping		150,000 linear ft	
Area in Square Miles	54.69	Open Channels		150 miles	
		Curb and Gutter		600 miles	
		Signalized Intersections		87	
		Street lights		3,941	
<b>Airport</b>					
Number of Airports	2				
Number of Acres	289	<b>Wastewater Systems</b>			
Number of Airlines	3	Sanitary Sewer Mains		511.86 miles	
Passengers Enplaning	196,349	Sewer Connections		36,520	
Deplaning	195,383	Sewer Treatment Plane is Activated Sludge			
			Plant 1	Plant 2	Plant 3
<b>Fire Protection</b>		Max Capacity	15 MGI	6 MGD	6 MGD
Number of Fire Stations	8				
Fire Aparatus	17	<b>Water System</b>			
Number of Fire Hydrants	3,431	Average Daily Consumption		13,356,000 gpd	
Number of Fireman	191	Rated Daily Capacity		29,500,000 gpd	
Number of Fire Runs	5,350	Water Mains		677.32 miles	
Number of Paramedic Runs	12,310	Water Connections		38,503	
EMS Units	12	Max System Daily Capacity (Killeen)		29,500,000 gal	
<b>Libraries</b>		Residential water rates			
Number of Libraries	2	0 to 2,000 gallons (5/8" to 3/4" meter)	\$	10.30	
Number of Volumes	105,221	2,001 to 25,000 gallons, per 1,000 gallon	\$	2.80	
Circulating of Volumes	322,953	Over 25,000 gallons, per 1,000 gallons	\$	3.34	
Library cards in force	26,969				
Public Computer Sessions	90,700	Commercial water rates			
		0 to 2,000 gallons (5/8" to 3/4" meter)	\$	10.71	
		Over 2,000 gallons, per 1,000 gallons	\$	2.91	
<b>Parks and Recreation</b>					
Number of Parks	19	Facilites no included in the Reporting Entity:			
Playgrounds	22				
Municipal Golf courses	1	<b>Education*</b>			
Swimming Pools	2	Number of Elementary Schools		30	
Tennis Courts	9	Number of Middle Schools		12	
Recreation Centers	1	Number of High Schools		4	
Baseball/Softball Fields	14				
Senior Center	2	Number of Community Colleges		1	
		Number of Universities		1	
<b>Police Protection</b>					
Number of Facilities	4				
Number of Commissioned Police Officers	225	* Schools include all campuses in the Killeen Independent School District.			
Number of Employees-Other	72				

