

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**CITY OF KILLEEN, TEXAS**

**ISSUED BY:  
CITY OF KILLEEN FINANCE DEPARTMENT**

**CONNIE J. GREEN, CPA, CGFM  
ASSISTANT CITY MANAGER/DIRECTOR OF FINANCE**

CITY OF KILLEEN, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

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January 7, 2005

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, 2004 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 Lott, Vernon and Company, 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, 2004, 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, 2004, are fairly presented in conformity with GAAP. The independent auditor's 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 36.17 square miles. Major metropolitan areas are easily accessible - 60 miles to Waco, 75 miles to Austin, 150 miles to San Antonio, 162 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 2004 population of 103,210. 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 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 853 hospital beds within 20 miles. Killeen is served by Metroplex Hospital, which provides 213 beds, a 7-bed intensive care unit, a 30 bassinet nursery, a full-range pathological laboratory, a licensed pharmacy, full-service radiology and a 24-hour physician-staffed emergency room. The recent addition of a new Imaging X-ray Center equips Metroplex Hospital with some of the latest diagnostic capabilities. 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 Scott and White Killeen Clinic recently doubled in size and accommodates 10 Family Medicine physicians, 3 pediatricians, and 2 physicians assistants. They offer referral service to specialists in their 375-bed, regional hospital 25 miles away. The military community is served by the 265-bed Darnall Army Hospital and the satellite clinics.

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 32,651. KISD employs over 5,000 teachers and support personnel to serve the District's 47 campuses. KISD serves as the area's second largest employer. Students attend classes at twenty-nine elementary schools (Pre-K-5), eleven middle schools (6-8), four high schools (9-12), two alternative centers, and one vocational school. Besides the 47 regular schools and several specialized campuses, the District utilizes more than 198 portable classrooms, which provide approximately 200 potential classrooms. Central Texas College and Tarleton State University System center, 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. Killeen boasts a spacious, beautiful mall of about 700,000 square feet. Over 135 service clubs, associations, and organizations may be found within the community. The Killeen community has approximately 90 churches representing over 20 different religious denominations. There are several neighborhood parks and recreational centers. In addition, the community has two bowling alleys, six physical fitness centers, two skating rinks, and one auto racetrack. Golf enthusiasts can enjoy a challenging and beautiful 18-hole, 7,200-yard municipal golf course. Those who prefer water sports can engage in fishing, boating, water skiing, or sailing at either Belton Lake or Stillhouse Hollow Lake. 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 recently opened. The 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.

The council is elected on an at-large basis. 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 must reside in their respective ward, although voting for these seats is at-large. The mayor and three remaining council members are elected at-large.



The City of Killeen currently enjoys a favorable economic environment and local indicators point to continued stability. The City's economy is primarily service-oriented, combined with Fort Hood. Fort Hood is the largest armored military installation in the nation. The post is located adjacent to the City of Killeen and covers an area of 340 square miles (217,337 acres). Established in 1942, Fort Hood is home to the III Mobile Armored Corps. Fort Hood is the only post in the United States capable of stationing and training two armored divisions. Fort Hood is the "the Army's premier installation to train and deploy heavy forces." Fort Hood is the largest single location employer in the State of Texas. Currently there are 45,777 military personnel and 3,187 civilians working on the post. Fort Hood has a direct economic impact on the local area of \$2.1 billion (payroll, contracts, local purchases and school aid). It is estimated that the total economic impact of Fort Hood on the local area is \$3.9 billion dollars. With Fort Hood as the cornerstone, the Killeen economy has been the fastest growing segment of the I-35 Texas technology corridor.

Economic activity continued to show strong growth during 2004. For the eleventh consecutive year, building permits issued exceeded \$100 million dollars. Total permits issued in FY 2004 total \$205,868,115.

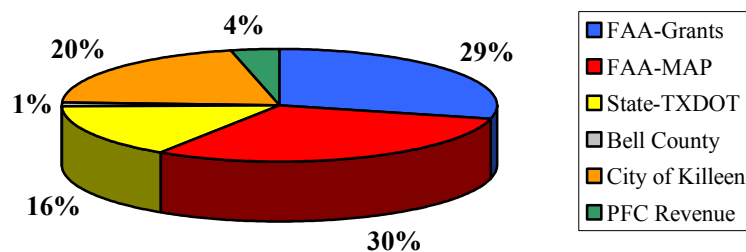
**MAJOR INITIATIVES**

For the Year. Several major initiatives were accomplished during the year which addressed the needs of the community.

JOINT USE OF ROBERT GRAY ARMY AIRFIELD

The Joint Use of the Robert Gray Army Airfield Project continues to rank at the top of our priority list. The airport is served by two airlines and over the last four years enplanements in Killeen have increased above the national average. Passenger growth is expected to increase from the current 108,638 enplanements per year to over 200,000 by the year 2010. Attractive features of Robert Gray Army Airfield include a 10,000 foot runway, control tower, and many other benefits that would allow for unlimited aviation growth. The joint use project is an intermodal transportation project involving both airport and highway work. The project involved building a new airline terminal building, parking lots and associated aviation facilities and improvements to the highway network accessing the site. The cost of the Joint Use at Robert Gray Army Airfield was \$83 million. Most of these dollars, approximately \$70 million, came from Federal and State resources. In addition to Federal and State funding, the City of Killeen and other local agencies also paid a share of the project costs.

**FUNDING SOURCES FOR JOINT-USE AIRPORT  
\$83 MILLION**



**DEPARTMENT FOCUS**

## DEPARTMENT FOCUS

Each year the government focuses attention on departmental efforts and accomplishments. This year, the Public Library Division has been selected for this purpose. The mission of the Public Library is to stimulate and support lifelong learning, to provide general information services that meet user's needs; to maintain materials of current interest; to promote basic literacy; to encourage cultural awareness; and to seek and preserve local history.

### PROGRAM DESCRIPTIONS:

The Library Services Division provides all basic library services, such as circulation of materials, story times, reading clubs and reference help. The Library also offers free Internet access to the public, a very popular program that is in very high demand. Service to the City's two skilled care facilities/nursing homes is also provided by the Library Services Division.

The branch library has completed its third full year of operations. The popularity of the branch library continues to increase, and the demand for more open hours was met when the branch added Thursdays and Fridays to its schedule. A strong collection of materials for children and teens plus a computer lab with public Internet access make the branch library a popular spot in south Killeen.

### ACCOMPLISHMENTS:

- Outsourced 85% of the cataloging and processing tasks and eliminated two positions in a budgetary move to save \$68,539.00.
- Increased Internet terminals available for public use from 3 to 12 at the Main Library.
- Added more story times to accommodate growing crowds of children.
- Added six additional public Internet access terminals, bringing the total of available access points at the Branch Library to 15.

### ISSUES AND SERVICES:

- Demand for public Internet access is exceeding our available resources. Additional bandwidth is necessary in order to improve connection speed and to handle the heavy usage.
- Usage of the basic library services has grown rapidly over the past three years, outpacing library funding for new materials and staffing.
- Even with 15 terminals, the Branch Library often has a waiting list for the Internet terminals. Additional bandwidth needs to be added, though, before more users can be added to the Internet.
- Keeping the Branch Library connected to the Main Library during periods when the City's network is unavailable is a critical issue that must be addressed. Each time the City's network is down, the Branch Library loses all connectivity to the library automation system and to the Internet, severely hampering the service to our patrons.

### KEY OBJECTIVES:

**Objective #1** Offer a dynamic library collection that meets patron's needs and expectations by providing high-interest materials and high quality reference assistance.

	<b>Actual</b> <b><u>2002-03</u></b>	<b>Budget</b> <b><u>2003-04</u></b>	<b>Estimated</b> <b><u>2003-04</u></b>	<b>Adopted</b> <b><u>2004-05</u></b>
New Card Holders	9,092	9,750	8,040	8,150
Items Circulated	282,715	292,500	265,000	270,000

#### 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, 2003. This was the fourteenth 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 CAFR, which must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This Certificate of Achievement is awarded on a yearly basis. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting this year's CAFR to the GFOA to determine its eligibility for another Certificate of Achievement.

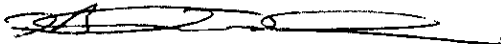
The City of Killeen received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2003 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and expect to receive this award for the fiscal year beginning October 1, 2004.

The preparation of this report could not have been accomplished without the efficient and dedicated services of 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,

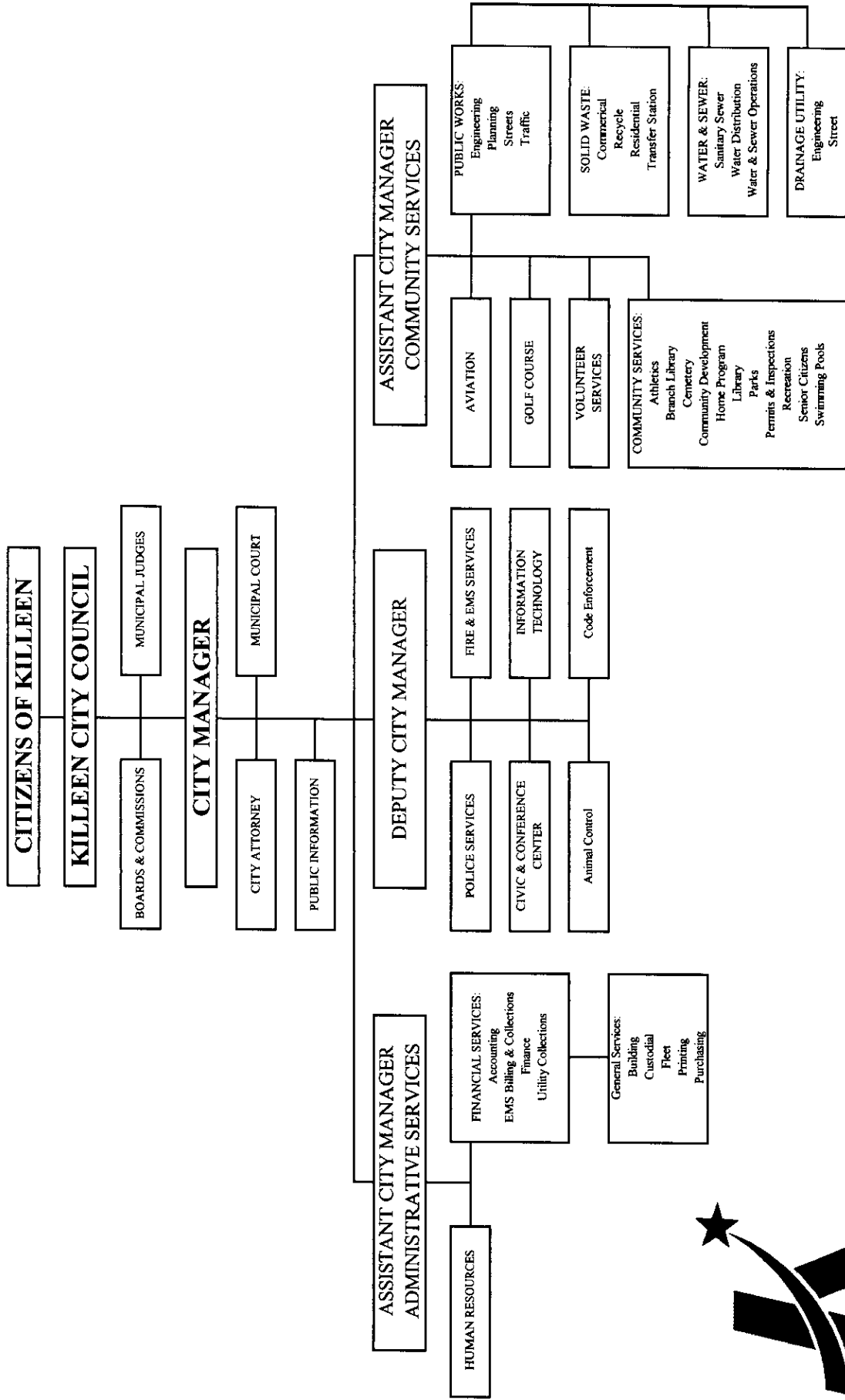


Connie J. Green, CPA, CGFM  
Assistant City Manager  
Chief Financial Officer



David A. Blackburn  
City Manager  
Chief Executive Officer

# CITY OF KILLEEN ORGANIZATIONAL STRUCTURE



*"The City Without Limits"*

**CITY OF KILLEEN  
PRINCIPAL CITY OFFICIALS  
SEPTEMBER 30, 2004**

Mayor	Maureen J. Jouett
Mayor Pro Tem – At Large	Timothy Hancock
Councilman – Ward 1	Dan Corbin
Councilman – At Large	Scott Cosper
Councilman-Ward 3	Fred Latham
Councilman-At Large	Eddie Vale
Councilman – Ward 4	Ernest L. Wilkerson
Councilwoman – Ward 2	Dick Young
City Manager	David Blackburn
Deputy City Manager	Dave Hall
Assistant City Manager/Director of Community Services	William S. Doss
Assistant City Manager/Director of Finance	Connie J. Green
Presiding Municipal Judge	Barbara Weaver
Chief of Police	Dennis M. Baldwin
City Attorney	Kathryn H. Davis
City Secretary	Paula Miller
Director of Aviation	Don Christian
Director of Community Development	Leslie Hinkle
Director of Convention & Visitor’s Bureau	Connie Kuehl
Director of General Services	Barbara Gonzales
Director of Human Resources	Debbie Maynor
Director of Information Technology	Kevin Gunn
Director of Library Services	Deanna Frazee
Director of Parks and Recreation	Glenn Morrison
Director of Planning	Thomas Dann
Director of Public Information	Hilary Shine
Director of Public Works	Bruce Butscher
Director of Solid Waste	Wayne McBride
Director of Street Services	John Koester
Director of Utility Services	Lee Kelley
Director of Volunteer Services	Joyce Hodson
Fire Chief	Henry Young

# 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, 2003

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



*Nancy L. Zelle*

President

*Jeffrey R. Emer*

Executive Director

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and  
Members of the 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 (the City) as of and for the year ended September 30, 2004, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Killeen, Texas as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 15 and the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) on Exhibit C-1 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

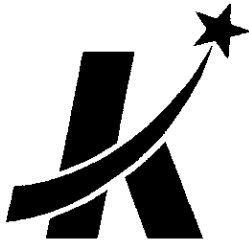
Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Killeen, Texas basic financial statements. The introductory section, combining schedules and individual nonmajor fund financial statements, and statistical tables are

presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

January 7, 2005

*Lott, Jensen & Company, P.C.*





## Management's Discussion and Analysis (Unaudited)

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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages VI-X of this report. All amounts, unless otherwise indicated, are expressed in dollars.

### **Financial Highlights**

- The assets of the City of Killeen (City) exceeded its liabilities at the close of the fiscal year by \$143.7 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23.6 million. Of the combined ending fund balances, \$1.7 million is reserved for debt service, \$14.4 million is unreserved in the General Fund, and \$5.2 million is reserved in capital projects funds.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$14.4 million or 36 percent of total general fund expenditures of \$40.1 million.

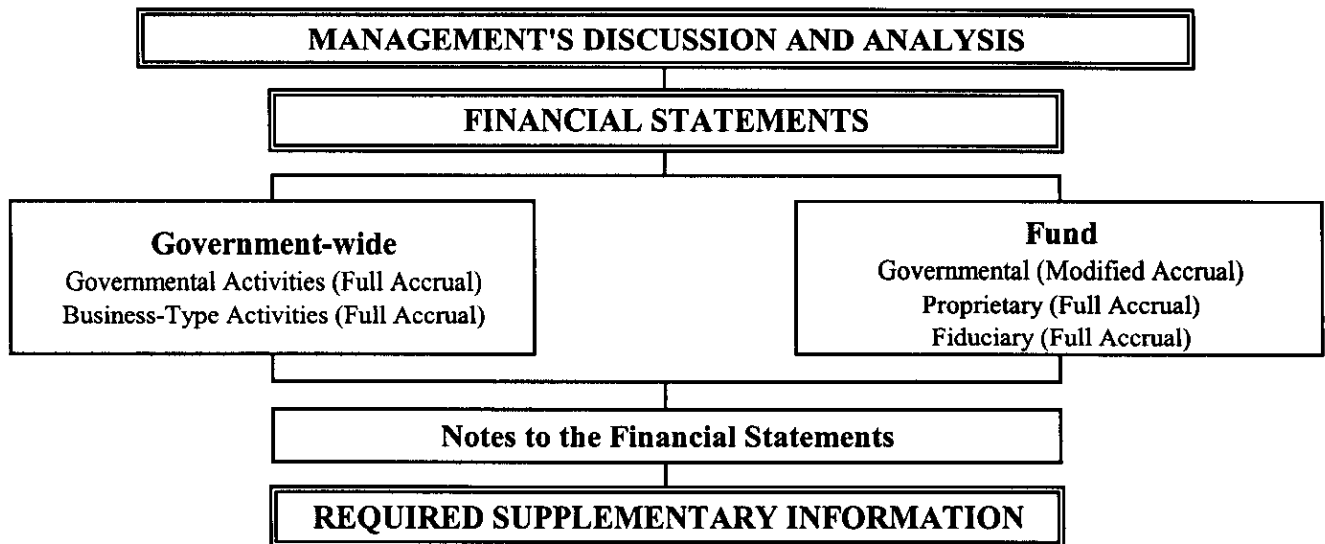
### **USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT**

This Comprehensive Annual Financial Report consists of three sections: introductory, financial and statistical.

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.

**Components of the Financial Section**

**BASIC FINANCIAL STATEMENTS**



**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, Police, Fire, highways and streets, Library, Parks and Recreation, Golf Course, Permits and Inspections, and Other Community Services. 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 16-18 of this report.

## **Fund Financial Statement**

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 statement. 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 statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. 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 due to it being considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement (page 89) has been provided for the general fund to demonstrate compliance with this budget. This budgetary comparison presents an unfavorable variance in the capital outlay expenditures resulting from an audit adjustment after year-end that recorded the purchase of a phone system on the accrual basis. The City had entered into a three-year payment arrangement for this phone system and accordingly budgeted for the first year's payment in FY 2003-04.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

### **Proprietary Funds**

Proprietary funds are generally used to account for services for which the City charges customers—either outside customers or internal units or departments of the City. 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 are considered to be a major fund of the City.

The basic enterprise fund financial statements can be found on pages 23-27 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 28-29 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 on pages 30-65 of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to qualifying employees.

### **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**

This is the second year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements and Management's Discussion and Analysis (MD&A)- for State and Local Governments. In the 2003 fiscal year the City did not restate prior fiscal years for the purposes of providing comparative information for the MD&A. Presently, this fiscal year's MD&A is presenting prior-year information with the current-year information as a comparative analysis of government-wide data.

## 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 \$143.7 million for the year ended September 30, 2004. The largest portion of the City's net assets (76.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Net Assets

September 30, 2004

	<i>(in millions of dollars)</i>						
	Governmental Activities			Percentage Change	Business-Type Activities		Percentage Change
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>		
<b>Assets</b>							
Current and other assets	31.1	36.4	-14.6%	35.4	39.3	-9.9%	
Capital Assets	32.2	28.5	13.0%	141.6	108.3	30.7%	
Total Assets	<u>63.3</u>	<u>64.9</u>	-2.5%	<u>177.0</u>	<u>147.6</u>	19.9%	
<b>Liabilities</b>							
Long-term liabilities outstanding	38.6	40.8	-5.4%	34.6	37.5	-7.7%	
Other liabilities	13.0	10.8	20.4%	10.3	8.9	15.7%	
Total Liabilities	<u>51.6</u>	<u>51.6</u>	0.0%	<u>44.9</u>	<u>46.4</u>	-3.2%	
<b>Net Assets</b>							
Invested in capital assets, net of related debt	6.2	6.9	-10.1%	103.8	74.7	39.0%	
Restricted	1.8	2.9	-37.9%	4.8	3.9	23.1%	
Unrestricted	3.7	3.5	5.7%	23.5	22.6	4.0%	
Total Net Assets	<u>11.7</u>	<u>13.3</u>	-12.0%	<u>132.1</u>	<u>101.2</u>	30.5%	
Total Liabilities and Net Assets	<u>63.3</u>	<u>64.9</u>	-2.5%	<u>177.0</u>	<u>147.6</u>	19.9%	

An additional portion of the City's net assets (5 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 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 Changes in Net Assets

The City's net assets overall increased by \$29.2 million during the current fiscal year. These increases are explained in the governmental and business-type activities discussion in the table on the next page.

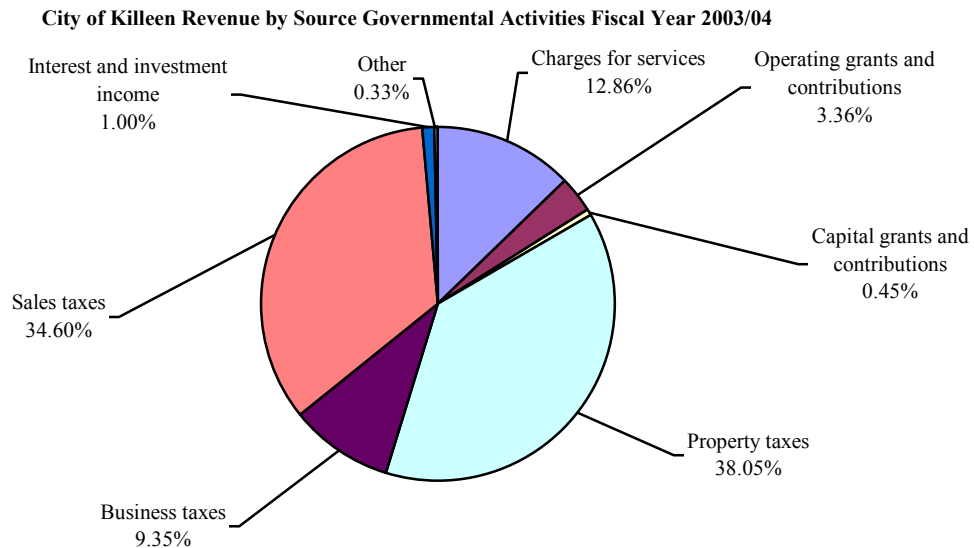
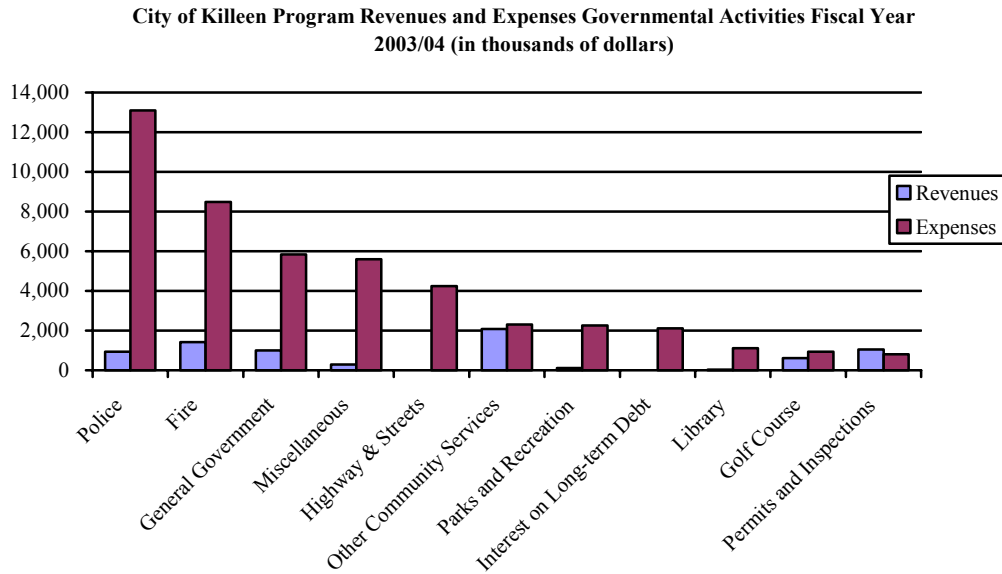
**Changes in Net Assets**

For the Year Ended September 30, 2004

	<i>(in millions of dollars)</i>					
	Governmental		Percentage	Business-Type		Percentage
	Activities	Activities	Change	Activities	Activities	Change
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>	
<b>Revenues</b>						
Program revenues:						
Charges for services	5.81	6.38	-8.9%	32.69	32.73	-0.1%
Operating grants and contributions	1.52	1.13	34.5%	-	-	
Capital grants and contributions	0.20	0.02	900.0%	20.02	13.30	50.5%
General revenues:						
Property taxes	17.20	15.39	11.8%	-	-	
Business taxes	4.23	4.36	-3.0%	-	-	
Sales taxes	15.63	14.11	10.8%	-	-	
Interest and investment income	0.45	0.53	-15.1%	0.39	0.47	-17.2%
Other	0.15	0.15	0.0%	-	-	
Total revenues	<u>45.19</u>	<u>42.07</u>	7.4%	<u>53.10</u>	<u>46.50</u>	14.2%
<b>Expenses</b>						
General	5.84	5.91	-1.2%	-	-	
Police	13.09	12.42	5.4%	-	-	
Fire	8.49	8.09	4.9%	-	-	
Highway & Streets	4.24	4.16	1.9%	-	-	
Library	1.11	1.04	6.7%	-	-	
Parks and Recreation	2.26	2.30	-1.7%	-	-	
Golf Course	0.94	0.88	6.8%	-	-	
Permits and Inspections	0.81	0.77	5.2%	-	-	
Other Community Services	2.31	2.46	-6.1%	-	-	
Miscellaneous	5.60	4.33	29.3%	-	-	
Interest on Long-term Debt	2.11	1.98	6.6%	-	-	
Airport Operations	-	-		2.41	1.80	33.9%
Solid Waste	-	-		7.27	6.83	6.4%
Water and Sewer	-	-		14.50	14.08	3.0%
Drainage Utility	-	-		0.28	0.33	-15.2%
Total expenses	<u>46.80</u>	<u>44.34</u>	5.5%	<u>24.46</u>	<u>23.04</u>	6.2%
Increase (decrease) in assets before transfers	-1.61	-2.27		28.64	23.46	
Transfers	-0.06	2.87	-102.1%	0.06	-2.87	-102.1%
Increase in net assets	<u>-1.67</u>	<u>0.60</u>		<u>28.70</u>	<u>20.59</u>	
Net assets at beginning of year	13.33	12.73		101.23	80.64	
Prior period adjustment	-	-		2.18	-	
Net assets at end of year	<u>11.66</u>	<u>13.33</u>		<u>132.11</u>	<u>101.23</u>	

## Governmental Activities

Governmental activities decreased the City's net assets by \$1.67 million, thereby accounting for -6.2 percent of the total growth in the net assets of the City.



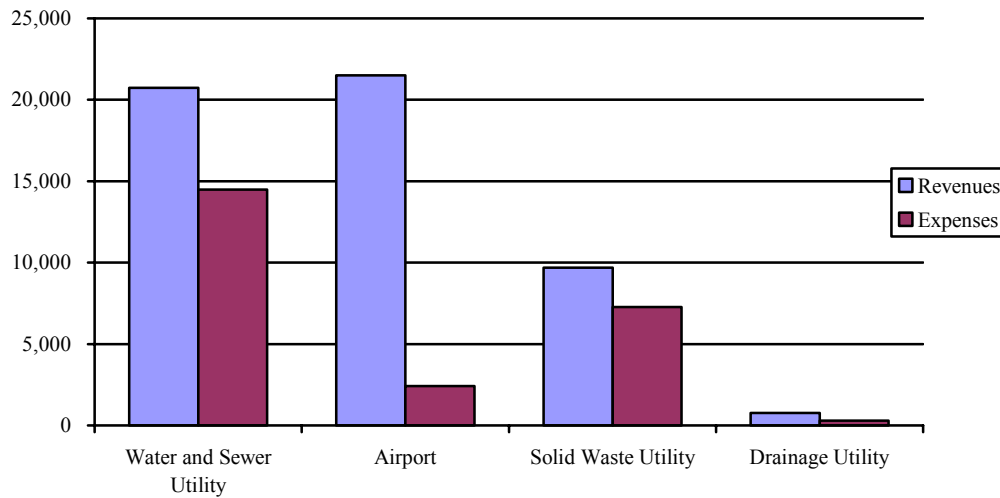
The charts above illustrate the City's governmental expenses and revenues by function. As shown, police is the largest function in expense (27.96 percent), followed by fire (18.13 percent) and general government (12.48 percent). General revenues such as sales, property, and business taxes are not shown 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 (38.05 percent), followed by sales taxes (34.60 percent) and charges for services (12.86 percent).

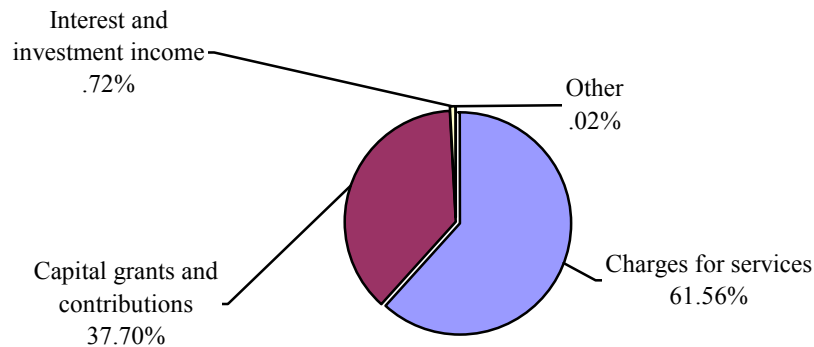
**Business-type activities.** Business-type activities increased the City's net assets by \$28.7 million, accounting for 106.2 percent of the total growth in the City's net assets. Key factors of this increase are as follows:

Water and Sewer Fees are the major revenue source for the Water and Sewer fund, and resulted in \$20.7 million in revenue.

**City of Killeen Program Revenues and Expenses Business Type Activities Fiscal Year 2003/04 (in thousands of dollars)**



**City of Killeen Revenues by Source Business Type Activities Fiscal Year 2003/04**



As shown in the charts above and on the previous page, the largest of the City's business-type activities, Water & Sewer utilities, had expenses in excess of \$14 million in fiscal year 2004, followed by Solid Waste with operating expenses of approximately \$7.2 million. For the fiscal year, revenues exceeded expenses in all four areas of business activity. Charges for services provided the largest share of revenues (61.56 percent) followed by capital grants and contributions (37.70 percent) for all business type activities.



## **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 \$23.6 million, a decrease of \$7.6 million in comparison with the prior year. The decrease is primarily due to proceeds of bonds issued in the prior year exceeding capital outlay in the Capital Projects funds. Approximately \$15 million 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, non-current portion of note receivable, inventories, debt service, and capital projects or designated to be used for emergencies.

Revenues for governmental functions overall totaled approximately \$45 million in the fiscal year ended September 30, 2004, which represents a \$3.2 million increase from the fiscal year ended September 30, 2003. Expenditures for governmental functions, totaling \$53.3 million, increased by approximately 10 percent (\$4.8 million) from the fiscal year ended September 30, 2003. In the fiscal year ended September 30, 2004, expenditures for governmental functions exceeded revenues by approximately \$8.3 million, or slightly more than 18 percent.

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 \$13 million, while total fund balance was \$15.5 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 percent of total general fund expenditures of \$40.1 million, while total fund balance represents 38.6 percent of that same amount.

### **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 \$1.06 million, the Solid Waste Fund had \$5.26 million, the Water and Sewer Fund had \$16.3 million, and the Drainage Utility Fund ended with \$.88 million in unrestricted net assets.

The total growth in net assets for the enterprise funds was \$28.6 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In particular, the Killeen airport net assets increased by \$23.3 million due to grant contributions of \$20 million.

## 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 fiscal year 2003-2004, the net assets of the Firemen's Pension Trust Fund totaled \$12.98 million, representing an increase of \$1.5 million in total net assets since September 30, 2003. 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, 2004, amount to \$173.8 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, vehicles, furniture, fixtures and equipment and construction in progress. The total increase in the City's capital assets (net of accumulated depreciation) for the current fiscal year was 43.8 percent (a 13 percent increase for governmental activities and a 30.8 percent increase for business-type activities) as shown in the table below.

### Capital Assets, Net of Depreciation September 30, 2004

*(in millions of dollars)*

	Governmental Activities		Percentage Change	Business-type Activities		Percentage Change
	2004	2003		2004	2003	
Land	1.1	1.1	0.0%	1.6	1.3	23.1%
Buildings and Land Improvements	20.8	21.5	-3.3%	100.5	50.9	97.4%
Improvements Other	-	-		23.9	17.6	35.8%
Vehicles	2.0	1.5	33.3%	2.6	2.5	4.0%
Furniture, Fixtures and Office Equipment	4.3	3.7	16.2%	1.5	1.7	-11.8%
Construction in Progress	4.0	0.7	471.4%	11.6	34.3	-66.2%
Total	32.2	28.5	13.0%	141.7	108.3	30.8%

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

Governmental activities' construction in progress increased by \$3.3 million due to the progress of major projects including the Killeen municipal golf course.

Business-type activities' buildings and land improvements increased by \$49.6 million due to the completion of the airport and its related projects.

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, page 47, in the Notes to the Financial Statements for further information regarding capital assets.

The City plans to record its infrastructure as Governmental assets in the near future and has recorded infrastructure for the water and sewer funds in the appropriate funds as it was built or donated. With the implementation of GASB 34, the City reduced the governmental capital assets for the appropriate accumulated depreciation amount of \$28.98 million. During fiscal year 2004, ongoing infrastructure projects are accounted for in construction in progress.

### Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$83.3 million. Of this amount, \$18.2 million is general obligation bonds backed by the full faith and credit of the City and \$28.8 million is revenue bonds, certificates of obligation or other obligations of the City's business enterprises. The remainder includes revenue bonds, certificates of participation, and other obligations of \$36.3 million of governmental activities.

During fiscal year 2004, the City's total bonded debt decreased by approximately \$5.3 million.

#### Outstanding Debt

September 30, 2004

	<i>(in millions of dollars)</i>					
	Governmental Activities		Percentage Change	Business-type Activities		Percentage Change
	2004	2003		2004	2003	
General obligation bonds	9.16	10.68	-14.2%	8.99	9.41	-4.5%
Revenue bonds (less amounts deferred)	-	-		27.91	29.20	-4.4%
Certificates of obligation	29.94	30.81	-2.8%	0.56	0.83	-32.5%
Limited tax notes	1.56	2.04	-23.5%	0.30	0.60	-50.0%
Less unamortized bond issue costs	-0.08	-0.09	-11.1%	-	-	
Less current portion of bonds payable	-2.69	-2.84	-5.3%	-2.93	-2.58	13.6%
<b>Total bonds payable</b>	<b>37.89</b>	<b>40.60</b>	<b>-6.7%</b>	<b>34.83</b>	<b>37.46</b>	<b>-7.0%</b>
Long-term portion of notes payable	0.62	0.14	342.9%	-	0.02	-100.0%
Non-current portion of landfill closure and post-closure care cost	-	-		-	0.01	-100.0%
<b>Total long-term liabilities</b>	<b>38.51</b>	<b>40.74</b>	<b>-5.5%</b>	<b>34.83</b>	<b>37.49</b>	<b>-7.1%</b>

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. In addition, a bond reserve fund, equal to one year's average annual debt service payment, is established for each revenue bond issue as required. Deposits are made to these funds in amounts necessary to retire the current year's debt service and paying agent fees. 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 issue of the City of Killeen earned ratings from Moody's, Standard & Poor's and Fitch:

**City of Killeen Bonded Debt Ratings**  
September 30, 2004

Bond Type	Standard & Poors	Moody's	Fitch
General Obligation	AA-	Aa3	AA-
Utility Revenue Bond	A+	A1	AA-

Additional information on the City's long-term debt can be found in Section IV, note G, page 57, of the notes to the Financial Statements.

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

At the time this transmittal letter was written, the national and state leading economic indicators continued to show mixed results, underscoring a modest economic recovery. Some factors hinting at the prospects of a better economy include gains in retail sales, tourism, housing and the gross domestic product. However, some factors suggesting a "soft" economic recovery due to the weak job market, the lack of new jobs, and minimal increases in national workers' wages. From a long-term perspective, the nation's economy may be significantly affected by many factors, including a growing national debt, demands on the Social Security System as baby-boomers near retirement, acts of terrorism and homeland security issues.

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 a growing commercial retail sector. Killeen's new Regional Airport opened for business during August 2004. The \$83 million dollar project contains 87,000 square feet of operating space, a 10,000-foot jet-capable runway, state-of-the-art control tower and crash rescue facilities. The conveniently located terminal building will provide aviation services to over 500,000 residents living an hour or less away. The economic development opportunities to be derived from the opening of the new airport are unlimited. Enplanement and deplanement statistics since the opening of the new airport are at record levels. Tourism is one of Killeen's major industries and is a significant contributor to the City's economy. Several local hotels and motels and restaurants complement the city's new 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 grew by 23 % during the fiscal year ended September 30, 2004 due to activity at the conference center and increased tourism connected with the activities of Fort Hood. The long-term outlook for local tourism looks very positive.

All of the above factors were considered in preparing the City's budget for Fiscal Year 2004-05. The budget for the 2004-05 fiscal year includes the following broad goals:

- Complete the efforts to bring the Joint Use of Robert Gray Army Airfield into operational status.
- Strengthening our Code Enforcement department personnel and operational resources in order to be proactive in enforcing existing city ordinances.
- Begin the Capital Improvements Program passed by the citizens in the 2002 General Obligation Bond election.

- Maintain current program, services and the ad valorem property tax rate.
- Deferred all new program and services requests.
- Eliminated all non-essential capital outlay expenditures.
- Deferred non-emergency fleet and computer replacements.

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 new airport.
- Taking care of our employees by maintaining the current pay plan, current benefits, and avoiding employee reductions in force.
- Maintaining the City's financial condition.
- 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 Administrative Services Department  
Connie J. Green,  
Assistant City Manager  
101 North College  
P. O. Box 1329  
Killeen, TX 76540  
(254) 501-7730

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

CITY OF KILLEEN  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Assets:			
Cash and Cash Equivalents	\$ 9,693,629	\$ 12,538,736	\$ 22,232,365
Investments	15,365,496	10,101,396	25,466,892
Receivables ( net of allowances for uncollectibles):			
Grants	164,080	1,782,342	1,946,422
Taxes	584,802	--	584,802
Accounts	1,501,834	4,653,813	6,155,647
Notes Receivable	98,145	--	98,145
Due from Other Funds	3,088,369	574,441	3,662,810
Inventories	485,253	624,571	1,109,824
Restricted Assets:			
Cash and Cash Equivalents	58,445	4,968,438	5,026,883
Accrued Interest	--	47,139	47,139
Cash with Fiscal Agent	--	775	775
Deferred Charges	84,138	95,494	179,632
Capital Assets:			
Non-Depreciable	5,104,665	13,145,144	18,249,809
Depreciable (Net)	27,078,270	128,495,199	155,573,469
Total Assets	<u>\$ 63,307,126</u>	<u>\$ 177,027,488</u>	<u>\$ 240,334,614</u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts Payable	\$ 3,731,715	\$ 2,033,698	\$ 5,765,414
Retainage Payable	61,431	--	61,431
Escrow Payable	--	30,168	30,168
Due to State Agencies	255,239	--	255,239
Due to Other Funds	574,441	3,088,369	3,662,810
Customer Deposits	751,805	1,331,397	2,083,202
Current Portion of Vacation and Sick Leave Payable	218,961	374,354	593,315
Vacation and Sick Leave Payable - Long Term	3,769,468	--	3,769,468
Current Portion of Note Payable	299,449	15,416	314,865
Current Portion of Landfill Closure Payable	--	104,278	104,278
Current Portion of General Obligation Bonds Payable	1,321,850	2,925,150	4,247,000
Current Portion of Certificate of Obligation Bonds Payable	883,000	--	883,000
Current Portion of Tax Notes Payable	495,000	--	495,000
Restricted Accounts Payable	--	178,269	178,269
Accrued Interest Payable	357,344	251,487	608,831
Deferred Revenue	341,649	--	341,649
General Obligation Bonds Payable - Long Term	7,844,251	34,824,749	42,669,000
Certificate of Obligation Bonds Payable - Long Term	29,066,000	--	29,066,000
Tax Notes Payable - Long Term	1,065,000	--	1,065,000
Deferred Amount on Refunding Bonds	--	(235,592)	(235,592)
Long Term Portion of Note Payable	615,032	--	615,032
Total Liabilities	<u>51,651,635</u>	<u>44,921,743</u>	<u>96,573,379</u>
<b>NET ASSETS</b>			
Investment in Capital Assets (net of related debt)	6,214,132	103,780,206	109,994,338
Restricted For:			
Debt Service	1,770,519	3,258,464	5,028,983
Capital Projects	1,319,532	1,542,978	2,862,510
Unrestricted	2,351,308	23,524,097	25,875,405
	<u>\$ 11,655,491</u>	<u>\$ 132,105,745</u>	<u>\$ 143,761,236</u>

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities				
General Government	\$ 5,842,809	\$ 915,400	\$ 38,140	\$ 50,000
Police	13,089,343	783,196	--	151,616
Fire	8,486,901	1,421,718	--	--
Highway & Streets	4,243,173	--	--	--
Library	1,114,788	34,160	--	--
Parks and Recreation	2,260,543	117,064	--	--
Golf Course	938,219	609,103	--	--
Permits and Inspections	809,547	1,041,730	--	--
Other Community Services	2,313,403	605,946	1,479,318	--
Miscellaneous	5,595,140	285,150	--	--
Interest on Long-term Debt	2,114,399	--	--	--
<b>Total Governmental Activities</b>	<b>46,808,265</b>	<b>5,813,467</b>	<b>1,517,458</b>	<b>201,616</b>
Business-type Activities:				
Airport Operations	2,411,035	1,478,571	--	20,020,057
Solid Waste	7,273,485	9,694,642	--	--
Water and Sewer	14,492,967	20,742,089	--	--
Drainage Utility	286,990	773,918	--	--
<b>Total Business-type Activities</b>	<b>24,464,477</b>	<b>32,689,220</b>	<b>--</b>	<b>20,020,057</b>
<b>Total Primary Government</b>	<b>\$ 71,272,742</b>	<b>\$ 38,502,687</b>	<b>\$ 1,517,458</b>	<b>\$ 20,221,673</b>

General Revenues:  
Ad Valorem Taxes  
Penalties and Interest  
Beverage Taxes  
Franchise Taxes  
City Sales Taxes  
Bingo Taxes  
Unrestricted Investment Earnings  
Gain on Sale of Capital Assets  
Transfers  
Total General Revenues  
Change in Net Assets  
Net Assets - Beginning  
Prior Period Adjustment (Note G)  
Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (4,839,269)		\$ (4,839,269)
(12,154,531)		(12,154,531)
(7,065,183)		(7,065,183)
(4,243,173)		(4,243,173)
(1,080,628)		(1,080,628)
(2,143,479)		(2,143,479)
(329,116)		(329,116)
232,183		232,183
(228,139)		(228,139)
(5,309,990)		(5,309,990)
(2,114,399)		(2,114,399)
<u>(39,275,724)</u>		<u>(39,275,724)</u>
--	\$ 19,087,593	19,087,593
--	2,421,157	2,421,157
--	6,249,122	6,249,122
--	486,928	486,928
--	28,244,800	28,244,800
<u>(39,275,724)</u>	<u>28,244,800</u>	<u>(11,030,924)</u>
17,195,320	--	17,195,320
150,943	--	150,943
163,675	--	163,675
3,933,838	--	3,933,838
15,634,498	--	15,634,498
129,452	--	129,452
450,595	379,710	830,305
--	8,953	8,953
(56,113)	56,113	--
<u>37,602,208</u>	<u>444,776</u>	<u>38,046,984</u>
(1,673,516)	28,689,576	27,016,060
13,329,007	101,236,895	114,565,902
--	2,179,274	2,179,274
<u>\$ 11,655,491</u>	<u>\$ 132,105,745</u>	<u>\$ 143,761,236</u>



CITY OF KILLEEN  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2004

EXHIBIT A-3

EXHIBIT A-3

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Assets:			
Cash and Cash Equivalents	\$ 1,147,139	\$ 8,546,490	\$ 9,693,629
Investments	15,365,496	--	15,365,496
Receivables ( net of allowances for uncollectibles):			
Grants	30,624	133,456	164,080
Taxes	457,484	127,318	584,802
Accounts	1,500,920	914	1,501,834
Notes Receivable	98,145	--	98,145
Due from Other Funds	1,982,881	3,115,187	5,098,068
Inventories	485,253	--	485,253
Restricted Assets:			
Cash and Cash Equivalents	--	58,445	58,445
<b>Total Assets</b>	<u>\$ 21,067,942</u>	<u>\$ 11,981,810</u>	<u>\$ 33,049,752</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 2,684,100	\$ 1,047,615	\$ 3,731,715
Retainage Payable	--	61,431	61,431
Due to State Agencies	255,239	--	255,239
Due to Other Funds	42,676	2,541,464	2,584,140
Customer Deposits	751,805	--	751,805
Vacation and Sick Leave Payable	203,618	15,199	218,817
Deferred Revenue	1,621,412	189,928	1,811,340
<b>Total Liabilities</b>	<u>5,558,850</u>	<u>3,855,637</u>	<u>9,414,487</u>
Fund Balances:			
Reserved:			
Encumbrances	528,803	337,535	866,338
Non-Current Portion of Note Receivable	15,858	--	15,858
Inventories	485,253	--	485,253
Debt Service	--	1,770,519	1,770,519
Capital Projects	--	5,261,012	5,261,012
Unreserved:			
Designated	1,525,000	--	1,525,000
Undesignated	12,954,178	--	12,954,178
Undesignated - Special Revenue	--	757,107	757,107
<b>Total Fund Balances</b>	<u>15,509,092</u>	<u>8,126,173</u>	<u>23,635,265</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 21,067,942</u>	<u>\$ 11,981,810</u>	<u>\$ 33,049,752</u>

**CITY OF KILLEEN**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2004**

Total fund balances - governmental funds balance sheet	\$ 23,635,265
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.	32,182,935
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(45,632,400)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,469,691
	<hr/>
Net assets of governmental activities - statement of net assets	<u>\$ 11,655,491</u>

The accompanying notes are an integral part of this statement.

**CITY OF KILLEEN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>			
Taxes	\$ 31,883,216	\$ 5,353,531	\$ 37,236,747
Licenses and Permits	1,041,730	--	1,041,730
Intergovernmental	38,140	1,680,934	1,719,074
Charges for Services	2,787,143	--	2,787,143
Fines	824,038	70,000	894,038
Miscellaneous	583,951	763,753	1,347,704
Total Revenues	<u>37,158,218</u>	<u>7,868,218</u>	<u>45,026,436</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government	4,198,508	1,268,697	5,467,205
Public Safety	20,369,310	20,303	20,389,613
Public Works	4,042,427	--	4,042,427
Community Services	6,278,360	190,824	6,469,184
Miscellaneous	3,356,150	1,350,398	4,706,548
Capital Outlay	1,914,671	5,308,578	7,223,249
<b>Debt service:</b>			
Principal	--	2,842,567	2,842,567
Interest	--	2,154,860	2,154,860
Fiscal Charges	--	18,559	18,559
Total Expenditures	<u>40,159,426</u>	<u>13,154,786</u>	<u>53,314,212</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(3,001,208)	(5,286,568)	(8,287,776)
<b>Other Financing Sources (Uses):</b>			
Note Proceeds	772,669	--	772,669
Transfers In	3,750,522	2,314,141	6,064,663
Transfers Out	(1,534,520)	(4,586,256)	(6,120,776)
Total Other Financing Sources (Uses)	<u>2,988,671</u>	<u>(2,272,115)</u>	<u>716,556</u>
Net Change in Fund Balances	(12,537)	(7,558,683)	(7,571,220)
Fund Balances, October 1	15,521,629	15,684,856	31,206,485
Fund Balances, September 30	<u>\$ 15,509,092</u>	<u>\$ 8,126,173</u>	<u>\$ 23,635,265</u>

The accompanying notes are an integral part of this statement.

## CITY OF KILLEEN

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, 2004

Net change in fund balances - total governmental funds	\$ (7,571,220)
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 expense. This reconciling item represents the amount by which capital outlay exceeded depreciation in the current period.	2,931,731
The issuance of long-term debt ( e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items.	2,883,151
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.	(81,604)
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.	164,426
Change in net assets of governmental activities - statement of activities	<u>\$ (1,673,516)</u>

The accompanying notes are an integral part of this statement.

**CITY OF KILLEEN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2004**

	Enterprise Fund	Enterprise Fund
	Airport Enterprise Fund	Solid Waste Enterprise Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ --	\$ 3,321,728
Investments	--	994,050
Receivables ( net of allowances for uncollectibles):		
Grants	1,782,342	--
Accounts	--	1,597,215
Due from Other Funds	--	--
Inventories	71,684	--
Restricted Assets:		
Cash and Cash Equivalents	105,478	171,200
Accrued Interest	--	3,417
Cash with Fiscal Agent	--	--
Non-Current Assets:		
Deferred Charges	--	--
Property and Equipment:		
Land	1,319,003	72,165
Buildings and Improvements	1,793,686	2,058,349
Improvements Other Than Buildings	61,828,150	--
Furniture and Fixtures	442,456	2,317,066
Equipment	394,060	5,744,087
Construction in Progress	--	--
Less Accumulated Depreciation	(7,598,917)	(6,406,138)
Net Property and Equipment	58,178,438	3,785,529
Total Assets	<u>\$ 60,137,942</u>	<u>\$ 9,873,139</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable	\$ 774,743	\$ 404,433
Escrow Payable	30,168	--
Due to Other Funds	3,088,369	--
Customer Deposits	--	--
Current Portion of Vacation and Sick Leave Payable	78,921	144,336
Current Portion of Note Payable	15,416	--
Current Portion of Landfill Closure Payable	--	104,278
Current Portion of Bonds Payable	--	402,000
Restricted Accounts Payable	--	--
Restricted Accrued Interest Payable	--	--
Non-Current Liabilities:		
General Obligation Bonds Payable - Long Term	--	454,000
Deferred Amount on Refunding Bonds	--	--
Total Liabilities	<u>3,987,617</u>	<u>1,509,047</u>
Net Assets:		
Investment in Capital Assets (net of related debt)	55,090,511	2,929,529
Restricted:		
Debt Service	--	171,200
Capital Projects	--	--
Unrestricted	1,059,814	5,263,363
Total Net Assets	<u>56,150,325</u>	<u>8,364,092</u>
Total Liabilities and Net Assets	<u>\$ 60,137,942</u>	<u>\$ 9,873,139</u>

The accompanying notes are an integral part of this statement.

Enterprise Fund <u>Water and Sewer Enterprise Fund</u>	Enterprise Fund <u>Drainage Utility Enterprise Fund</u>	Total Enterprise Funds
\$ 8,393,030	\$ 823,978	\$ 12,538,736
9,107,346	--	10,101,396
--	--	1,782,342
2,975,057	81,541	4,653,813
574,441	--	574,441
552,887	--	624,571
4,691,760	--	4,968,438
43,722	--	47,139
775	--	775
95,494	--	95,494
168,147	--	1,559,315
60,064,348	--	63,916,383
23,489,086	185,219	85,502,455
2,793,800	--	5,553,322
2,442,636	74,564	8,655,347
11,585,829	--	11,585,829
(21,106,228)	(21,025)	(35,132,308)
79,437,618	238,758	141,640,343
<u>\$ 105,872,130</u>	<u>\$ 1,144,277</u>	<u>\$ 177,027,488</u>
\$ 849,160	\$ 5,362	\$ 2,033,698
--	--	30,168
--	--	3,088,369
1,331,397	--	1,331,397
147,309	3,788	374,354
--	--	15,416
--	--	104,278
2,523,150	--	2,925,150
178,269	--	178,269
251,487	--	251,487
34,370,749	--	34,824,749
(235,592)	--	(235,592)
39,415,929	9,150	44,921,743
45,521,408	238,758	103,780,206
3,087,264	--	3,258,464
1,529,235	13,743	1,542,978
16,318,294	882,626	23,524,097
66,456,201	1,135,127	132,105,745
<u>\$ 105,872,130</u>	<u>\$ 1,144,277</u>	<u>\$ 177,027,488</u>

**CITY OF KILLEEN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Enterprise Fund Airport Enterprise Fund	Enterprise Fund Solid Waste Enterprise Fund
<b>OPERATING REVENUES:</b>		
Charges for Services	\$ 1,478,571	\$ 9,694,642
Total Operating Revenues	<u>1,478,571</u>	<u>9,694,642</u>
<b>OPERATING EXPENSES:</b>		
Purchase of Water	--	--
Sewage Treatment	--	--
Salaries	796,082	2,167,511
Employee Benefits	222,480	692,127
Repairs and Maintenance	80,094	636,323
Supplies	52,211	285,596
Depreciation	796,680	887,943
Miscellaneous Services and Charges	463,114	292,831
Refuse Disposal Costs	--	2,212,017
Total Operating Expenses	<u>2,410,661</u>	<u>7,174,348</u>
Operating Income (Loss)	<u>(932,090)</u>	<u>2,520,294</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
FAA Grants	20,020,057	--
Investment Revenue	12,302	54,239
Proceeds of General Fixed Assets Dispositions	--	9,226
Industrial Development	--	--
Landfill Closure and Postclosure Care Costs	--	(41,224)
Interest Expense	(374)	(57,913)
Total Non-Operating Revenues (Expenses)	<u>20,031,985</u>	<u>(35,672)</u>
Net Income (Loss) Before Operating Transfers	<u>19,099,895</u>	<u>2,484,622</u>
<b>TRANSFERS:</b>		
Transfers In	4,226,606	--
Transfers Out	--	(1,260,973)
Change in Net Asset	<u>23,326,501</u>	<u>1,223,649</u>
Beginning Net Assets, October 1	30,644,550	7,140,443
Prior Period Adjustment	2,179,274	--
Ending Net Assets, September 30	<u>\$ 56,150,325</u>	<u>\$ 8,364,092</u>

The accompanying notes are an integral part of this statement.

Enterprise Fund Water and Sewer Enterprise Fund	Nonmajor Enterprise Fund Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 20,742,089	\$ 773,918	\$ 32,689,220
<u>20,742,089</u>	<u>773,918</u>	<u>32,689,220</u>
3,122,033	--	3,122,033
2,850,736	--	2,850,736
2,782,995	111,119	5,857,707
861,500	31,656	1,807,763
539,995	20,882	1,277,294
398,399	1,792	737,998
2,168,411	17,097	3,870,131
875,570	104,444	1,735,959
--	--	2,212,017
<u>13,599,639</u>	<u>286,990</u>	<u>23,471,638</u>
7,142,450	486,928	9,217,582
--	--	20,020,057
306,633	6,536	379,710
(273)	--	8,953
(368,000)	--	(368,000)
--	--	(41,224)
(525,328)	--	(583,615)
<u>(586,968)</u>	<u>6,536</u>	<u>19,415,881</u>
<u>6,555,482</u>	<u>493,464</u>	<u>28,633,463</u>
--	--	4,226,606
(2,909,520)	--	(4,170,493)
<u>3,645,962</u>	<u>493,464</u>	<u>28,689,576</u>
62,810,239	641,663	101,236,895
--	--	2,179,274
<u>\$ 66,456,201</u>	<u>\$ 1,135,127</u>	<u>\$ 132,105,745</u>



CITY OF KILLEEN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-type Activities				Totals
	Enterprise Funds				
	AIRPORT	SOLID WASTE	WATER AND SEWER	DRAINAGE UTILITY	
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers and User	\$ 1,923,214	\$ 9,542,206	\$ 20,658,115	\$ 762,474	\$ 32,886,009
Receipts from Interfund Services Provided	3,088,369	--	--	--	--
Payments to Suppliers	(2,211,303)	(3,349,641)	(7,968,763)	(143,055)	(13,672,762)
Payments to Employees	(977,583)	(2,851,362)	(3,641,123)	(143,607)	(7,613,675)
Payments for Interfund Services Used	--	--	(574,441)	--	(574,441)
Net Cash Provided (Used) by Operating Activities	1,822,697	3,341,203	8,473,788	475,812	14,113,500
<b>Cash Flows from Non-capital Financing Activities:</b>					
Industrial Development	--	--	(368,000)	--	(368,000)
Operating Transfers In from Other Funds	4,226,606	--	--	--	4,226,606
Operating Transfers Out to Other Funds	--	(1,260,973)	(2,909,520)	--	(4,170,493)
Net Cash Provided (Used) by Non-capital Financing Activities	4,226,606	(1,260,973)	(3,277,520)	--	(311,887)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Capital Contributions	20,020,057	--	--	--	20,020,057
Purchase and Construction of Capital Assets	(27,229,970)	(787,774)	(6,710,709)	(187,289)	(34,915,742)
Proceeds from Sale of Capital Assets	--	9,226	(273)	--	8,953
Principal Paid on Long Term Debt	(15,484)	(398,000)	(2,179,433)	--	(2,592,917)
Interest and Fees Paid on Long Term Debt	(374)	(55,913)	(525,328)	--	(581,615)
Bond Issuance Cost	--	(2,000)	--	--	(2,000)
Reduction of Non-Current Portion of Landfill Closure and Postclosure Care Costs Payable	--	(518,145)	--	--	(518,145)
Net Cash Provided (Used) for Capital & Related Financing Activities	(7,225,771)	(1,752,606)	(9,415,743)	(187,289)	(18,581,409)
<b>Cash Flows from Investing Activities:</b>					
Purchase of Investment Securities	--	--	(1,928,686)	--	(1,928,686)
Interest and Dividends on Investments	12,302	54,239	306,633	6,536	379,710
Net Cash Provided (Used) for Investing Activities	12,302	54,239	(1,622,053)	6,536	(1,548,976)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,164,166)	381,863	(5,841,528)	295,059	(6,328,772)
Cash and Cash Equivalents at Beginning of Year	1,269,644	3,111,065	18,927,093	528,919	23,836,721
Cash and Cash Equivalents at End of Year	\$ 105,478	\$ 3,492,928	\$ 13,085,565	\$ 823,978	\$ 17,507,949
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss)	\$ (932,090)	\$ 2,520,294	\$ 7,142,450	\$ 486,928	\$ 9,217,582
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	796,680	887,943	2,168,411	17,097	3,870,131
Change in Assets and Liabilities:					
Decrease (Increase) in Receivables	444,643	(152,436)	(83,974)	(11,444)	196,789
Decrease (Increase) in Due from Other Funds	--	--	(574,441)	--	(574,441)
Decrease (Increase) in Inventories	(54,254)	--	(142,267)	--	(196,521)
Decrease (Increase) in Other Assets	--	--	35,737	--	35,737
Increase (Decrease) in Payable	(1,561,630)	77,126	(14,669)	(15,937)	(1,515,110)
Increase (Decrease) in Due to Other Funds	3,088,369	--	--	--	3,088,369
Increase (Decrease) in Customer Deposits	--	--	(60,831)	--	(60,831)
Increase (Decrease) in Vacation and Sick Leave Payable	40,979	8,276	3,372	(832)	51,795
Total Adjustments	2,754,787	820,909	1,331,338	(11,116)	4,895,918
Net Cash Provided (Used) by Operating Activities	\$ 1,822,697	\$ 3,341,203	\$ 8,473,788	\$ 475,812	\$ 14,113,500
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Change in Current Portion of Landfill Closure and Postclosure Care Costs Payable	--	(41,224)	--	--	(41,224)
Change in Non-current Portion of Landfill Closure and Postclosure Care Costs Payable	--	41,224	--	--	41,224
Developer Donated Water and Sewer Lines	--	--	720,752	--	720,752
Net Decrease in the Fair Value of Investments	--	5,000	44,980	--	49,980
Temporary Investments	--	(5,000)	(44,980)	--	(49,980)
Deferred Amount on Refunding Bonds	--	--	(51,755)	--	(51,755)
Amortization of Deferred Amount on Refunding Bonds	--	--	51,755	--	51,755
Bond Issuance Costs	--	--	(23,081)	--	(23,081)
Amortization of Bond Issuance Costs	--	--	23,081	--	23,081

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2004

	Firemen's Pension Trust Fund
	<u>                    </u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 363,294
Temporary Investments	12,590,776
Accrued Income	7,807
Due From Other Funds	<u>16,497</u>
Total Assets	<u>\$ 12,978,374</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts Payable	<u>\$ --</u>
Total Liabilities	<u>          --</u>
Net Assets:	
Net Assets Held in Trust for Pension Benefits	<u>12,978,374</u>
Total Liabilities and Net Assets	<u>\$ 12,978,374</u>

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Firemen's Pension Trust Fund
Additions:	
Contributions:	
Employee Contributions	\$ 518,790
Employer Contributions	535,208
Total Contributions	<u>1,053,998</u>
Net Investment Income:	
Interest and Dividends	214,151
Net Appreciation (Depreciation) in the Fair Value of Plan Investments	1,143,768
Investment Expenses	--
Total Net Investment Income	<u>1,357,919</u>
Total Additions	<u>2,411,917</u>
Deductions:	
Benefit Payments	732,576
Administrative Expenses	42,023
Refund of Contributions	85,885
Total Deductions	<u>860,484</u>
Net Increase (Decrease)	1,551,433
Net Assets - Beginning of the Year	<u>11,426,941</u>
Net Assets - End of the Year	<u>\$ 12,978,374</u>

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

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**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**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, 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 is scheduled for a phased implementation (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. 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.

*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

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

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 funds (which have been redefined and narrowed in scope) are 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 or account group, 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 Fixed Assets Account Group and the General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's fixed 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.

In addition to the government-wide financial statements, the City has prepared 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.

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

The City reports the following major governmental fund:

General Fund – The 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.

Additionally, the City reports the following fund types:

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

Debt Service Funds – 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 – The 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 – The 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 – The 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.

Additionally, the City reports the following proprietary fund:

Drainage Utility Fund – The 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:

Firemen's Retirement Fund - The Firemen'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.

Those revenues susceptible to accrual are property taxes, gross receipts 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

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

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

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 net total 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 expense not meeting this definition are reported as non-operating revenues and expense.

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.



**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 its funds in the following:

- (1) 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.
- (2) Direct obligations of the State of Texas or its agencies and instrumentalities.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act.
- (7) Eligible investment pools in accordance with the Public Funds Investment Act. Sec. 2256.016-2256.019.
- (8) 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

**CITY OF KILLEEN, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (continued)  
 SEPTEMBER 30, 2004**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the general fund and the special revenues 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.

**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 fixed 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
Furniture, Fixtures, Equipment	\$1,000
Vehicles	\$1,000
Library books/materials (collections)	Capitalize All
Works of art/historical treasures	Capitalize All
Leashold 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.

CITY OF KILLEEN, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (continued)  
SEPTEMBER 30, 2004

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

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.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15 - 30
Improvements - Other	10 - 20
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 accounts for unpaid amounts of vacations 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 pay up to 720 and 1080 hours, respectively.

For governmental funds, the estimated current portion of the vacation and sick pay liability is recorded as an expenditure and liability in the General Fund. 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. Transfers of a recurring or routine nature that have been legally authorized, are treated as operating transfers and are included in the operations of both governmental and proprietary funds.

**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.

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

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 BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

**14. Deferred Revenues**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have 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	\$ 457,484	\$ -	\$ 127,318	\$ 584,802
Miscellaneous	15,690	62,610	-	78,300
Ambulance fees receivable	884,889	-	-	884,889
Municipal court receivable	180,620	-	-	180,620
Notes receivable	82,729	-	-	82,729
	<u>\$ 1,621,412</u>	<u>\$ 62,610</u>	<u>\$ 127,318</u>	<u>\$ 1,811,340</u>
Total deferred revenue	<u>\$ 1,621,412</u>	<u>\$ 62,610</u>	<u>\$ 127,318</u>	<u>\$ 1,811,340</u>

**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 a reconciliation between fund balance-total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "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 \$45,632,400 difference are as follows:

General obligation bonds payable	\$ (9,166,101)
Certificates of obligation bonds payable	(29,949,000)
Tax anticipation notes	(1,560,000)
Less: Unamortized bond issuance costs - deferred charges	84,138
Notes payable	(914,481)
Accrued interest payable	(357,344)
Vacation and sick leave payable	<u>(3,769,612)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (45,632,400)</u>

CITY OF KILLEEN, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (continued)  
 SEPTEMBER 30, 2004

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 \$2,931,731 difference are as follows:

Capital outlay	\$ 5,566,874
Depreciation expense	<u>(2,635,143)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,931,731</u>

Another element of that reconciliation states that 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 \$2,883,151 difference are as follows:

Principal repayments:	
Notes payable	\$ 40,584
General obligation debt	1,510,567
Certificate of obligation debt	857,000
Tax anticipation debt	<u>475,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,883,151</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 \$81,604 difference are as follows:

Vacation and Sick Leave	\$ (135,738)
Accrued Interest	59,020
Amortization of bond discount	<u>(4,886)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (81,604)</u>

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

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 Lion's Club Park and Library Memorial), 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 operating 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.
5. Budgets for the General Fund, the Special Revenue Funds, and Enterprise funds are adopted on a basis specified by the charter 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.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**A. Budgetary Information (continued)**

7. During the year, no material supplemental appropriations were adopted.

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended September 30, 2004, the City's actual expenditures exceeded budgeted expenditures for the following function and transfer accounts. Explanations of the variances are coded to the section of this note located below the table.

	<u>Appropriations</u>	<u>Excess of Expenditures Over Appropriations</u>	<u>Explanation Number</u>
Capital Outlay	\$ 1,117,925	\$ 747,252	1
Operating Transfers Out	\$ 1,512,474	\$ 22,046	2

General Fund

1. An unfavorable variance resulted from an audit adjustment after year-end that recorded the purchase of a phone system that was not budgeted for in the current year due to the City entering into a three year payment arrangement.
2. An unfavorable variance resulted from an audit adjustment after year-end that recorded a transfer from General Fund to Community Development to cover excess administrative expenditures over reimbursable amounts.

**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. At September 30, 2004, the carrying amount of the City's demand deposits (excluding the Pension Trust Fund) was \$1,541,537 and the bank balance was \$4,345,415. The carrying amount and bank balance of the City's Pension Trust Fund was \$304,133. The entire amount of the bank balance was covered by federal depository insurance or by the U.S. Government Securities held as collateral by the City's agent in the City's name. The carrying amount of money market accounts for the City's Pension Trust Fund was \$8,499.

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:



**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**A. Deposits and Investments (continued)**

- (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 Firemen's Pension Trust Fund. The City utilizes outside professional money managers to manage these investments. The investments of the Firemen'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.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

The investments of the State Treasurer's investment pool are not categorized since these represent separate investment pools and specific securities relating to the City cannot be identified.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**A. Deposits and Investments (continued)**

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

	<u>Carrying Value</u>
Investment in Investment Pools:	
TexPool	\$ 28,291,697
TexStar	3,072,571
First Tennessee Investments	<u>19,898,760</u>
	<u>\$ 51,263,028</u>

The following information summarizes investments of the Firemen's Pension Trust:

Investment in Firemen's Pension Trust Mutual Funds	\$ 12,590,776
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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, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the 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 BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**A. Deposits and 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.

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

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

**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, 2003, upon which the 2004 fiscal year levy was based, was \$2,536,247,292.

The tax assessment of October 1, 2003 set a tax levy at \$.6990 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, 2004, for the fiscal 2004 tax levy, were 95.67 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, 2004, delinquent property taxes receivable were \$584,802, net of an allowance for uncollectibles of \$194,934.

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

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**B. Property Taxes (continued)**

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.

**C. Receivables**

Receivables at September 30, 2004 for the City's individual major fund and non-major, and fiduciary funds in the aggregate, net of allowances for uncollectible accounts, consist of the following:

Receivables:	General	Other Nonmajor Governmental Funds	Airport	Solid Waste	Water & Sewer	Drainage Utility	Total
Grants	\$ 30,624	\$ 133,456	\$ 1,782,342	\$ -	\$ -	\$ -	\$ 1,946,422
Taxes	457,484	127,318	-	-	-	-	584,802
Accounts	1,500,920	914	-	1,597,215	2,975,057	81,541	6,155,647
Notes Receivable	98,145	-	-	-	-	-	98,145
Total Net Receivables	<u>\$ 2,087,173</u>	<u>\$ 261,688</u>	<u>\$ 1,782,342</u>	<u>\$ 1,597,215</u>	<u>\$ 2,975,057</u>	<u>\$ 81,541</u>	<u>\$ 8,785,016</u>

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2004.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**D. Capital Assets**

As allowed under GASB 34 implementation requirements, the City plans to record its governmental fund's infrastructure in the near future, however the City has already recorded infrastructure in the Proprietary funds.

Capital asset activity for the year ended September 30, 2004 was as follows:

**Primary Government**

	Balance 09/30/03	Additions	Deletions	Balance 9/30/2004
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,092,850	\$ -	\$ -	\$ 1,092,850
Construction in progress	701,377	3,310,438		4,011,815
Total capital assets, not being depreciated	<u>1,794,227</u>	<u>3,310,438</u>	<u>-</u>	<u>5,104,665</u>
Capital assets, being depreciated:				
Buildings / Improvements	30,665,549	142,395	-	30,807,944
Vehicles	9,649,175	1,113,783	-	10,762,958
Furniture, Fixtures, and Equipment	12,719,859	1,772,927	-	14,492,786
Total capital assets being depreciated	<u>53,034,583</u>	<u>3,029,105</u>	<u>-</u>	<u>56,063,688</u>
Less accumulated depreciation for:				
Buildings / Improvements	9,135,221	910,513	-	10,045,734
Vehicles	8,181,222	541,777	-	8,722,999
Furniture, Fixtures, and Equipment	9,033,832	1,182,853	-	10,216,685
Total accumulated depreciation	<u>26,350,275</u>	<u>2,635,143</u>	<u>-</u>	<u>28,985,418</u>
Total capital assets, being depreciated, net	<u>26,684,308</u>	<u>393,962</u>	<u>-</u>	<u>27,078,270</u>
Governmental activities capital assets, net	<u>\$ 28,478,535</u>	<u>\$ 3,704,400</u>	<u>\$ -</u>	<u>\$ 32,182,935</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**D. Capital Assets (continued)**

	Balance 09/30/03	Additions	Deletions	Balance 9/30/2004
<b>Airport activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,050,621	\$ 268,382	\$ -	\$ 1,319,003
Construction in progress	21,364,549	29,399,949	50,764,498	-
Total capital assets, not being depreciated	<u>22,415,170</u>	<u>29,668,331</u>	<u>50,764,498</u>	<u>1,319,003</u>
Capital assets, being depreciated:				
Buildings / Improvements	10,849,386	50,503,117	-	61,352,503
Improvements - other	2,269,333	-	-	2,269,333
Furniture, Fixtures, and Equipment	371,500	70,956	-	442,456
Vehicles	359,628	34,432	-	394,060
Total capital assets being depreciated	<u>13,849,847</u>	<u>50,608,505</u>	<u>-</u>	<u>64,458,352</u>
Less accumulated depreciation for:				
Buildings / Improvements	5,672,749	593,013	-	6,265,762
Improvements other	636,164	121,268	-	757,432
Furniture, Fixtures, and Equipment	301,341	27,235	-	328,576
Vehicles	191,983	55,164	-	247,147
Total accumulated depreciation	<u>6,802,237</u>	<u>796,680</u>	<u>-</u>	<u>7,598,917</u>
Total capital assets, being depreciated, net	<u>7,047,610</u>	<u>49,811,825</u>	<u>-</u>	<u>56,859,435</u>
Aviation activities capital assets, net	<u>\$ 29,462,780</u>	<u>\$ 79,480,156</u>	<u>\$ 50,764,498</u>	<u>\$ 58,178,438</u>
<b>Solid Waste activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 72,165	\$ -	\$ -	\$ 72,165
Total capital assets, not being depreciated	<u>72,165</u>	<u>-</u>	<u>-</u>	<u>72,165</u>
Capital assets, being depreciated:				
Buildings / Improvements	2,058,349	-	-	2,058,349
Furniture, Fixtures and Equipment	2,160,340	157,124	398	2,317,066
Vehicles	5,113,039	631,048	-	5,744,087
Total capital assets being depreciated	<u>9,331,728</u>	<u>788,172</u>	<u>398</u>	<u>10,119,502</u>
Less accumulated depreciation for:				
Buildings / Improvements	688,417	102,347	-	790,764
Furniture, Fixtures and Equipment	1,577,289	270,020	245	1,847,064
Vehicles	3,252,734	515,576	-	3,768,310
Total accumulated depreciation	<u>5,518,440</u>	<u>887,943</u>	<u>245</u>	<u>6,406,138</u>
Total capital assets, being depreciated, net	<u>3,813,288</u>	<u>(99,771)</u>	<u>153</u>	<u>3,713,364</u>
Solid waste activities capital assets, net	<u>\$ 3,885,453</u>	<u>\$ (99,771)</u>	<u>\$ 153</u>	<u>\$ 3,785,529</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**D. Capital Assets (continued)**

	Balance 09/30/03	Additions	Deletions	Balance 9/30/2004
<b>Water and Sewer activities</b>				
Capital assets, not being depreciated:				
Land	\$ 168,147	\$ -	\$ -	\$ 168,147
Construction in progress	12,885,109	5,142,801	6,442,081	11,585,829
Total capital assets, not being depreciated	<u>13,053,256</u>	<u>5,142,801</u>	<u>6,442,081</u>	<u>11,753,976</u>
Capital assets, being depreciated:				
Buildings / Improvements	59,099,082	965,266	-	60,064,348
Improvements - other	16,746,396	6,742,690	-	23,489,086
Furniture, Fixtures and Equipment	2,626,703	167,805	708	2,793,800
Vehicles	2,307,699	134,937	-	2,442,636
Total capital assets being depreciated	<u>80,779,880</u>	<u>8,010,698</u>	<u>708</u>	<u>88,789,870</u>
Less accumulated depreciation for:				
Buildings / Improvements	14,756,092	1,169,194	-	15,925,286
Improvements - other	753,027	527,289	-	1,280,316
Furniture, Fixtures, and Equipment	1,635,084	314,366	434	1,949,016
Vehicles	1,794,047	157,563	-	1,951,610
Total accumulated depreciation	<u>18,938,250</u>	<u>2,168,412</u>	<u>434</u>	<u>21,106,228</u>
Total capital assets, being depreciated, net	<u>61,841,630</u>	<u>5,842,286</u>	<u>274</u>	<u>67,683,642</u>
Water / Sewer activities capital assets, net	<u>\$ 74,894,886</u>	<u>\$ 10,985,087</u>	<u>\$ 6,442,355</u>	<u>\$ 79,437,618</u>
<b>Drainage Utility activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 37,498	\$ -	\$ 37,498	\$ -
Total capital assets, not being depreciated	<u>37,498</u>	<u>-</u>	<u>37,498</u>	<u>-</u>
Capital assets, being depreciated:				
Improvements - other	-	185,219	-	185,219
Furniture Fixtures, and Equipment	34,996	18,199	-	53,195
Vehicles	-	21,369	-	21,369
Total capital assets being depreciated	<u>34,996</u>	<u>224,787</u>	<u>-</u>	<u>259,783</u>
Less accumulated depreciation for:				
Improvements - other	-	2,490	-	2,490
Furniture, Fixtures, and Equipment	3,928	12,117	-	16,045
Vehicles	-	2,490	-	2,490
Total accumulated depreciation	<u>3,928</u>	<u>17,097</u>	<u>-</u>	<u>21,025</u>
Total capital assets, being depreciated, net	<u>31,068</u>	<u>207,690</u>	<u>-</u>	<u>238,758</u>
Drainage Utility activities capital assets, net	<u>\$ 68,566</u>	<u>\$ 207,690</u>	<u>\$ 37,498</u>	<u>\$ 238,758</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**D. Capital Assets (continued)**

	Balance 09/30/03	Additions	Deletions	Balance 9/30/2004
<b>Total Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,290,933	\$ 268,382	\$ -	\$ 1,559,315
Construction in progress	34,287,156	34,542,750	57,244,077	11,585,829
Total capital assets, not being depreciated	<u>35,578,089</u>	<u>34,811,132</u>	<u>57,244,077</u>	<u>13,145,144</u>
Capital assets, being depreciated:				
Buildings / Improvements	72,006,820	51,468,380	-	123,475,200
Improvements - other	19,015,732	6,927,906	-	25,943,638
Furniture, Fixtures, and Equipment	5,193,531	414,092	1,106	5,606,517
Vehicles	7,780,368	821,784	-	8,602,152
Total capital assets being depreciated	<u>103,996,451</u>	<u>59,632,162</u>	<u>1,106</u>	<u>163,627,507</u>
Less accumulated depreciation for:				
Buildings / Improvements	21,117,258	1,864,554	-	22,981,812
Improvements - other	1,389,191	651,047	-	2,040,238
Furniture, Fixtures, and Equipment	3,517,642	623,738	679	4,140,701
Vehicles	5,238,764	730,793	-	5,969,557
Total accumulated depreciation	<u>31,262,855</u>	<u>3,870,132</u>	<u>679</u>	<u>35,132,308</u>
Total capital assets, being depreciated, net	<u>72,733,596</u>	<u>55,762,030</u>	<u>427</u>	<u>128,495,199</u>
Business-type activities capital assets, net	<u>\$ 108,311,685</u>	<u>\$ 90,573,162</u>	<u>\$ 57,244,504</u>	<u>\$ 141,640,343</u>

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

Governmental activities:	
General government	\$ 375,604
Police	469,349
Fire	622,128
Highways & Streets	200,746
Library	197,593
Parks & Recreational	160,807
Golf	46,222
Permits & Inspection	12,712
Other Community Service	549,982
Total depreciation expense-governmental activities	<u>\$ 2,635,143</u>
Business-type activities:	
Airport	\$ 796,680
Solid Waste	887,943
Water and Sewer	2,168,412
Drainage Utility	17,097
Total depreciation expense-business-type activities	<u>\$ 3,870,132</u>



**CITY OF KILLEEN, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (continued)  
 SEPTEMBER 30, 2004**

**D. Capital Assets (continued)**

**Construction Commitments**

The City has active Water and Sewer and Drainage Utility construction projects as of September 30, 2004. At year-end the City's commitments with contractors are as follows:

	<u>Contract Amount</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water and Sewer	\$ 5,111,131	\$ 3,581,896	\$ 1,529,235
Drainage Utility	174,619	160,876	13,743
Total	<u>\$ 5,285,750</u>	<u>\$ 3,742,772</u>	<u>\$ 1,542,978</u>

**E. Interfund Receivables, Payables, and Transfers**

A summary of interfund receivables and payables at September 30, 2004 is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,982,881	\$ 42,676
Airport	-	3,088,369
Water & Sewer	574,441	-
Community Development Block Grant	42,676	83,560
Community Development Block Grant - Home Program	-	4,175
Capital Projects		
2001 C.O.	602,718	-
2003 C.O.	2,469,793	-
2004 C.O. Golf Bond	-	1,889,453
2004 C.O. Fire Bond	-	564,276
Totals	<u>\$ 5,672,509</u>	<u>\$ 5,672,509</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**E. Interfund Receivables, Payables, and Transfers (continued)**

Operating transfers during the year ended September 30, 2004 were:

<u>Fund</u>	<u>In</u>	<u>Out</u>
General	\$ 3,750,522	\$ 1,534,520
Special Revenue:		
Hotel Occupancy Tax	750,000	693,191
Community Development	22,046	229,548
CDBG Home	50,000	50,933
Parks Improvement	50,000	-
Debt Service:		
Refunding Bond 1993	-	9,353
Certificate Obligation 2000	693,191	-
Tax Interest and Sinking 1999	2,147	-
Refunding Bond 1999	707,658	-
Capital Projects:		
2001 C.O.	39,099	158,900
2003 C.O.	-	3,405,232
1995 G.O.	-	39,099
Enterprise:		
Water & Sewer	-	2,909,520
Airport	4,226,606	-
Solid Waste	-	1,260,973
	<u>\$ 10,291,269</u>	<u>\$ 10,291,269</u>

**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 non-current notes receivable – an account used to segregate that portion of fund balance that does not represent available spendable resources due to the non-current status of certain notes receivables reflected as assets.

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.

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**F. Fund Equity (continued)**

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.

Reserved 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 by fund:

<u>Reserve</u>	<u>Governmental</u>				<u>Proprietary Enterprise</u>	<u>Fiduciary Pension Trust</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
Encumbrances	\$ 528,805	\$ 337,536	\$ -	\$ -	\$ -	\$ -
Reserve for Non-Current						
Portion of Note Receivable	15,858	-	-	-	-	-
Reserve for Inventories	485,253	-	-	-	-	-
Debt Service	-	-	1,770,519	-	3,258,464	-
Capital Projects	-	-	-	5,261,012	7,003,815	-
Employee Pension Benefits	-	-	-	-	-	12,978,374
Reserved for						
Emergencies	1,525,000	-	-	-	2,902,000	-
	<u>\$2,554,916</u>	<u>\$ 337,536</u>	<u>\$1,770,519</u>	<u>\$ 5,261,012</u>	<u>\$ 13,164,279</u>	<u>\$ 12,978,374</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**G. Long-Term Debt**

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2004 is as follows:

	Balance 09/30/03	Additions	Deletions	Balance 09/30/04	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 10,676,668	\$ -	\$ 1,510,567	\$ 9,166,101	\$ 1,321,850
Certificates of obligation	30,806,000	-	857,000	29,949,000	883,000
Limited tax notes	2,035,000	-	475,000	1,560,000	495,000
Unamortized bond issue costs	(89,024)	-	(4,886)	(84,138)	(4,886)
Total bonds payable	43,428,644	-	2,837,681	40,590,963	2,694,964
Compensated absences	3,852,837	2,203,958	2,068,366	3,988,429	218,961
Note payable	182,396	772,669	40,584	914,481	299,449
Governmental activity long-term debt	<u>\$ 47,463,877</u>	<u>\$ 2,976,627</u>	<u>\$ 4,946,631</u>	<u>\$ 45,493,873</u>	<u>\$ 3,213,374</u>
<b>Business Type Activities:</b>					
<u>Water and Sewer Debt:</u>					
Revenue bonds	\$ 29,490,000	\$ -	\$ 1,585,000	\$ 27,905,000	\$ 1,440,000
Certificates of obligation	175,000	-	175,000	-	-
General obligation bonds	9,408,332	-	419,434	8,988,898	1,083,150
Total Water and Sewer long-term debt	39,073,332	-	2,179,434	36,893,898	2,523,150
<u>Aviation Debt:</u>					
Notes payable	30,900	-	15,484	15,416	15,416
Total Aviation debt	30,900	-	15,484	15,416	15,416
<u>Solid Waste Debt:</u>					
Certificates of obligation	654,000	-	98,000	556,000	102,000
Limited tax notes	600,000	-	300,000	300,000	300,000
Total bonds payable	1,254,000	-	398,000	856,000	402,000
Non-current portion of landfill closure and post-closure care cost (note 14)	9,000	-	9,000	-	-
Total solid waste long-term debt	1,263,000	-	407,000	856,000	402,000
Business-type activity long-term debt	<u>\$ 40,367,232</u>	<u>\$ -</u>	<u>\$ 2,601,918</u>	<u>\$ 37,765,314</u>	<u>\$ 2,940,566</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**G. Long-Term Debt (continued)**

Long-term debt at September 30, 2004 is comprised of the following:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
<b>Governmental Fund</b>						
General Obligation Bonds:						
1993 Various purpose	4.50 – 7.50	11-01-93	08-01-07	\$ 3,750,000	\$ 2,375,000	\$ 1,375,000
1993 Refunding	2.85 – 5.10	11-01-93	08-01-04	7,065,000	7,065,000	-
1995 Various purpose	4.25 – 6.90	06-01-95	08-01-09	6,745,000	795,000	5,950,000
1999 Refunding	3.10 – 4.70	04-01-99	08-01-13	2,029,800	188,699	1,841,101
Tax/Revenue Certificates of Obligation:						
1996 Various purpose	5.25 – 7.00	05-01-96	08-15-10	3,650,000	850,000	2,800,000
1999 Various purpose	4.00 – 4.30	04-01-99	08-01-99	1,500,000	666,000	834,000
2000 Hotel Occ. & Civic Center	4.50 – 5.50	12-15-00	08-01-30	10,500,000	840,000	9,660,000
2001 Various purpose	4.60 – 6.10	06-15-01	08-01-26	6,000,000	145,000	5,855,000
2002 Golf Course	2.70 – 4.50	12-01-02	08-01-12	2,000,000	200,000	1,800,000
2003 Various purpose	3.25 – 5.00	06-15-03	02-1-23	9,000,000	-	9,000,000
Limited Tax Notes						
2000 Various purpose	4.50 – 5.00	10-15-00	08-15-07	3,000,000	1,440,000	1,560,000
Total				<u>\$55,239,800</u>	<u>\$14,564,699</u>	<u>\$40,675,101</u>
<b>Proprietary Funds</b>						
Revenue Bonds:						
1991 Refunding	4.70 – 6.45	07-01-97	07-01-05	\$ 6,600,000	\$ 6,045,000	\$ 555,000
1996 Various purpose	5.50 – 6.875	05-01-96	08-15-12	4,530,000	950,000	3,580,000
1997 Various purpose	3.80 – 5.30	10-15-97	08-15-17	8,860,000	1,225,000	7,635,000
1999 Various purpose	5.00 – 7.00	10-15-99	08-15-19	9,000,000	1,200,000	7,800,000
2001 Various purpose	4.75 – 5.75	06-15-01	08-15-21	8,700,000	365,000	8,335,000
General Obligation Bonds:						
1993 Refunding	2.85 – 5.10	11-01-93	08-01-04	380,000	380,000	-
1999 Refunding	3.10 – 4.70	04-01-99	08-01-13	9,910,200	921,302	8,988,898
Tax/Revenue Certificates of Obligation:						
1993 Various purpose	6.00 – 8.70	01-1-93	07-01-12	3,000,000	3,000,000	-
1999 Various purpose	4.00 – 4.30	04-1-99	08-01-09	1,000,000	444,000	556,000
Limited Tax Notes						
1999 Various purpose	4.00 – 5.50	10-15-99	08-15-05	1,200,000	900,000	300,000
Notes payable	5.25	09-30-96	09-30-05	123,170	107,754	15,416
Total				<u>\$53,303,370</u>	<u>\$15,538,056</u>	<u>\$37,765,314</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**G. Long-Term Debt (continued)**

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
2005	\$ 1,321,850	\$ 470,070	\$ 1,083,150	\$ 394,468
2006	1,455,150	392,032	1,489,850	343,018
2007	1,865,400	322,476	929,600	283,424
2008	1,897,200	231,199	962,800	244,846
2009	1,898,900	131,117	971,100	204,408
2010 - 2013	727,601	80,127	3,552,399	391,212
Total	<u>\$ 9,166,101</u>	<u>\$ 1,627,021</u>	<u>\$ 8,988,899</u>	<u>\$ 1,861,376</u>

**Note Payable**

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

Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 299,449	\$ 3,899	\$ 16,758	\$ 973
2006	300,799	2,549	-	-
2007	302,194	1,155	-	-
2008	12,039	66	-	-
Total	<u>\$ 914,481</u>	<u>\$ 7,669</u>	<u>\$ 16,758</u>	<u>\$ 973</u>

**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 \$37,690,000.

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Business-type Activities	
	Principal	Interest
2005	\$ 1,440,000	\$ 1,492,576
2006	1,070,000	1,411,741
2007	1,130,000	1,351,242
2008	1,200,000	1,285,704
2009	1,305,000	1,215,567
2010 - 2014	8,950,000	4,905,702
2015 - 2019	11,475,000	1,959,324
2020 - 2023	1,335,000	103,362
Total	<u>\$ 27,905,000</u>	<u>\$ 13,725,218</u>

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**G. Long-Term Debt (continued)**

**Tax and Revenue Certificates of Obligation**

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

Year Ending <u>September 30</u>	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 883,000	\$ 1,422,859	\$ 102,000	\$ 23,000
2006	1,144,000	1,375,514	106,000	18,920
2007	1,373,000	1,319,639	112,000	14,680
2008	1,409,000	1,252,557	116,000	10,032
2009	1,450,000	1,188,529	120,000	5,160
2010 - 2014	6,325,000	4,870,886	-	-
2015 - 2019	6,065,000	3,613,562	-	-
2020 - 2024	6,975,000	2,060,443	-	-
2025 - 2029	3,670,000	710,760	-	-
2030	655,000	35,206	-	-
Total	<u>\$ 29,949,000</u>	<u>\$ 17,849,955</u>	<u>\$ 556,000</u>	<u>\$ 71,792</u>

**Limited Tax Notes**

Annual debt service requirements to maturity for the Limited Tax Notes are as follows:

Year Ending <u>September 30</u>	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 495,000	\$ 76,020	\$ 300,000	\$ 14,400
2006	520,000	53,250	-	-
2007	545,000	27,250	-	-
Total	<u>\$ 1,560,000</u>	<u>\$ 156,520</u>	<u>\$ 300,000</u>	<u>\$ 14,400</u>

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 require 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,

**G. Long-Term Debt (continued)**

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, 2004, the outstanding maturities on the refunded debt were \$1,375,000 for the General Obligation Bonds, Series 1991, \$2,375,000 for the Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993, and \$6,625,000 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 will be used for purchasing land and existing improvements for municipal golf course purposes and improving the City's municipal golf course and parks and recreation facilities. The \$9,000,000 will be used to pay expenditures in connection with the design, planning, acquisition, construction, equipping and/or renovating the City's airport project.

**V. OTHER INFORMATION**

**A. Risk Management**

The City has insurable risks in various areas, 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) Intergovernment 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 pool risks and funds and share in the costs of losses. Claims against the City in each respective area 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 the current year, the City of Killeen completed the process of the moving airline operations from the Killeen Municipal Airport to Fort 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 participated in the funding of the 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. Although the new airport is fully operational, various construction and engineering contracts that will further enhance the facilities have been awarded by the FAA. As of September 30, 2004, the total unexpended FAA awards amount to approximately \$3,766,817.

As part of the airport relocation project, the City entered into 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.

**C. Employee Benefits**

**1. Plan Description**

The City provides pension benefits for all of its full-time employees, except firemen, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 794 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 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

**CITY OF KILLEEN, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (continued)  
SEPTEMBER 30, 2004**

**C. Employee Benefits (continued)**

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

**2. Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution 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 City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortized 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 contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2003, valuation is effective for rates beginning January 2005).

The City of Killeen is one of 794 municipalities having their benefit plan administered by TMRS. Each of the 794 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/03 valuations are contained in the 2003 TMRS Comprehensive Annual Financial Report.

The City's total payroll in fiscal year 2004 was \$28,337,974 and the City's contributions were based on a payroll of \$22,604,557. Both the City and the covered employees made the required contributions, amounting to \$2,773,276 for the City and \$1,582,318 for the employees. During the preceding year and second preceding year, both the City and the covered employees made the

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**C. Employee Benefits (continued)**

required contributions, amounting, to \$2,746,637 and \$2,538,174 respectively, for the City and \$1,523,104 and \$1,443,019 respectively, for the employees. The City's contribution amounted to 12.16% of the covered payroll for the months in calendar year 2004, 12.57% of the covered payroll for the months in calendar year 2003, 12.77% of the covered payroll for the months in calendar year 2002, and 12.19% of the covered payroll for the months in calendar year 2001. The employees contribution amounted to 7% of covered payroll. The Net Pension Obligation was zero at the end of both the current fiscal year and the prior fiscal year.

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

**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	12/31/03	12/31/02	12/31/01
Actuarial Value of Assets	\$ 35,834,782	\$ 33,117,402	\$ 30,148,424
Actuarial Accrued Liability	\$ 48,701,857	\$ 43,305,736	\$ 39,376,725
Percentage Funded	73.6%	76.5%	76.6%
Unfunded (Over funded) Actuarial Accrued Liability (UAAL)	\$ 12,867,075	\$ 10,188,334	\$ 9,228,301
Annual Covered Payroll	\$ 21,701,404	\$ 21,649,292	\$ 17,682,280
UAAL as a Percentage of Covered Payroll	59.3%	47.1%	52.2%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	2,719,025	2,661,084	2,538,174
Interest on NPO	-	-	-
Adjustment to ARC	-	-	-
	<u>2,719,025</u>	<u>2,661,084</u>	<u>2,538,174</u>
Contribution Made	2,719,025	2,661,084	2,538,174
Increase in NPO	-	-	-
NPO at the End of the Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Actuarial Assumptions**

Actuarial Cost Method	Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization	25 years-open period
Asset Valuation Method	Amortized Cost (to accurately reflect the requirements of GASB statement No. 25, paragraphs 36e and 138)
Assumptions:	
Investment Rate of Return	7%
Projected Salary Increases	None
Inflation	None
Cost-of-Living Adjustments	None

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**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, 2002, the date of the most recent actuarial valuation.

	<u>September 30, 2002</u>
1. Retirees and beneficiaries currently receiving benefits	40
2. Terminated employees entitled to benefits but not yet receiving them	3
3. Current employees	
a. Fully Vested	28
b. Partially Vested	16
c. Nonvested	<u>104</u>
4. Total	<u>191</u>

The Killeen Firefighter's Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits for both paid and volunteer firefighters. These benefits 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 of service. Volunteer firefighters may retire at age 55 with 20 years of service. The Plan effective April 1, 1999 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 \$150.00 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.

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, 2003 and ended September 30, 2004. 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.

**C. Employee Benefits (continued)**

**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.

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 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 a level percentage of payroll method. The costs of administering the plan are financed from the trust.

For the plan currently in effect the funding policy of the Killeen Firefighter's Relief and Retirement Fund requires contributions equal to 9% of pay by the paid firefighters until February 25, 2003 when the contribution increases to 10% and 10% of payroll by the City of Killeen. Contributions by the City of \$102 per year per volunteer and a fixed amount of \$16,010 per year through December 31, 2007 are also required.

The City's total payroll in fiscal year 2004 was \$28,337,974 and the City's contributions were based on a payroll of \$5,187,897. Both the City and the covered employees made the required contributions amounting to \$518,790 (10% of covered payroll) for employees, and \$518,790 (10.0% of covered payroll plus annual amount of \$16,010 and \$102 for each active volunteer firefighter) for the City. During the preceding fiscal year, both the City and the covered employees made the required contributions amounting to \$478,990 (9.0% of covered payroll until February 25, 2003 and 10% thereafter) for employees and \$464,924 (9.0% of covered payroll plus annual amount of \$16,010 and \$102 for each active volunteer firefighter) for the City. During the second preceding fiscal year, both the City and the covered employees made the required contributions amounting to \$423,325 (9.0% of covered payroll) for employees and \$440,151 (9.0% of covered payroll plus annual amount of \$16,010 and \$102 for each active volunteer firefighter) for the City. The Net Pension Obligation was zero at the end of the current and the two preceding fiscal years.

**D. Landfill Closure and PostClosure Care Costs**

The City's landfill stopped accepting solid waste prior to October 9, 1993. A final cover was installed at the landfill within the period required by regulations of the Texas Commission on Environmental Quality (TCEQ).

The TCEQ regulations require the City to incur remaining closure costs necessary for final closure certification of the landfill by the TCEQ and postclosure care costs such as costs to correct erosion of the final cover material, lack of vegetative growth on landfill site, ponding of water on the landfill site, and leachate or methane migration, for a five year period commencing after final landfill closure certification.

**D. Landfill Closure and PostClosure Care Costs (continued)**

To comply with Government Accounting Standards Board Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and PostClosure Care Costs," the City is required to record a liability for the estimated current costs of the remaining closure costs and postclosure care costs.

The City originally estimated the current costs of remaining closure costs and post closure costs at \$1,060,000 as of September 30, 1994. These landfill closure and postclosure care costs were recognized over the active life of the landfill, based on the landfill capacity used to date at the end of each fiscal year through the fiscal year ended September 30, 1994. The landfill's total estimated capacity was 1,357,055 tons.

The City revised its estimate of the current costs of remaining closure and postclosure care costs as of September 30, 2004. The revised estimate was \$104,278. This revision resulted in a recognition of a change in accounting estimate and an increase in the landfill closure and postclosure care cost liability of \$41,225.

Because the landfill stopped accepting waste prior to October 9, 1993, financial assurance requirements relating to closure costs and postclosure costs do not apply.

Each year the City evaluates estimated closure costs and postclosure costs for changes due to inflation or deflation, technology, or applicable laws or regulations.

**E. Change in Accounting Estimate**

The City revised its estimate of landfill closure and postclosure care costs required to comply with TCEQ regulations. The revised estimate of landfill closure and postclosure care costs is \$50,225 to be expended over the subsequent year. Prior to this estimate adjustment, the City had a total remaining landfill closure and postclosure liability recorded in the Solid Waste fund of \$9,000. As a result of adjusting the liability for the revised estimate, a \$41,225 increase in landfill closure and postclosure care costs has been recognized in the Solid Waste Fund during the fiscal year ended September 30, 2004. The \$41,225 change in accounting estimate resulted in a \$41,225 recognition of expenses in the current year Statement of Revenues, Expenses, and Changes in Retained Earnings.

**F. Subsequent Events**

On October 12, 2004, the City issued \$20,200,000 in Waterworks and Sewer System Revenue Bonds. The proceeds from the sale of the bonds will be used to pay for construction and improvements to the City's waterworks and sewer system and to pay the costs associated with the issuance of the Bonds.

On October 12, 2004, the City issued \$24,325,000 in General Obligation Refunding and Improvement Bonds and \$6,000,000 in Combination Tax and Revenue Certificates of Obligation. The proceeds from the sale of the General Obligation Refunding and Improvements Bonds will be used to refund a portion of the City's General Obligation Bonds, Series 1993 and 1995, and Tax and Revenue Certificates of Obligation, Series 1996. The proceeds from the sale of the bonds will also be used for constructing, reconstructing and improving public streets; constructing, improving, renovating and equipping police headquarters, a police training facility, two new fire stations, remodeling an existing fire station and an animal control facility; constructing, improving,

**CITY OF KILLEEN, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2004**

**F. Subsequent Events (continued)**

renovating and equipping parks and recreation buildings and facilities; and pay the costs associated with the issuance of the Bonds. The proceeds from the sale of the Combination Tax and Revenue Certificates of Obligation will be used to pay for improvements to the City's municipal golf course; construct and improve City streets; purchase fire, emergency medical and public works vehicles and equipment; and pay the costs associated with the issuance of the Certificates

**G. Prior Period Adjustment**

A prior period adjustment is presented in the Aviation Fund for \$2,179,274. The purchase of Aviation assets was reported in the reports ending September 30, 2003 and prior as 2001 and 2003 C.O. funds capital outlay expenditures.

**H. Negative Fund Balances**

There were negative fund balances of \$2,075,940 and \$564,276 in the 2004 C.O. Golf and 2004 C.O. Bond funds respectively as of September 30, 2004. These negative fund balances were eliminated when the City received the proceeds from bonds issued on October 12, 2004.

CITY OF KILLEEN, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FIREMEN'S PENSION TRUST FUND  
 SEPTEMBER 30, 2004

SCHEDULE OF FUNDING PROGRESS AND ACTUARIAL LIABILITIES

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 <sup>2,3</sup>	9/30/98	\$ 9,273,403	\$ 11,316,851	\$ 2,043,448	81.9%	\$ 3,731,750	54.8%
2000 <sup>4,5</sup>	9/30/00	11,545,699	15,569,564	4,023,865	74.2	4,467,823	90.1
2002 <sup>6,7</sup>	9/30/02	10,872,235	19,317,195	8,444,960	56.3	4,936,246	1.71

Fiscal Year	Net Pension Obligation (NPO) Beginning	Annual Required Contribution (ARC)	Interest on NPO	Adjustment to the ARC	Contributions Made	Increase in NPO	NPO Ending
1998	\$ -	\$ 276,687	\$ -	\$ -	\$ 276,687	\$ -	\$ -
1999	-	310,364	-	-	310,364	-	-
2000	-	353,117	-	-	353,117	-	-
2001	-	416,299	-	-	416,299	-	-
2002	-	440,151	-	-	440,151	-	-
2003	-	464,924	-	-	464,924	-	-
2004	-	535,208	-	-	535,208	-	-

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

<sup>2</sup> Prior valuations do not meet the parameter requirement of biennial valuations, and therefore have not been shown.

<sup>3</sup> Reflects plan benefit provisions effective July 1, 1996

<sup>4</sup> Economic and demographic assumptions were revised.

<sup>5</sup> Reflects plan benefit provisions effective April 1, 1999 and is the most recent valuation for the plan.

<sup>6</sup> Amortization period was changed.

<sup>7</sup> Reflects plan benefit provisions effective April 1, 1999 and amended October 1, 1999. This is the most recent valuation for the plan.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended September 30 <sup>6</sup>	Annual Required Contribution <sup>7</sup>	Percentage of Required Contribution Contributed
1996	\$ 251,064	100%
1997	275,474	100
1998	276,687	100
1999	310,364	100
2000	353,117	100
2001	416,299	100
2002	440,151	100
2003	464,924	100
2004	535,208	100

<sup>6</sup> The Years 1996 - 2004 are from October 1 through September 30.

<sup>7</sup> The annual required contribution disclosed is based on actual covered payroll as reported in the fund's annual report to the State of Texas Firefighter's Pension Commission.



**COMBINING FINANCIAL STATEMENTS AS SUPPLEMENTARY  
INFORMATION**

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF KILLEEN  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2004

EXHIBIT B-1

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Assets:				
Cash and Cash Equivalents	\$ 1,258,400	\$ 1,770,519	\$ 5,517,571	\$ 8,546,490
Receivables ( net of allowances for uncollectibles):				
Grants	133,456	--	--	133,456
Taxes	--	127,318	--	127,318
Accounts	914	--	--	914
Due from Other Funds	42,676	--	3,072,511	3,115,187
Restricted Assets:				
Cash and Cash Equivalents	58,445	--	--	58,445
<b>Total Assets</b>	<b>\$ 1,493,891</b>	<b>\$ 1,897,837</b>	<b>\$ 8,590,082</b>	<b>\$ 11,981,810</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 233,705	\$ --	\$ 813,910	\$ 1,047,615
Retainage Payable	--	--	61,431	61,431
Due to Other Funds	87,735	--	2,453,729	2,541,464
Vacation and Sick Leave Payable	15,199	--	--	15,199
Deferred Revenue	62,610	127,318	--	189,928
<b>Total Liabilities</b>	<b>399,249</b>	<b>127,318</b>	<b>3,329,070</b>	<b>3,855,637</b>
Fund Balances:				
Reserved:				
Encumbrances	337,535	--	--	337,535
Debt Service	--	1,770,519	--	1,770,519
Capital Projects	--	--	5,261,012	5,261,012
Unreserved:				
Undesignated	757,107	--	--	757,107
<b>Total Fund Balances</b>	<b>1,094,642</b>	<b>1,770,519</b>	<b>5,261,012</b>	<b>8,126,173</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,493,891</b>	<b>\$ 1,897,837</b>	<b>\$ 8,590,082</b>	<b>\$ 11,981,810</b>

**CITY OF KILLEEN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenue:</b>				
Taxes	\$ 975,275	\$ 4,378,256	\$ --	\$ 5,353,531
Intergovernmental	1,680,934	--	--	1,680,934
Fines	70,000	--	--	70,000
Miscellaneous	605,577	48,273	109,903	763,753
<b>Total Revenues</b>	<b>3,331,786</b>	<b>4,426,529</b>	<b>109,903</b>	<b>7,868,218</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	1,268,697	--	--	1,268,697
Public Safety	20,303	--	--	20,303
Community Services	190,824	--	--	190,824
Miscellaneous	1,350,398	--	--	1,350,398
Capital Outlay	279,518	--	5,029,060	5,308,578
<b>Debt service:</b>				
Principal	--	2,842,567	--	2,842,567
Interest	--	2,154,860	--	2,154,860
Fiscal Charges	--	18,559	--	18,559
<b>Total Expenditures</b>	<b>3,109,740</b>	<b>5,015,986</b>	<b>5,029,060</b>	<b>13,154,786</b>
Excess (Deficiency) of Revenues (Under) Expenditures	222,046	(589,457)	(4,919,157)	(5,286,568)
<b>Other Financing Sources (Uses):</b>				
Transfers In	872,046	1,402,996	39,099	2,314,141
Transfers Out	(973,672)	(9,353)	(3,603,231)	(4,586,256)
<b>Total Other Financing Sources (Uses)</b>	<b>(101,626)</b>	<b>1,393,643</b>	<b>(3,564,132)</b>	<b>(2,272,115)</b>
<b>Net Changes in Fund Balances</b>	<b>120,420</b>	<b>804,186</b>	<b>(8,483,289)</b>	<b>(7,558,683)</b>
Fund Balances, October 1	974,222	966,333	13,744,301	15,684,856
<b>Fund Balances, September 30</b>	<b>\$ 1,094,642</b>	<b>\$ 1,770,519</b>	<b>\$ 5,261,012</b>	<b>\$ 8,126,173</b>

## **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 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.

**Hotel Occupancy Tax Fund:** To account for the levy and utilization of the hotel occupancy tax. State law requires 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 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.

CITY OF KILLEEN  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2004

	Law Enforcement Grant	State Seizure	Federal Seizure	Hotel Occupancy Tax
<b>ASSETS</b>				
Assets:				
Cash and Cash Equivalents	\$ 69,567	\$ 60,088	\$ 23,820	\$ 787,316
Receivables ( net of allowances for uncollectibles):				
Grants	--	--	--	--
Accounts	--	--	--	--
Due from Other Funds	--	--	--	--
Restricted Assets:				
Cash and Cash Equivalents	--	--	--	20,132
<b>Total Assets</b>	<b>\$ 69,567</b>	<b>\$ 60,088</b>	<b>\$ 23,820</b>	<b>\$ 807,448</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ --	\$ --	\$ --	\$ 115,728
Due to Other Funds	--	--	--	--
Vacation and Sick Leave Payable	--	--	--	14,505
Deferred Revenue	62,610	--	--	--
<b>Total Liabilities</b>	<b>62,610</b>	<b>--</b>	<b>--</b>	<b>130,233</b>
Fund Balances:				
Reserved:				
Encumbrances	80,065	--	--	66,297
Unreserved:				
Undesignated	(73,108)	60,088	23,820	610,918
<b>Total Fund Balances</b>	<b>6,957</b>	<b>60,088</b>	<b>23,820</b>	<b>677,215</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 69,567</b>	<b>\$ 60,088</b>	<b>\$ 23,820</b>	<b>\$ 807,448</b>

Special Events Center	Cablesystem Improvements	Library Memorial	Parks	Community Development
\$ 81,094	\$ 16,358	\$ 35,475	\$ --	\$ --
--	--	--	--	127,474
--	--	914	--	--
--	--	--	--	42,676
--	--	--	38,313	--
<u>\$ 81,094</u>	<u>\$ 16,358</u>	<u>\$ 36,389</u>	<u>\$ 38,313</u>	<u>\$ 170,150</u>
\$ 16,415	\$ 1,180	\$ --	\$ 11,588	\$ 86,590
--	--	--	--	83,560
--	--	--	--	--
<u>16,415</u>	<u>1,180</u>	<u>--</u>	<u>11,588</u>	<u>170,150</u>
--	476	--	--	161,208
64,679	14,702	36,389	26,725	(161,208)
<u>64,679</u>	<u>15,178</u>	<u>36,389</u>	<u>26,725</u>	<u>--</u>
<u>\$ 81,094</u>	<u>\$ 16,358</u>	<u>\$ 36,389</u>	<u>\$ 38,313</u>	<u>\$ 170,150</u>

**CITY OF KILLEEN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2004**

	<u>CDBG Home Program</u>	<u>Lion's Club Park</u>
<b>ASSETS</b>		
Assets:		
Cash and Cash Equivalents	\$ 48,992	\$ 29,209
Receivables ( net of allowances for uncollectibles):		
Grants	5,982	--
Accounts	--	--
Due from Other Funds	--	--
Restricted Assets:		
Cash and Cash Equivalents	--	--
 Total Assets	 <u>\$ 54,974</u>	 <u>\$ 29,209</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 2,204	\$ --
Due to Other Funds	4,175	--
Vacation and Sick Leave Payable	694	--
Deferred Revenue	--	--
Total Liabilities	<u>7,073</u>	<u>--</u>
Fund Balances:		
Reserved:		
Encumbrances	101	--
Unreserved:		
Undesignated	47,800	29,209
Total Fund Balances	<u>47,901</u>	<u>29,209</u>
 Total Liabilities and Fund Balances	 <u>\$ 54,974</u>	 <u>\$ 29,209</u>

<u>Court Technology</u>	<u>Court Security</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit B-1)</u>
\$ 47,134	\$ 59,347	\$ 1,258,400
--	--	133,456
--	--	914
--	--	42,676
--	--	58,445
<u>\$ 47,134</u>	<u>\$ 59,347</u>	<u>\$ 1,493,891</u>
\$ --	\$ --	\$ 233,705
--	--	87,735
--	--	15,199
--	--	62,610
--	--	399,249
29,388	--	337,535
17,746	59,347	757,107
47,134	59,347	1,094,642
<u>\$ 47,134</u>	<u>\$ 59,347</u>	<u>\$ 1,493,891</u>



**CITY OF KILLEEN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Law Enforcement Grant	State Seizure	Federal Seizure	Hotel Occupancy Tax
Revenue:				
Taxes	\$ --	\$ --	\$ --	\$ 975,275
Intergovernmental	151,616	--	--	--
Fines	--	--	--	--
Miscellaneous	254	66,833	80	521,348
Total Revenues	<u>151,870</u>	<u>66,833</u>	<u>80</u>	<u>1,496,623</u>
Expenditures:				
Current:				
General Government	--	--	--	1,268,697
Public Safety	--	20,031	272	--
Community Services	--	--	--	101,562
Miscellaneous	--	--	--	55,255
Capital Outlay	159,601	17,663	7,952	5,586
Total Expenditures	<u>159,601</u>	<u>37,694</u>	<u>8,224</u>	<u>1,431,100</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(7,731)	29,139	(8,144)	65,523
Other Financing Sources (Uses):				
Transfers In	--	--	--	750,000
Transfers Out	--	--	--	(693,191)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>56,809</u>
Net Changes in Fund Balances	(7,731)	29,139	(8,144)	122,332
Fund Balances, October 1	14,688	30,949	31,964	554,883
Fund Balances, September 30	<u>\$ 6,957</u>	<u>\$ 60,088</u>	<u>\$ 23,820</u>	<u>\$ 677,215</u>

Special Events Center	Cablesystem Improvements	Library Memorial	Parks	Community Development
\$ --	\$ --	\$ --	\$ --	\$ --
--	50,000	--	--	1,309,514
--	--	--	--	--
873	98	6,809	137	8,824
<u>873</u>	<u>50,098</u>	<u>6,809</u>	<u>137</u>	<u>1,318,338</u>
--	--	--	--	--
--	--	--	--	--
--	59,111	--	--	30,151
--	--	--	--	1,080,685
--	--	--	44,374	--
--	<u>59,111</u>	--	<u>44,374</u>	<u>1,110,836</u>
873	(9,013)	6,809	(44,237)	207,502
--	--	--	50,000	22,046
--	--	--	--	(229,548)
--	--	--	<u>50,000</u>	<u>(207,502)</u>
873	(9,013)	6,809	5,763	--
63,806	24,191	29,580	20,962	--
<u>\$ 64,679</u>	<u>\$ 15,178</u>	<u>\$ 36,389</u>	<u>\$ 26,725</u>	<u>\$ --</u>

**CITY OF KILLEEN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>CDBG Home Program</u>	<u>Lion's Club Park</u>
Revenue:		
Taxes	\$ --	\$ --
Intergovernmental	169,804	--
Fines	--	--
Miscellaneous	--	321
Total Revenues	<u>169,804</u>	<u>321</u>
Expenditures:		
Current:		
General Government	--	--
Public Safety	--	--
Community Services	--	--
Miscellaneous	144,994	--
Capital Outlay	--	--
Total Expenditures	<u>144,994</u>	<u>--</u>
Excess (Deficiency) of Revenues (Under) Expenditures	24,810	321
Other Financing Sources (Uses):		
Transfers In	50,000	--
Transfers Out	<u>(50,933)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(933)</u>	<u>--</u>
Net Changes in Fund Balances	23,877	321
Fund Balances, October 1	24,024	28,888
Fund Balances, September 30	<u>\$ 47,901</u>	<u>\$ 29,209</u>

Court Technology	Court Security	Total Nonmajor Special Revenue Funds (See Exhibit B-2)
\$ --	\$ --	\$ 975,275
--	--	1,680,934
40,000	30,000	70,000
--	--	605,577
<u>40,000</u>	<u>30,000</u>	<u>3,331,786</u>
--	--	1,268,697
--	--	20,303
--	--	190,824
--	69,464	1,350,398
44,342	--	279,518
<u>44,342</u>	<u>69,464</u>	<u>3,109,740</u>
(4,342)	(39,464)	222,046
--	--	872,046
--	--	(973,672)
--	--	(101,626)
(4,342)	(39,464)	120,420
51,476	98,811	974,222
<u>\$ 47,134</u>	<u>\$ 59,347</u>	<u>\$ 1,094,642</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.

- \* Tax Interest and Sinking 1993
- \* Refunding Bond 1993
- \* Tax Interest and Sinking 1995
- \* 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

CITY OF KILLEEN  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 SEPTEMBER 30, 2004

	Tax Interest and Sinking 1993	Refunding Bond 1993	Tax Interest and Sinking 1995	Certificates of Obligation 2000
<b>ASSETS</b>				
Assets:				
Cash and Cash Equivalents	\$ 74,639	\$ 76,202	\$ 167,520	\$ 9,311
Receivables ( net of allowances for uncollectibles):				
Taxes	17,256	35,083	19,022	--
Restricted Assets:				
Total Assets	<u>\$ 91,895</u>	<u>\$ 111,285</u>	<u>\$ 186,542</u>	<u>\$ 9,311</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Deferred Revenue	\$ 17,256	\$ 35,083	\$ 19,022	\$ --
Total Liabilities	<u>17,256</u>	<u>35,083</u>	<u>19,022</u>	<u>--</u>
Fund Balances:				
Reserved:				
Debt Service	74,639	76,202	167,520	9,311
Unreserved:				
Total Fund Balances	<u>74,639</u>	<u>76,202</u>	<u>167,520</u>	<u>9,311</u>
Total Liabilities and Fund Balances	<u>\$ 91,895</u>	<u>\$ 111,285</u>	<u>\$ 186,542</u>	<u>\$ 9,311</u>

Tax Interest and Sinking 1999	Certificates of Obligation 1996	Refunding Bond 1999	Limited Tax Notes 2000	Certificates of Obligation 2001
\$ 51,881	\$ 54,529	\$ 1,005,216	\$ 97,908	\$ 64,923
5,326	11,407	5,565	14,771	9,528
<u>\$ 57,207</u>	<u>\$ 65,936</u>	<u>\$ 1,010,781</u>	<u>\$ 112,679</u>	<u>\$ 74,451</u>
<u>\$ 5,326</u>	<u>\$ 11,407</u>	<u>\$ 5,565</u>	<u>\$ 14,771</u>	<u>\$ 9,528</u>
<u>5,326</u>	<u>11,407</u>	<u>5,565</u>	<u>14,771</u>	<u>9,528</u>
51,881	54,529	1,005,216	97,908	64,923
<u>51,881</u>	<u>54,529</u>	<u>1,005,216</u>	<u>97,908</u>	<u>64,923</u>
<u>\$ 57,207</u>	<u>\$ 65,936</u>	<u>\$ 1,010,781</u>	<u>\$ 112,679</u>	<u>\$ 74,451</u>

CITY OF KILLEEN  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 SEPTEMBER 30, 2004

	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Total Nonmajor Debt Service Funds (See Exhibit B-1)
<b>ASSETS</b>			
Assets:			
Cash and Cash Equivalents	\$ 71,857	\$ 96,533	\$ 1,770,519
Receivables ( net of allowances for uncollectibles):			
Taxes	3,968	5,392	127,318
Restricted Assets:			
Total Assets	<u>\$ 75,825</u>	<u>\$ 101,925</u>	<u>\$ 1,897,837</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred Revenue	\$ 3,968	\$ 5,392	\$ 127,318
Total Liabilities	<u>3,968</u>	<u>5,392</u>	<u>127,318</u>
Fund Balances:			
Reserved:			
Debt Service	71,857	96,533	1,770,519
Unreserved:			
Total Fund Balances	<u>71,857</u>	<u>96,533</u>	<u>1,770,519</u>
Total Liabilities and Fund Balances	<u>\$ 75,825</u>	<u>\$ 101,925</u>	<u>\$ 1,897,837</u>



**CITY OF KILLEEN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Tax Interest and Sinking 1993	Refunding Bond 1993	Tax Interest and Sinking 1995	Certificates of Obligation 2000
<b>Revenue:</b>				
Taxes	\$ 409,423	\$ 891,356	\$ 561,318	\$ --
Miscellaneous	3,511	8,342	4,362	4,438
<b>Total Revenues</b>	<b>412,934</b>	<b>899,698</b>	<b>565,680</b>	<b>4,438</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Debt service:</b>				
Principal	325,000	961,617	150,000	175,000
Interest	76,500	49,211	334,900	517,816
Fiscal Charges	2,623	503	1,754	1,992
<b>Total Expenditures</b>	<b>404,123</b>	<b>1,011,331</b>	<b>486,654</b>	<b>694,808</b>
<b>Excess (Deficiency) of Revenues (Under) Expenditures</b>	<b>8,811</b>	<b>(111,633)</b>	<b>79,026</b>	<b>(690,370)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	--	--	--	693,191
Transfers Out	--	(9,353)	--	--
<b>Total Other Financing Sources (Uses)</b>	<b>--</b>	<b>(9,353)</b>	<b>--</b>	<b>693,191</b>
<b>Net Changes in Fund Balances</b>	<b>8,811</b>	<b>(120,986)</b>	<b>79,026</b>	<b>2,821</b>
<b>Fund Balances, October 1</b>	<b>65,828</b>	<b>197,188</b>	<b>88,494</b>	<b>6,490</b>
<b>Fund Balances, September 30</b>	<b>\$ 74,639</b>	<b>\$ 76,202</b>	<b>\$ 167,520</b>	<b>\$ 9,311</b>

Tax Interest and Sinking 1999	Certificates of Obligation 1996	Refunding Bond 1999	Limited Tax Notes 2000	Certificates of Obligation 2001
\$ 184,987	\$ 342,979	\$ 294,061	\$ 556,955	\$ 437,036
2,070	2,966	8,771	5,265	3,248
<u>187,057</u>	<u>345,945</u>	<u>302,832</u>	<u>562,220</u>	<u>440,284</u>
147,000	200,000	73,950	475,000	145,000
40,380	153,875	83,753	97,870	314,275
3,247	1,817	2,841	822	2,360
<u>190,627</u>	<u>355,692</u>	<u>160,544</u>	<u>573,692</u>	<u>461,635</u>
(3,570)	(9,747)	142,288	(11,472)	(21,351)
2,147	--	707,658	--	--
--	--	--	--	--
<u>2,147</u>	<u>--</u>	<u>707,658</u>	<u>--</u>	<u>--</u>
(1,423)	(9,747)	849,946	(11,472)	(21,351)
53,304	64,276	155,270	109,380	86,274
<u>\$ 51,881</u>	<u>\$ 54,529</u>	<u>\$ 1,005,216</u>	<u>\$ 97,908</u>	<u>\$ 64,923</u>

**CITY OF KILLEEN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Total Nonmajor Debt Service Funds (See Exhibit B-2)
Revenue:			
Taxes	\$ 230,184	\$ 469,957	\$ 4,378,256
Miscellaneous	2,542	2,758	48,273
Total Revenues	<u>232,726</u>	<u>472,715</u>	<u>4,426,529</u>
Expenditures:			
Current:			
Debt service:			
Principal	190,000	--	2,842,567
Interest	72,625	413,655	2,154,860
Fiscal Charges	300	300	18,559
Total Expenditures	<u>262,925</u>	<u>413,955</u>	<u>5,015,986</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(30,199)	58,760	(589,457)
Other Financing Sources (Uses):			
Transfers In	--	--	1,402,996
Transfers Out	--	--	(9,353)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>1,393,643</u>
Net Changes in Fund Balances	(30,199)	58,760	804,186
Fund Balances, October 1	102,056	37,773	966,333
Fund Balances, September 30	<u>\$ 71,857</u>	<u>\$ 96,533</u>	<u>\$ 1,770,519</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 (2001 C.O.):** To account for the designing and constructing of an access roadway to the new airport, including costs associated with acquiring of right of way and relocating utilities for the roadway. Financing was provided by the sale of combination tax and revenue certificates of obligation and limited tax notes.

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

**Capital Projects Fund (2003 C.O.):** To account for expenditure of funds on the Robert Gray Army Airfield project.

**Capital Projects Fund (2004 Golf C.O.):** To account for expenditure of funds on the Municipal 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 (1991 G.O. Bonds):** To account for construction improvements and other costs associated with the 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 (1999 C.O.):** To account for the constructing and purchasing of solid waste disposal system facilities and equipment, purchasing and equipping a library building, purchasing Public Works department vehicles and equipment, and paying of issuance costs associated with the certificates. Financing was provided by the sale of combination tax and revenue certificates of obligation.

**CITY OF KILLEEN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2004**

	2001 C.O.	2002 C. O.	2003 C.O.
<b>ASSETS</b>			
Assets:			
Cash and Cash Equivalents	\$ 540,296	\$ 226,843	\$ 3,393,314
Receivables ( net of allowances for uncollectibles):			
Due from Other Funds	602,718	--	2,469,793
Restricted Assets:			
Total Assets	<u>\$ 1,143,014</u>	<u>\$ 226,843</u>	<u>\$ 5,863,107</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 137,378	\$ 10	\$ 490,035
Retainage Payable	42,113	--	19,318
Due to Other Funds	--	--	--
Total Liabilities	<u>179,491</u>	<u>10</u>	<u>509,353</u>
Fund Balances:			
Reserved:			
Capital Projects	963,523	226,833	5,353,754
Unreserved:			
Total Fund Balances	<u>963,523</u>	<u>226,833</u>	<u>5,353,754</u>
Total Liabilities and Fund Balances	<u>\$ 1,143,014</u>	<u>\$ 226,843</u>	<u>\$ 5,863,107</u>

2004 C.O. Golf Bonds	2004 C.O. Bonds	1991 G.O. Bonds	1993 G.O. Bonds
\$ --	\$ --	\$ 82,013	\$ 123,917
--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 82,013</u>	<u>\$ 123,917</u>
\$ 186,487	\$ --	\$ --	\$ --
--	--	--	--
1,889,453	564,276	--	--
<u>2,075,940</u>	<u>564,276</u>	<u>--</u>	<u>--</u>
(2,075,940)	(564,276)	82,013	123,917
<u>(2,075,940)</u>	<u>(564,276)</u>	<u>82,013</u>	<u>123,917</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 82,013</u>	<u>\$ 123,917</u>

**CITY OF KILLEEN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2004**

	<u>1995 G.O.</u> <u>Bonds</u>	<u>1999</u> <u>C.O.</u>	<u>Total</u> <u>Nonmajor</u> <u>Capital</u> <u>Projects</u> <u>Funds (See</u> <u>Exhibit B-1)</u>
<b>ASSETS</b>			
Assets:			
Cash and Cash Equivalents	\$ 1,129,608	\$ 21,580	\$ 5,517,571
Receivables ( net of allowances for uncollectibles):			
Due from Other Funds	--	--	3,072,511
Restricted Assets:			
Total Assets	<u>\$ 1,129,608</u>	<u>\$ 21,580</u>	<u>\$ 8,590,082</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ --	\$ --	\$ 813,910
Retainage Payable	--	--	61,431
Due to Other Funds	--	--	2,453,729
Total Liabilities	<u>--</u>	<u>--</u>	<u>3,329,070</u>
Fund Balances:			
Reserved:			
Capital Projects	1,129,608	21,580	5,261,012
Unreserved:			
Total Fund Balances	<u>1,129,608</u>	<u>21,580</u>	<u>5,261,012</u>
Total Liabilities and Fund Balances	<u>\$ 1,129,608</u>	<u>\$ 21,580</u>	<u>\$ 8,590,082</u>

**CITY OF KILLEEN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	2001 C.O.	2002 C. O.	2003 C.O.
<b>Revenue:</b>			
Miscellaneous	\$ 8,115	\$ 11,470	\$ 68,796
Total Revenues	<u>8,115</u>	<u>11,470</u>	<u>68,796</u>
<b>Expenditures:</b>			
Capital Outlay	--	1,094,407	--
Total Expenditures	<u>--</u>	<u>1,094,407</u>	<u>--</u>
Excess (Deficiency) of Revenues (Under) Expenditures	8,115	(1,082,937)	68,796
<b>Other Financing Sources (Uses):</b>			
Transfers In	39,099	--	--
Transfers Out	(158,900)	--	(3,405,232)
Total Other Financing Sources (Uses)	<u>(119,801)</u>	<u>--</u>	<u>(3,405,232)</u>
Net Changes in Fund Balances	(111,686)	(1,082,937)	(3,336,436)
Fund Balances, October 1	1,075,209	1,309,770	8,690,190
Fund Balances, September 30	<u>\$ 963,523</u>	<u>\$ 226,833</u>	<u>\$ 5,353,754</u>



2004 C.O. Golf Bonds	2004 C.O. Bonds	1991 G.O. Bonds	1993 G.O. Bonds
\$ --	\$ --	\$ 1,530	\$ 2,617
--	--	1,530	2,617
2,075,940	564,276	140,091	8,470
2,075,940	564,276	140,091	8,470
(2,075,940)	(564,276)	(138,561)	(5,853)
--	--	--	--
--	--	--	--
--	--	--	--
(2,075,940)	(564,276)	(138,561)	(5,853)
--	--	220,574	129,770
\$ (2,075,940)	\$ (564,276)	\$ 82,013	\$ 123,917

**CITY OF KILLEEN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	1995 G.O. Bonds	1999 C.O.	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
<b>Revenue:</b>			
Miscellaneous	\$ 16,828	\$ 547	\$ 109,903
Total Revenues	<u>16,828</u>	<u>547</u>	<u>109,903</u>
<b>Expenditures:</b>			
Capital Outlay	1,098,560	47,316	5,029,060
Total Expenditures	<u>1,098,560</u>	<u>47,316</u>	<u>5,029,060</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(1,081,732)	(46,769)	(4,919,157)
<b>Other Financing Sources (Uses):</b>			
Transfers In	-	-	39,099
Transfers Out	(39,099)	-	(3,603,231)
Total Other Financing Sources (Uses)	<u>(39,099)</u>	<u>-</u>	<u>(3,564,132)</u>
Net Changes in Fund Balances	(1,120,831)	(46,769)	(8,483,289)
Fund Balances, October 1	2,250,439	68,349	13,744,301
Fund Balances, September 30	<u>\$ 1,129,608</u>	<u>\$ 21,580</u>	<u>\$ 5,261,012</u>

**BUDGETARY COMPARISON STATEMENTS**

CITY OF KILLEEN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-1

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenue:				
Taxes	\$ 30,292,834	\$ 30,292,834	\$ 31,883,220	\$ 1,590,386
Licenses and Permits	705,500	705,500	1,041,730	336,230
Intergovernmental	13,411	13,411	38,140	24,729
Charges for Services	3,041,072	3,041,072	2,787,141	(253,931)
Fines	790,400	790,400	824,038	33,638
Miscellaneous	458,900	458,900	583,951	125,051
Total Revenues	<u>35,302,117</u>	<u>35,302,117</u>	<u>37,158,220</u>	<u>1,856,103</u>
Expenditures:				
Current:				
General Government	4,518,173	4,571,619	4,257,478	314,141
Public Safety	20,291,657	20,563,282	20,447,716	115,566
Public Works	4,217,307	4,305,249	4,125,109	180,140
Community Services	6,630,362	6,594,778	6,269,348	325,430
Miscellaneous	3,217,911	3,420,261	3,417,395	2,866
Capital Outlay	889,215	1,117,925	1,865,177	(747,252)
Total Expenditures	<u>39,764,625</u>	<u>40,573,114</u>	<u>40,382,223</u>	<u>190,891</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(4,462,508)	(5,270,997)	(3,224,003)	2,046,994
Other Financing Sources (Uses):				
Note Proceeds	--	--	772,669	772,669
Transfers In	3,749,859	3,749,859	3,750,522	663
Transfers Out	(1,512,474)	(1,512,474)	(1,534,520)	(22,046)
Total Other Financing Sources (Uses)	<u>2,237,385</u>	<u>2,237,385</u>	<u>2,988,671</u>	<u>751,286</u>
Net Changes in Fund Balances	<u>\$ (2,225,123)</u>	<u>\$ (3,033,612)</u>	<u>(235,332)</u>	<u>\$ 2,798,280</u>
Fund Balance, October 1			15,521,629	
Current Year Encumbrances			528,803	
Prior Year Encumbrances			(306,008)	
Adjusted Fund Balance			<u>15,744,424</u>	
Fund Balance, September 30			<u>\$ 15,509,092</u>	

CITY OF KILLEEN  
GENERAL FUND  
STATEMENT OF REVENUES  
BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
Ad Valorem	\$ 12,621,745	\$ 12,621,745	\$ 12,846,089	\$ 224,344
Penalty and Interest	85,000	85,000	150,943	65,943
Beverage	125,000	125,000	163,675	38,675
Gross Receipts	4,048,089	4,048,089	3,933,838	(114,251)
City Sales	13,317,000	13,317,000	14,659,223	1,342,223
Bingo	96,000	96,000	129,452	33,452
	<u>30,292,834</u>	<u>30,292,834</u>	<u>31,883,220</u>	<u>1,590,386</u>
<b>Licenses and Permits:</b>				
Building Permits and Inspections	350,000	350,000	512,946	162,946
Electrical Permits and Inspections	70,000	70,000	127,859	57,859
Plumbing Permits and Inspections	50,000	50,000	89,500	39,500
Miscellaneous Licenses	120,000	120,000	130,364	10,364
Taxi Operators Licenses	1,000	1,000	2,205	1,205
Electrical Licenses	6,500	6,500	5,495	(1,005)
Food Handlers Permits	15,000	15,000	16,800	1,800
Trailer Court Licenses	8,000	8,000	7,230	(770)
Building Plans Review	60,000	60,000	106,759	46,759
Mechanical Inspections	25,000	25,000	42,572	17,572
	<u>705,500</u>	<u>705,500</u>	<u>1,041,730</u>	<u>336,230</u>
<b>Intergovernmental:</b>				
Bell County Contribution -				
Ambulance Service	3,411	3,411	11,332	7,921
Civil Defense Matching Funds	10,000	10,000	26,808	16,808
	<u>13,411</u>	<u>13,411</u>	<u>38,140</u>	<u>24,729</u>
<b>Charges for Services:</b>				
Golf Course Receipts	904,081	904,081	609,102	(294,979)
Ambulance Service Fees	1,150,000	1,150,000	1,147,099	(2,901)
Miscellaneous Fire Dept Receipts	118,805	118,805	81,172	(37,633)
Cemetery Lots	48,235	48,235	53,450	5,215
Miscellaneous Police Receipts	621,644	621,644	716,412	94,768
Swimming Pool Receipts	14,000	14,000	13,799	(201)
Recreation Receipts	57,707	57,707	52,906	(4,801)
Library Copy Charges	5,100	5,100	5,389	289
Community Center Receipts	60,000	60,000	50,578	(9,422)
Court Tax Service Fee	47,000	47,000	42,239	(4,761)
Swimming Pool Lessons	14,500	14,500	14,995	495
	<u>3,041,072</u>	<u>3,041,072</u>	<u>2,787,141</u>	<u>(253,931)</u>
<b>Fines:</b>				
Municipal Court Fines	709,900	709,900	772,902	63,002
Parking Fines	65,000	65,000	28,979	(36,021)
Library Fines and Contributions	15,500	15,500	22,157	6,657
	<u>790,400</u>	<u>790,400</u>	<u>824,038</u>	<u>33,638</u>
<b>Miscellaneous:</b>				
Investment Revenue	250,000	250,000	335,201	85,201
Miscellaneous Receipts	208,900	208,900	248,750	39,850
	<u>458,900</u>	<u>458,900</u>	<u>583,951</u>	<u>125,051</u>
<b>Totals</b>	<u><u>35,302,117</u></u>	<u><u>35,302,117</u></u>	<u><u>37,158,220</u></u>	<u><u>1,856,103</u></u>

CITY OF KILLEEN  
GENERAL FUND  
STATEMENT OF EXPENDITURES  
BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government:				
City Council	\$ 63,641	\$ 72,988	\$ 58,709	\$ 14,279
City Manager	410,545	410,545	379,326	31,219
Volunteer Services	124,134	124,134	116,393	7,741
Legal and Administrative Services	469,765	465,576	386,289	79,287
Personnel	498,680	492,515	472,898	19,617
City Secretary	75,556	75,556	69,272	6,284
Public Information Services	94,489	94,489	83,571	10,918
Municipal Court	669,859	670,459	612,936	57,523
Code Enforcement	-	63,858	49,115	14,743
Financial Services	1,281,241	1,273,631	1,233,068	40,563
Accounting	275,561	273,166	272,479	687
Information Systems	554,702	554,702	523,422	31,280
	<u>4,518,173</u>	<u>4,571,619</u>	<u>4,257,478</u>	<u>314,141</u>
Public Safety:				
Police	12,636,017	12,712,088	12,648,989	63,099
Fire	7,655,640	7,851,194	7,798,727	52,467
	<u>20,291,657</u>	<u>20,563,282</u>	<u>20,447,716</u>	<u>115,566</u>
Highways and Streets:				
Public Works	176,274	175,834	172,139	3,695
Traffic	696,275	688,240	658,255	29,985
Street	2,368,793	2,440,958	2,356,851	84,107
Engineering	231,915	233,415	209,380	24,035
Planning	294,050	316,802	259,013	57,789
Street Lights	450,000	450,000	469,471	(19,471)
	<u>4,217,307</u>	<u>4,305,249</u>	<u>4,125,109</u>	<u>180,140</u>
Community Services:				
Community Development	288,298	288,298	283,348	4,950
Senior Citizens	147,017	133,517	122,534	10,983
Health	548,333	548,333	551,180	(2,847)
Library	961,808	961,808	924,308	37,500
Parks	1,712,415	1,712,415	1,607,112	105,303
Recreation	547,195	547,195	513,672	33,523
Swimming Pools	129,578	129,725	86,281	43,444
Golf Course	905,222	905,222	886,258	18,964
Cemetery	243,552	243,552	230,774	12,778
Permits and Inspections	813,302	811,174	773,417	37,757
Animal Control	333,642	313,539	290,464	23,075
	<u>6,630,362</u>	<u>6,594,778</u>	<u>6,269,348</u>	<u>325,430</u>
Miscellaneous:				
Miscellaneous Accounts	4,107,126	4,538,186	5,282,572	(744,386)
Totals	<u>\$ 39,764,625</u>	<u>\$ 40,573,114</u>	<u>\$ 40,382,223</u>	<u>\$ 190,891</u>

CITY OF KILLEEN  
LAW ENFORCEMENT GRANT FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-4

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 118,000	\$ 118,000	\$ 151,616	\$ 33,616
Miscellaneous	--	--	254	254
Total Revenues	<u>118,000</u>	<u>118,000</u>	<u>151,870</u>	<u>33,870</u>
Expenditures:				
Miscellaneous	122,028	240,468	239,078	1,390
Total Expenditures	<u>122,028</u>	<u>240,468</u>	<u>239,078</u>	<u>1,390</u>
Net Change in Fund Balance	<u>\$ (4,028)</u>	<u>\$ (122,468)</u>	<u>(87,208)</u>	<u>\$ 35,260</u>
Fund Balance, October 1			14,688	
Current Year Encumbrances			80,065	
Prior Year Encumbrances			<u>(588)</u>	
Adjusted Fund Balance			<u>94,165</u>	
Fund Balance, September 30			<u>\$ 6,957</u>	

CITY OF KILLEEN  
STATE SEIZURE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 20,400	\$ 20,400	\$ 66,833	\$ 46,433
Total Revenues	20,400	20,400	66,833	46,433
Expenditures:				
Current:				
Public Safety	--	21,000	20,031	969
Miscellaneous	39,549	18,549	17,663	886
Total Expenditures	39,549	39,549	37,694	1,855
Net Change in Fund Balance	\$ (19,149)	\$ (19,149)	29,139	\$ 48,288
Fund Balance, October 1			30,949	
Fund Balance, September 30			\$ 60,088	



CITY OF KILLEEN  
 FEDERAL SEIZURE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 1,000	\$ 1,000	\$ --	\$ (1,000)
Miscellaneous	500	500	80	(420)
Total Revenues	<u>1,500</u>	<u>1,500</u>	<u>80</u>	<u>(1,420)</u>
Expenditures:				
Current:				
Public Safety	--	1,000	272	728
Miscellaneous	26,427	30,614	2,765	22,662
Total Expenditures	<u>26,427</u>	<u>31,614</u>	<u>3,037</u>	<u>23,390</u>
Net Change in Fund Balance	<u>\$ (24,927)</u>	<u>\$ (30,114)</u>	<u>(2,957)</u>	<u>\$ 21,970</u>
Fund Balance, October 1			31,964	
Prior Year Encumbrance			(5,187)	
Adjusted Fund Balance			<u>26,777</u>	
Fund Balance, September 30			<u>\$ 23,820</u>	

CITY OF KILLEEN  
HOTEL OCCUPANCY TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 765,000	\$ 765,000	\$ 975,275	\$ 210,275
Miscellaneous	724,975	724,975	521,348	(203,627)
Total Revenues	<u>1,489,975</u>	<u>1,489,975</u>	<u>1,496,623</u>	<u>6,648</u>
Expenditures:				
Current:				
General Government	1,467,409	1,506,445	1,241,568	264,877
Community Services	130,000	159,583	125,979	33,604
Miscellaneous	56,962	56,962	55,349	1,613
Capital Outlay	5,936	5,936	5,586	350
Total Expenditures	<u>1,660,307</u>	<u>1,728,926</u>	<u>1,428,482</u>	<u>300,444</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(170,332)	(238,951)	68,141	307,092
Other Financing Sources (Uses):				
Transfers In	750,000	750,000	750,000	--
Transfers Out	(693,191)	(693,191)	(693,191)	--
Total Other Financing Sources (Uses)	<u>56,809</u>	<u>56,809</u>	<u>56,809</u>	<u>--</u>
Net Change in Fund Balance	<u>\$ (113,523)</u>	<u>\$ (182,142)</u>	<u>124,950</u>	<u>\$ 307,092</u>
Fund Balance, October 1			554,883	
Current Year Encumbrances			66,297	
Prior Year Encumbrances			(68,915)	
Adjusted Fund Balance			<u>552,265</u>	
Fund Balance, September 30			<u>\$ 677,215</u>	

CITY OF KILLEEN  
 SPECIAL EVENTS CENTER FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 873	\$ 873
Total Revenues	--	--	873	873
Expenditures:				
Total Expenditures	--	--	--	--
Net Change in Fund Balance	\$ --	\$ --	873	\$ 873
Fund Balance, October 1			63,806	
Fund Balance, September 30			\$ 64,679	

CITY OF KILLEEN  
 CABLESYSTEM IMPROVEMENTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 50,000	\$ --
Miscellaneous	--	--	98	98
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>50,098</u>	<u>98</u>
Expenditures:				
Current:				
Community Services	65,042	65,042	59,587	5,455
Total Expenditures	<u>65,042</u>	<u>65,042</u>	<u>59,587</u>	<u>5,455</u>
Net Change in Fund Balance	<u>\$ (15,042)</u>	<u>\$ (15,042)</u>	<u>(9,489)</u>	<u>\$ 5,553</u>
Fund Balance, October 1			24,191	
Current Year Encumbrances			<u>476</u>	
Adjusted Fund Balance			<u>24,667</u>	
Fund Balance, September 30			<u>\$ 15,178</u>	

CITY OF KILLEEN  
 PARKS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-10

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 137	\$ 137
Total Revenues	<u>--</u>	<u>--</u>	<u>137</u>	<u>137</u>
Expenditures:				
Capital Outlay	90,996	90,996	44,374	46,622
Total Expenditures	<u>90,996</u>	<u>90,996</u>	<u>44,374</u>	<u>46,622</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(90,996)	(90,996)	(44,237)	46,759
Other Financing Sources (Uses):				
Transfers In	50,000	50,000	50,000	--
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>--</u>
Net Change in Fund Balance	<u>\$ (40,996)</u>	<u>\$ (40,996)</u>	5,763	<u>\$ 46,759</u>
Fund Balance, October 1			<u>20,962</u>	
Fund Balance, September 30			<u>\$ 26,725</u>	

**CITY OF KILLEEN**  
**COMMUNITY DEVELOPMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-11**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 2,093,817	\$ 2,093,817	\$ 1,309,514	\$ (784,303)
Miscellaneous	--	--	8,824	8,824
Total Revenues	<u>2,093,817</u>	<u>2,093,817</u>	<u>1,318,338</u>	<u>(775,479)</u>
Expenditures:				
Current:				
Community Services	42,018	23,268	27,251	(3,983)
Miscellaneous	1,817,921	2,280,797	1,163,081	1,117,716
Total Expenditures	<u>1,859,939</u>	<u>2,304,065</u>	<u>1,190,332</u>	<u>1,113,733</u>
Excess (Deficiency) of Revenues (Under) Expenditures	233,878	(210,248)	128,006	338,254
Other Financing Sources (Uses):				
Transfers In	--	--	22,046	22,046
Transfers Out	(233,878)	(233,878)	(229,650)	4,228
Total Other Financing Sources (Uses)	<u>(233,878)</u>	<u>(233,878)</u>	<u>(207,604)</u>	<u>207,502</u>
Net Change in Fund Balance	<u>\$ --</u>	<u>\$ (444,126)</u>	<u>(79,598)</u>	<u>\$ 545,756</u>
Fund Balance, October 1			--	
Current Year Encumbrances			161,208	
Prior Year Encumbrances			(81,610)	
Adjusted Fund Balance			<u>79,598</u>	
Fund Balance, September 30			<u>\$ --</u>	

CITY OF KILLEEN  
 CDBG HOME PROGRAM FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-12

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 1,187,927	\$ 1,187,927	\$ 169,804	\$ (1,018,123)
Total Revenues	<u>1,187,927</u>	<u>1,187,927</u>	<u>169,804</u>	<u>(1,018,123)</u>
Expenditures:				
Current:				
Miscellaneous	1,168,644	1,132,809	123,145	1,009,664
Total Expenditures	<u>1,168,644</u>	<u>1,132,809</u>	<u>123,145</u>	<u>1,009,664</u>
Excess (Deficiency) of Revenues (Under) Expenditures	19,283	55,118	46,659	(8,459)
Other Financing Sources (Uses):				
Transfers In	32,137	32,137	50,000	17,863
Transfers Out	(51,420)	(51,420)	(50,933)	487
Total Other Financing Sources (Uses)	<u>(19,283)</u>	<u>(19,283)</u>	<u>(933)</u>	<u>18,350</u>
Net Change in Fund Balance	\$ --	\$ 35,835	45,726	\$ 9,891
Fund Balance, October 1			24,024	
Current Year Encumbrances			101	
Prior Year Encumbrances			(21,950)	
Adjusted Fund Balance			<u>2,175</u>	
Fund Balance, September 30			<u>\$ 47,901</u>	

**CITY OF KILLEEN**  
**COURT TECHNOLOGY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-13**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines	\$ 40,000	\$ 40,000	\$ 40,000	\$ --
Total Revenues	40,000	40,000	40,000	--
Expenditures:				
Capital Outlay	--	73,730	73,730	--
Total Expenditures	--	73,730	73,730	--
Net Change in Fund Balance	\$ --	\$ (33,730)	(33,730)	\$ --
Fund Balance, October 1			51,476	
Current Year Encumbrances			29,388	
Adjusted Fund Balance			80,864	
Fund Balance, September 30			\$ 47,134	



CITY OF KILLEEN  
 COURT SECURITY FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-14

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines	\$ 30,000	\$ 30,000	\$ 30,000	\$ --
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>--</u>
Expenditures:				
Current:				
Miscellaneous	73,046	73,046	69,464	3,582
Total Expenditures	<u>73,046</u>	<u>73,046</u>	<u>69,464</u>	<u>3,582</u>
Net Change in Fund Balance	<u>\$ (43,046)</u>	<u>\$ (43,046)</u>	(39,464)	<u>\$ 3,582</u>
Fund Balance, October 1			<u>98,811</u>	
Fund Balance, September 30			<u>\$ 59,347</u>	

CITY OF KILLEEN

EXHIBIT C-15

TAX INTEREST & SINKING SERIES 1993 FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 420,000	\$ 420,000	\$ 409,423	\$ (10,577)
Miscellaneous	3,000	3,000	3,511	511
Total Revenues	<u>423,000</u>	<u>423,000</u>	<u>412,934</u>	<u>(10,066)</u>
Expenditures:				
Current:				
Debt service:				
Principal	325,000	325,000	325,000	--
Interest	76,500	76,500	76,500	--
Fiscal Charges	2,500	2,500	2,623	(123)
Total Expenditures	<u>404,000</u>	<u>404,000</u>	<u>404,123</u>	<u>(123)</u>
Net Change in Fund Balance	<u>\$ 19,000</u>	<u>\$ 19,000</u>	8,811	<u>\$ (10,189)</u>
Fund Balance, October 1			<u>65,828</u>	
Fund Balance, September 30			<u>\$ 74,639</u>	

REFUNDING BOND TAX INTEREST & SINKING SERIES 1993 FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 913,160	\$ 913,160	\$ 891,356	\$ (21,804)
Miscellaneous	5,000	5,000	8,342	3,342
Total Revenues	<u>918,160</u>	<u>918,160</u>	<u>899,698</u>	<u>(18,462)</u>
Expenditures:				
Current:				
Debt service:				
Principal	1,020,000	1,020,000	961,617	58,383
Interest	52,020	52,020	49,211	2,809
Fiscal Charges	2,500	2,500	503	1,997
Total Expenditures	<u>1,074,520</u>	<u>1,074,520</u>	<u>1,011,331</u>	<u>63,189</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(156,360)	(156,360)	(111,633)	44,727
Other Financing Sources (Uses):				
Transfers In	51,840	51,840	--	(51,840)
Transfers Out	--	--	(9,353)	(9,353)
Total Other Financing Sources (Uses)	<u>51,840</u>	<u>51,840</u>	<u>(9,353)</u>	<u>(61,193)</u>
Net Change in Fund Balance	<u>\$ (104,520)</u>	<u>\$ (104,520)</u>	<u>(120,986)</u>	<u>\$ (16,466)</u>
Fund Balance, October 1			<u>197,188</u>	
Fund Balance, September 30			<u>\$ 76,202</u>	

CITY OF KILLEEN  
TAX INTEREST & SINKING SERIES 1995 FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-17

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenue:				
Taxes	\$ 577,000	\$ 577,000	\$ 561,318	\$ (15,682)
Miscellaneous	3,500	3,500	4,362	862
Total Revenues	<u>580,500</u>	<u>580,500</u>	<u>565,680</u>	<u>(14,820)</u>
Expenditures:				
Current:				
Debt service:				
Principal	150,000	150,000	150,000	--
Interest	334,900	334,900	334,900	--
Fiscal Charges	2,500	2,500	1,754	746
Total Expenditures	<u>487,400</u>	<u>487,400</u>	<u>486,654</u>	<u>746</u>
Net Change in Fund Balance	<u>\$ 93,100</u>	<u>\$ 93,100</u>	79,026	<u>\$ (14,074)</u>
Fund Balance, October 1			<u>88,494</u>	
Fund Balance, September 30			<u>\$ 167,520</u>	

CITY OF KILLEEN  
 CERTIFICATES OF OBLIGATION SERIES 2000 FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-18

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 4,438	\$ (1,562)
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>4,438</u>	<u>(1,562)</u>
Expenditures:				
Current:				
Debt service:				
Principal	175,000	175,000	175,000	--
Interest	517,816	517,816	517,816	--
Fiscal Charges	2,500	2,500	1,992	508
Total Expenditures	<u>695,316</u>	<u>695,316</u>	<u>694,808</u>	<u>508</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(689,316)	(689,316)	(690,370)	(1,054)
Other Financing Sources (Uses):				
Transfers In	693,191	693,191	693,191	--
Total Other Financing Sources (Uses)	<u>693,191</u>	<u>693,191</u>	<u>693,191</u>	<u>--</u>
Net Change in Fund Balance	\$ <u>3,875</u>	\$ <u>3,875</u>	2,821	\$ <u>(1,054)</u>
Fund Balance, October 1			6,490	
Fund Balance, September 30			<u>\$ 9,311</u>	

CITY OF KILLEEN  
TAX INTEREST & SINKING SERIES 1999 FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-19

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenue:				
Taxes	\$ 189,600	\$ 189,600	\$ 184,987	\$ (4,613)
Miscellaneous	1,500	1,500	2,070	570
Total Revenues	<u>191,100</u>	<u>191,100</u>	<u>187,057</u>	<u>(4,043)</u>
Expenditures:				
Current:				
Debt service:				
Principal	245,000	245,000	147,000	98,000
Interest	67,300	67,300	40,380	26,920
Fiscal Charges	14,500	14,500	3,247	11,253
Total Expenditures	<u>326,800</u>	<u>326,800</u>	<u>190,627</u>	<u>136,173</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(135,700)	(135,700)	(3,570)	132,130
Other Financing Sources (Uses):				
Transfers In	127,067	127,067	2,147	(124,920)
Total Other Financing Sources (Uses)	<u>127,067</u>	<u>127,067</u>	<u>2,147</u>	<u>(124,920)</u>
Net Change in Fund Balance	<u>\$ (8,633)</u>	<u>\$ (8,633)</u>	(1,423)	<u>\$ 7,210</u>
Fund Balance, October 1			53,304	
Fund Balance, September 30			<u>\$ 51,881</u>	

CITY OF KILLEEN  
 CERTIFICATES OF OBLIGATIONS SERIES 1996 FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-20

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 352,000	\$ 352,000	\$ 342,979	\$ (9,021)
Miscellaneous	2,500	2,500	2,966	466
Total Revenues	<u>354,500</u>	<u>354,500</u>	<u>345,945</u>	<u>(8,555)</u>
Expenditures:				
Current:				
Debt service:				
Principal	200,000	200,000	200,000	--
Interest	153,875	153,875	153,875	--
Fiscal Charges	2,500	2,500	1,817	683
Total Expenditures	<u>356,375</u>	<u>356,375</u>	<u>355,692</u>	<u>683</u>
Net Change in Fund Balance	<u>\$ (1,875)</u>	<u>\$ (1,875)</u>	(9,747)	<u>\$ (7,872)</u>
Fund Balance, October 1			64,276	
Fund Balance, September 30			<u>\$ 54,529</u>	

CITY OF KILLEEN  
 REFUNDING BOND SERIES 1999 FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-21

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 303,000	\$ 303,000	\$ 294,061	\$ (8,939)
Miscellaneous	3,000	3,000	8,771	5,771
Total Revenues	<u>306,000</u>	<u>306,000</u>	<u>302,832</u>	<u>(3,168)</u>
Expenditures:				
Current:				
Debt service:				
Principal	435,000	435,000	73,950	361,050
Interest	492,663	492,663	83,753	408,910
Fiscal Charges	2,500	2,500	2,841	(341)
Total Expenditures	<u>930,163</u>	<u>930,163</u>	<u>160,544</u>	<u>769,619</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(624,163)	(624,163)	142,288	766,451
Other Financing Sources (Uses):				
Transfers In	1,477,618	1,477,618	707,658	(769,960)
Total Other Financing Sources (Uses)	<u>1,477,618</u>	<u>1,477,618</u>	<u>707,658</u>	<u>(769,960)</u>
Net Change in Fund Balance	<u>\$ 853,455</u>	<u>\$ 853,455</u>	849,946	<u>\$ (3,509)</u>
Fund Balance, October 1			<u>155,270</u>	
Fund Balance, September 30			<u>\$ 1,005,216</u>	



CITY OF KILLEEN  
LIMITED TAX NOTES SERIES 2000 FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-22

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 572,000	\$ 572,000	\$ 556,955	\$ (15,045)
Miscellaneous	4,000	4,000	5,265	1,265
Total Revenues	<u>576,000</u>	<u>576,000</u>	<u>562,220</u>	<u>(13,780)</u>
Expenditures:				
Current:				
Debt service:				
Principal	475,000	475,000	475,000	--
Interest	97,870	97,870	97,870	--
Fiscal Charges	2,500	2,500	822	1,678
Total Expenditures	<u>575,370</u>	<u>575,370</u>	<u>573,692</u>	<u>1,678</u>
Net Change in Fund Balance	<u>\$ 630</u>	<u>\$ 630</u>	(11,472)	<u>\$ (12,102)</u>
Fund Balance, October 1			<u>109,380</u>	
Fund Balance, September 30			<u>\$ 97,908</u>	

CITY OF KILLEEN

EXHIBIT C-23

CERTIFICATES OF OBLIGATION SERIES 2001 FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 452,000	\$ 452,000	\$ 437,036	\$ (14,964)
Miscellaneous	2,500	2,500	3,248	748
Total Revenues	<u>454,500</u>	<u>454,500</u>	<u>440,284</u>	<u>(14,216)</u>
Expenditures:				
Current:				
Debt service:				
Principal	145,000	145,000	145,000	--
Interest	314,275	314,275	314,275	--
Fiscal Charges	2,500	2,500	2,360	140
Total Expenditures	<u>461,775</u>	<u>461,775</u>	<u>461,635</u>	<u>140</u>
Net Change in Fund Balance	<u>\$ (7,275)</u>	<u>\$ (7,275)</u>	(21,351)	<u>\$ (14,076)</u>
Fund Balance, October 1			<u>86,274</u>	
Fund Balance, September 30			<u>\$ 64,923</u>	

CITY OF KILLEEN

TAX INTEREST & SINKING SERIES 2002 FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-24

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 239,000	\$ 239,000	\$ 230,184	\$ (8,816)
Miscellaneous	5,000	5,000	2,542	(2,458)
Total Revenues	<u>244,000</u>	<u>244,000</u>	<u>232,726</u>	<u>(11,274)</u>
Expenditures:				
Current:				
Debt service:				
Principal	190,000	190,000	190,000	--
Interest	72,625	72,625	72,625	--
Fiscal Charges	3,500	3,500	300	3,200
Total Expenditures	<u>266,125</u>	<u>266,125</u>	<u>262,925</u>	<u>3,200</u>
Net Change in Fund Balance	<u>\$ (22,125)</u>	<u>\$ (22,125)</u>	(30,199)	<u>\$ (8,074)</u>
Fund Balance, October 1			102,056	
Fund Balance, September 30			<u>\$ 71,857</u>	

CITY OF KILLEEN  
TAX INTEREST & SINKING SERIES 2003 FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-25

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 488,498	\$ 488,498	\$ 469,957	\$ (18,541)
Miscellaneous	25,000	25,000	2,758	(22,242)
Total Revenues	<u>513,498</u>	<u>513,498</u>	<u>472,715</u>	<u>(40,783)</u>
Expenditures:				
Debt service:				
Interest	413,655	413,655	413,655	--
Fiscal Charges	2,500	2,500	300	2,200
Total Expenditures	<u>416,155</u>	<u>416,155</u>	<u>413,955</u>	<u>2,200</u>
Net Change in Fund Balance	<u>\$ 97,343</u>	<u>\$ 97,343</u>	58,760	<u>\$ (38,583)</u>
Fund Balance, October 1			<u>37,773</u>	
Fund Balance, September 30			<u>\$ 96,533</u>	

**CITY OF KILLEEN**  
**2001 C.O BONDS CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-26**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 8,115	\$ 8,115
Total Revenues	<u>--</u>	<u>--</u>	<u>8,115</u>	<u>8,115</u>
Expenditures:				
Capital Outlay	31,282	2,049,277	--	2,049,277
Total Expenditures	<u>31,282</u>	<u>2,049,277</u>	<u>--</u>	<u>2,049,277</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(31,282)	(2,049,277)	8,115	2,057,392
Other Financing Sources (Uses):				
Transfers In	--	--	39,099	39,099
Transfers Out	--	--	(158,900)	(158,900)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(119,801)</u>	<u>(119,801)</u>
Net Change in Fund Balance	<u>\$ (31,282)</u>	<u>\$ (2,049,277)</u>	<u>(111,686)</u>	<u>\$ 1,937,591</u>
Fund Balance, October 1			<u>1,075,209</u>	
Fund Balance, September 30			<u>\$ 963,523</u>	

CITY OF KILLEEN

2002 C.O. BONDS CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-27

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 12,500	\$ 12,500	\$ 11,470	\$ (1,030)
Total Revenues	<u>12,500</u>	<u>12,500</u>	<u>11,470</u>	<u>(1,030)</u>
Expenditures:				
Capital Outlay	1,265,000	1,299,686	1,094,407	205,279
Total Expenditures	<u>1,265,000</u>	<u>1,299,686</u>	<u>1,094,407</u>	<u>205,279</u>
Net Change in Fund Balance	<u>\$ (1,252,500)</u>	<u>\$ (1,287,186)</u>	(1,082,937)	<u>\$ 204,249</u>
Fund Balance, October 1			<u>1,309,770</u>	
Fund Balance, September 30			<u>\$ 226,833</u>	

CITY OF KILLEEN

2003 C.O. BONDS CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-28

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 68,796	\$ 68,796
Total Revenues	--	--	68,796	68,796
Expenditures:				
Capital Outlay	--	10,263,515	--	10,263,515
Total Expenditures	--	10,263,515	--	10,263,515
Excess (Deficiency) of Revenues (Under) Expenditures	--	(10,263,515)	68,796	10,332,311
Other Financing Sources (Uses):				
Transfers Out	--	--	(3,405,232)	(3,405,232)
Total Other Financing Sources (Uses)	--	--	(3,405,232)	(3,405,232)
Net Change in Fund Balance	\$ --	\$ (10,263,515)	(3,336,436)	\$ 6,927,079
Fund Balance, October 1			8,690,190	
Fund Balance, September 30			\$ 5,353,754	

CITY OF KILLEEN  
 2004 C.O. GOLF BONDS CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-29

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Total Revenues	\$ --	\$ --	\$ --	\$ --
Expenditures:				
Capital Outlay	--	--	2,075,940	(2,075,940)
Total Expenditures	--	--	2,075,940	(2,075,940)
Net Change in Fund Balance	\$	\$	(2,075,940)	\$ (2,075,940)
Fund Balance, October 1			--	
Fund Balance, September 30			\$ (2,075,940)	



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

EXHIBIT C-30

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Total Revenues	\$ --	\$ --	\$ --	\$ --
Expenditures:				
Capital Outlay	--	--	564,276	(564,276)
Total Expenditures	--	--	564,276	(564,276)
Net Change in Fund Balance	\$ --	\$ --	(564,276)	\$ (564,276)
Fund Balance, October 1			--	
Fund Balance, September 30			\$ (564,276)	

CITY OF KILLEEN  
 1991 G.O. BONDS CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-31

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 1,530	\$ 530
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>1,530</u>	<u>530</u>
Expenditures:				
Capital Outlay	173,549	220,149	140,091	80,058
Total Expenditures	<u>173,549</u>	<u>220,149</u>	<u>140,091</u>	<u>80,058</u>
Net Change in Fund Balance	\$ (172,549)	\$ (219,149)	(138,561)	\$ 80,588
Fund Balance, October 1			<u>220,574</u>	
Fund Balance, September 30			<u>\$ 82,013</u>	

CITY OF KILLEEN

1993 G.O. BONDS CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-32

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 500	\$ 500	\$ 2,617	\$ 2,117
Total Revenues	<u>500</u>	<u>500</u>	<u>2,617</u>	<u>2,117</u>
Expenditures:				
Capital Outlay	--	129,205	8,470	120,735
Total Expenditures	<u>--</u>	<u>129,205</u>	<u>8,470</u>	<u>120,735</u>
Net Change in Fund Balance	<u>\$ 500</u>	<u>\$ (128,705)</u>	(5,853)	<u>\$ 122,852</u>
Fund Balance, October 1			<u>129,770</u>	
Fund Balance, September 30			<u>\$ 123,917</u>	

**CITY OF KILLEEN**  
**1995 G.O. BONDS CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-33**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 16,828	\$ 6,828
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>16,828</u>	<u>6,828</u>
Expenditures:				
Capital Outlay	<u>1,298,902</u>	<u>2,224,818</u>	<u>1,098,560</u>	<u>1,126,258</u>
Total Expenditures	<u>1,298,902</u>	<u>2,224,818</u>	<u>1,098,560</u>	<u>1,126,258</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(1,288,902)	(2,214,818)	(1,081,732)	1,133,086
Other Financing Sources (Uses):				
Transfers Out	--	--	(39,099)	(39,099)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(39,099)</u>	<u>(39,099)</u>
Net Change in Fund Balance	<u>\$ (1,288,902)</u>	<u>\$ (2,214,818)</u>	(1,120,831)	<u>\$ 1,093,987</u>
Fund Balance, October 1			<u>2,250,439</u>	
Fund Balance, September 30			<u>\$ 1,129,608</u>	

**CITY OF KILLEEN**  
**1999 C.O. BONDS CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-34**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 547	\$ 547
Total Revenues	<u>--</u>	<u>--</u>	<u>547</u>	<u>547</u>
Expenditures:				
Capital Outlay	--	65,458	47,316	18,142
Total Expenditures	<u>--</u>	<u>65,458</u>	<u>47,316</u>	<u>18,142</u>
Net Change in Fund Balance	<u>\$ --</u>	<u>\$ (65,458)</u>	<u>(46,769)</u>	<u>\$ 18,689</u>
Fund Balance, October 1			<u>68,349</u>	
Fund Balance, September 30			<u>\$ 21,580</u>	

**STATISTICAL SECTION (UNAUDITED)**

CITY OF KILLEEN, TEXAS  
GENERAL GOVERNMENT EXPENSES BY FUNCTIONS/PROGRAMS  
LAST TWO FISCAL YEARS

Table I

FUNCTIONS/PROGRAMS	2003	2004
General Government	\$ 5,909,419	\$ 5,842,809
Police	12,417,928	13,089,343
Fire	8,088,627	8,486,901
Highway & Streets	4,163,846	4,243,173
Library	1,035,455	1,114,788
Parks and Recreation	2,304,288	2,260,543
Golf Course	883,249	938,219
Permits and Inspections	774,467	809,547
Other Community Services	2,456,795	2,313,403
Miscellaneous	4,333,295	5,595,140
Interest on Long-term Debt	1,975,274	2,114,399
<b>Total Expenditures</b>	<b>\$ 44,342,643</b>	<b>\$ 46,808,265</b>

Note: GASB 34 was implemented in the 2003 fiscal year. Therefore 2003 is the first year this data was collected.

Source: Finance Department, City of Killeen

CITY OF KILLEEN, TEXAS  
 GENERAL GOVERNMENT REVENUES BY SOURCE  
 LAST TWO FISCAL YEARS

Table II

	2003	2004
<b>Program Revenues</b>		
Charges for Services	\$ 6,377,145	\$ 5,813,467
Operating Grants and Contributions	1,128,958	1,517,458
Capital Grants and Contributions	21,138	201,616
<b>General Revenues</b>		
Ad Valorem Taxes	15,389,541	17,195,320
Penalties and Interest	150,039	150,943
Beverage Taxes	144,208	163,675
Franchise Taxes	4,114,950	3,933,838
City Sales Taxes	14,113,096	15,634,498
Bingo Taxes	105,745	129,452
Unrestricted Investment Earnings	528,202	450,595
<b>Total Revenue</b>	<b>\$ 42,073,022</b>	<b>\$ 45,190,862</b>

Note: GASB 34 was implemented in the 2003 fiscal year. Therefore 2003 is the first year this data was collected.

Source: Finance Department, City of Killeen



CITY OF KILLEEN, TEXAS  
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION\*  
 LAST TEN FISCAL YEARS

Table III

<u>FISCAL YEAR</u>	<u>GENERAL GOVERNMENT</u>	<u>PUBLIC SAFETY</u>	<u>PUBLIC WORKS</u>	<u>COMMUNITY SERVICES</u>	<u>MISCELLANEOUS AND CAPITAL OUTLAY</u>	<u>TOTALS</u>
1995	1,609,602	10,573,387	2,285,503	2,998,290	2,590,514	20,057,296
1996	1,851,515	11,421,485	2,923,347	3,306,158	2,420,164	21,922,669
1997	2,193,225	12,712,445	3,072,296	3,818,417	2,439,337	24,235,720
1998	2,485,692	12,816,721	3,023,140	4,120,120	2,627,776	25,073,449
1999	2,645,228	13,657,599	3,132,245	4,261,084	2,426,748	26,122,904
2000	2,923,795	14,613,791	3,339,406	4,617,265	3,182,149	28,676,406
2001	3,303,906	16,923,216	3,550,573	5,179,716	3,703,813	32,661,224
2002	3,913,934	18,783,801	3,996,567	6,211,404	3,775,820	36,681,526
2003	4,123,070	19,310,906	3,862,791	6,232,900	4,528,022	38,057,689
2004	4,198,508	20,369,310	4,042,427	6,278,360	5,270,821	40,159,426

Source: Finance Department, City of Killeen

\* Includes General Fund expenditures only.

CITY OF KILLEEN, TEXAS  
GENERAL GOVERNMENTAL REVENUES OTHER THAN TAXES\*  
LAST TEN FISCAL YEARS

FISCAL YEAR	LICENSES AND PERMITS	INTER-GOVERNMENTAL	CHARGES FOR SERVICES	FINES	MISC.	NET INCREASE (DECREASE) IN THE FAIR VALUE OF INVESTMENTS**	TOTALS
1995	528,551	17,715	1,452,578	416,822	791,047	-	3,206,713
1996	627,035	14,384	1,581,225	579,120	839,162	-	3,640,926
1997	565,004	17,163	1,651,683	632,211	929,816	-	3,795,877
1998	649,325	19,806	1,887,849	787,375	967,180	(97,424)	4,214,111
1999	555,888	17,737	1,958,495	646,035	938,290	-	4,116,445
2000	630,414	131,862	2,117,868	659,319	1,208,562	201,920	4,949,945
2001	867,912	16,007	2,476,635	609,342	1,267,475	-	5,237,371
2002	956,773	19,789	2,790,145	593,396	1,019,290	-	5,379,393
2003	911,366	24,007	3,296,013	723,143	545,318	(640)	5,499,207
2004	1,041,730	38,140	2,787,143	824,038	633,931	(49,980)	5,275,002

Source: Finance Department, City of Killeen

\* Includes General Fund revenues only.

\*\* This revenue classification was added in fiscal year 1998 due to the implementation of GASB Statement 31.

Table V

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

FISCAL YEAR	AD VALOREM TAXES	PENALTY AND INTEREST	CITY SALES TAX	BEVERAGE TAX	GROSS RECEIPTS TAX	BINGO	TOTALS
1995	5,044,106	62,130	8,119,462	89,569	2,541,183	112,429	15,968,879
1996	5,644,838	68,787	8,928,373	92,519	2,681,832	102,998	17,519,347
1997	6,344,585	79,536	9,060,747	87,331	2,925,283	100,402	18,597,884
1998	6,968,126	80,867	9,359,230	90,940	2,924,622	92,620	19,516,405
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

Source: Finance Department, City of Killeen

\* Includes General Fund tax revenues only.

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

Table VI

<u>FISCAL YEAR</u>	<u>TOTAL TAX LEVY</u>	<u>CURRENT TAX COLLECTIONS</u>	<u>PERCENT OF LEVY COLLECTED</u>	<u>DELINQUENT TAX COLLECTIONS</u>	<u>TOTAL TAX COLLECTIONS</u>	<u>OUTSTANDING DELINQUENT TAXES</u>
1995	7,697,112	7,389,451	96.00%	132,587	7,522,038	549,717
1996	8,518,800	8,158,036	95.77%	120,097	8,278,133	533,695
1997	9,053,826	8,778,394	96.96%	195,953	8,974,347	577,992
1998	10,030,433	9,883,348	98.53%	117,815	10,001,163	557,824
1999	10,899,318	10,700,911	98.18%	148,378	10,849,289	551,175
2000	11,506,682	11,221,484	97.52%	171,688	11,393,172	664,685
2001	14,095,851	13,541,305	96.07%	195,560	13,736,865	725,965
2002	14,947,638	14,370,546	96.14%	345,835	14,716,381	717,710
2003	15,845,119	15,045,984	94.96%	418,055	15,464,039	818,430
2004	17,728,368	16,959,606	95.67%	415,950	17,375,556	779,735

Source: Finance Department, City of Killeen

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

Table VII

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTALS		RATIO* TOTALS
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	
1995	1,083,435,636	1,126,228,712	173,441,210	173,441,210	1,256,876,846	1,299,669,922	0.9671
1996	1,373,337,055	1,419,874,498	183,745,516	183,926,172	1,557,082,571	1,603,800,670	0.9709
1997	1,764,105,469	1,768,993,679	206,833,289	206,833,289	1,661,685,576	1,975,826,968	0.8410
1998	1,554,199,667	1,613,012,719	205,525,099	205,525,099	1,759,472,266	1,818,537,818	0.9675
1999	1,632,190,909	1,694,819,062	215,150,121	215,150,121	1,847,341,030	1,909,969,183	0.9672
2000	1,729,249,013	1,801,301,055	225,233,350	348,989,874	1,954,482,363	2,150,290,929	0.9089
2001	1,807,057,844	1,879,340,158	265,860,903	409,425,791	2,072,918,747	2,288,765,949	0.9057
2002	1,894,856,103	2,119,499,639	303,325,791	339,316,647	2,198,181,894	2,458,816,286	0.8940
2003	2,014,916,592	2,268,978,363	315,247,673	354,997,399	2,330,164,265	2,623,975,762	0.8880
2004	2,215,512,642	2,493,686,852	320,734,650	361,005,288	2,536,247,292	2,854,692,140	0.8884

Source: Bell County Appraisal District

Note: The difference between assessed value and estimated actual value is various authorized exemptions granted.

\* Ratio= Total Assessed to Total Estimated Actual Value.

Table VIII

CITY OF KILLEEN, TEXAS  
PROPERTY TAX RATES-ALL DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS

FISCAL YEAR	CITY OF KILLEEN	BELL COUNTY	KILLEEN ISD	CENTRAL TEXAS COLLEGE	TOTAL
1995	0.6124	0.2931	1.3300	0.1700	2.4055
1996	0.5471	0.2898	1.3300	0.1533	2.3202
1997	0.5471	0.2896	1.3500	0.1515	2.3382
1998	0.5700	0.2967	1.3500	0.1500	2.3667
1999	0.5900	0.3418	1.4580	0.1500	2.5398
2000	0.6000	0.3657	1.4280	0.1490	2.5427
2001	0.6800	0.3651	1.4280	0.1485	2.6216
2002	0.6800	0.3651	1.4280	0.1485	2.6216
2003	0.6800	0.3651	1.5223	0.1475	2.7149
2004	0.6990	0.3650	1.5633	0.1470	2.7743

Source: Bell County Appraisal District.

Note: Property Tax Rates per \$100 of Assessed Value.

CITY OF KILLEEN, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2004

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The City of Killeen has no legal debt limit established by its charter or ordinances. Statutes of the State of Texas (Article 11, Section 5) limit the maximum amount that a city can designate for debt service to 2.5% of its total assessed value.

Assessed Value, 2003 Tax Roll	\$	2,536,247,292
		x 2.50%
Legal Debt Limit	<u>\$</u>	<u>63,406,182</u>
Actual amount expended for General Obligation Debt Service During the Year Ended September 30, 2004	<u>\$</u>	<u>5,015,986</u>

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

Table X

CITY OF KILLEEN, TEXAS  
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
 AND NET BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS

FISCAL YEAR	ESTIMATED POPULATION	ASSESSED VALUE	GROSS GENERAL BONDED DEBT	LESS DEBT SERVICE FUND	NET GENERAL BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
1995	75,000	1,256,876,846	21,342,250	978,172	20,364,078	0.0162	272
1996	78,313	1,557,082,571	24,462,500	1,118,521	23,343,979	0.0150	298
1997	78,202	1,661,685,576	23,036,500	704,214	22,332,286	0.0134	286
1998	84,488	1,759,472,266	21,630,000	751,819	20,878,181	0.0119	247
1999	84,488	1,847,341,030	21,708,800	785,577	20,923,223	0.0113	248
2000	86,911	1,954,482,363	20,023,870	757,725	19,266,145	0.0099	222
2001	86,911	2,072,918,747	37,306,316	748,883	36,557,433	0.0176	421
2002	100,976	2,198,181,894	34,971,156	843,058	34,128,098	0.0155	338
2003	100,976	2,330,164,265	43,517,668	966,333	42,551,335	0.0183	421
2004	103,210	2,536,247,292	40,675,100	1,770,519	38,904,581	0.0153	377

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



CITY OF KILLEEN, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2004

Table XI

<u>TAXING AUTHORITY</u>	<u>NET DEBT OUTSTANDING</u>	<u>PERCENTAGE APPLICABLE TO KILLEEN</u>	<u>AMOUNT APPLICABLE TO CITY OF KILLEEN</u>
Bell County	\$ 52,030,000	28.24%	\$ 14,693,272
Killeen Independent School District	172,941,739	77.93%	134,773,497
Central Texas College	10,440,000	67.16%	<u>7,011,504</u>
Total gross overlapping debt			156,478,273
City of Killeen			<u>78,424,999</u>
Total direct and overlapping debt			<u>\$ 234,903,272</u>

Source: Finance Department, City of Killeen

Table XII

CITY OF KILLEEN, TEXAS  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
 FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
 LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST AND FISCAL CHARGES</u>	<u>TOTAL DEBT SERVICES</u>	<u>TOTAL GENERAL FUND EXPENDITURES</u>	<u>RATIO OF DEBT SERVICE TO GENERAL FUND EXPENDITURES</u>
1995	1,120,750	964,307	2,085,057	20,057,296	0.1040
1996	1,334,750	1,197,795	2,532,545	21,922,669	0.1155
1997	1,426,000	1,391,651	2,817,651	24,235,720	0.1163
1998	1,406,500	1,249,526	2,656,026	25,073,449	0.1059
1999	1,561,000	1,144,630	2,705,630	26,122,905	0.1036
2000	1,684,930	1,126,916	2,811,846	28,676,406	0.0981
2001	2,217,554	1,478,905	3,696,459	32,661,224	0.1132
2002	2,335,160	1,959,689	4,294,849	36,681,526	0.1171
2003	2,453,488	1,851,592	4,305,080	38,057,689	0.1131
2004	2,842,567	2,173,419	5,015,986	39,386,757	0.1274

Source: Finance Department, City of Killeen

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	
1995	11,184,148	6,857,179	4,326,969	619,250	655,591	1,274,841	3.39
1996	12,635,267	7,354,045	5,281,222	650,000	1,001,235	1,651,235	3.20
1997	12,554,379	7,975,045	4,579,334	685,000	1,282,013	1,967,013	2.33
1998	13,214,833	8,527,431	4,687,402	945,000	1,540,243	2,485,243	1.89
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

Source: Finance Department, City of Killeen

\* Total operating expense less depreciation.

Table XIV

CITY OF KILLEEN, TEXAS  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS

FISCAL YEAR	POPULATION	AVERAGE DAILY SCHOOL ENROLL	UNEMPLOYMENT RATE
1995	75,000	25,084	8.00%
1996	78,313	25,712	7.70%
1997	78,022	26,063	8.30%
1998	84,488	26,570	7.00%
1999	84,488	26,565	5.60%
2000	86,911	27,123	5.20%
2001	86,911	27,594	7.10%
2002	100,976	28,278	8.30%
2003	100,976	28,931	8.80%
2004	103,210	32,500	6.50%

Sources:  
 Population: Greater Killeen Chamber of Commerce  
 School Avg: KISD Office of Superintendent  
 Unemployment Rate: Texas Workforce Commission

CITY OF KILLEEN, TEXAS  
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS  
LAST TEN FISCAL YEARS

FISCAL YEAR	* PROPERTY VALUE	\$ BUILDING PERMITS
1995	1,299,669,922	106,636,066
1996	1,603,800,670	120,987,135
1997	1,975,826,968	113,597,337
1998	1,818,537,818	144,697,251
1999	1,909,969,183	154,312,021
2000	2,150,290,929	147,081,830
2001	2,288,765,949	190,310,677
2002	2,458,816,286	216,847,135
2003	2,623,975,762	201,984,065
2004	2,854,692,140	205,868,115

## Sources:

\* Bell County Appraisal District

\$ Inspection Department, City of Killeen

CITY OF KILLEEN, TEXAS  
TEN LARGEST TAXPAYERS  
SEPTEMBER 30, 2004

Table XVI

<u>NAME OF TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2003 ASSESSED VALUATION</u>	<u>PERCENT OF TOTAL ASSESSED VALUATION</u>
Central Telephone Company	Telephone Utility	\$ 36,809,360	1.45%
Oncor Electric Delivery Co	Electric Utility	35,159,750	1.39%
Texas Cable Partners LP	Cable Company	13,845,740	0.55%
Sallie Mae Inc	Loan Marketing	12,513,749	0.49%
GG&A Killeen Mall LP	Retail	12,287,510	0.48%
Fiega/Sierra Creek	Real Estate	9,544,275	0.38%
Wal-Mart Stores #0407	Retail	9,207,310	0.36%
Wal-Mart Real Estate Business	Real Estate	8,013,187	0.32%
Secretary of Veterans Affairs	Service	7,726,761	0.30%
Arbors 2003 LP	Real Estate	6,646,346	0.26%
Subtotal		151,753,988	5.98%
All Other Taxpayers		2,384,493,304	94.02%
Total Taxable Assessed Valuation		<u>\$ 2,536,247,292</u>	<u>100.00%</u>

Table XVII

CITY OF KILLEEN, TEXAS  
TEN LARGEST EMPLOYERS  
SEPTEMBER 30, 2004

<u>NAME OF EMPLOYER</u>	<u>TYPE OF BUSINESS</u>	<u>NUMBER OF EMPLOYEES</u>
Fort Hood, Texas		
Active duty Military Soldiers	U.S. Army Post	46,964
Civilian Personnel		3,187
Killeen Independent School District	Public school district	5,145
Fort Hood Exchange	Retail shopping	1,218
Central Texas College	Education system	1,100
Metroplex Hospital	Hospital	935
City of Killeen	City government	865
Killeen Mall	Retail shopping mall	800
Wal-Mart	Retail shopping	700
Sallie Mae	Loan servicing	627
First National Bank	Banking center	507

Source: Greater Killeen Chamber of Commerce.

CITY OF KILLEEN, TEXAS  
WATERWORKS SYSTEM  
September 30, 2004

Table XVIII

WATER USAGE OF THE LAST FIVE YEARS (IN MILLION OF GALLONS)			
FISCAL YEAR	PEAK DAY USAGE	AVERAGE DAY USAGE	TOTAL USAGE
2000	18.26	10.72	3,912
2001	18.80	10.99	4,013
2002	19.26	12.69	4,405
2003	21.12	12.32	4,495
2004	16.75	11.05	3,978

TEN LARGEST WATER CUSTOMERS (IN THOUSANDS OF GALLONS)			
CUSTOMER	ANNUAL WATER USAGE	ANNUAL AMOUNT BILLED	% OF TOTAL WATER USAGE
Transit Mix Concrete	14,935,500	\$ 33,416	0.46%
Stone Hill Apartments	11,901,400	26,187	0.37%
KISD (3302 W Stan Schlueter)	10,565,700	23,008	0.33%
KISD (Ellison HS Sprinkler)	10,346,400	23,354	0.32%
Elm Grove MHP	10,148,900	22,922	0.31%
West River Oaks Apartments	9,908,600	21,822	0.30%
Blessing Stonegate MHP	9,478,500	20,881	0.29%
Allora Way Apartments (2 meters)	8,903,300	21,734	0.27%
Bay Colony Apartments	7,704,400	17,568	0.24%
The Rosewood	7,436,400	16,636	0.23%

Note: Percent of total consumption based on 3,250,115,011 gallons annual consumption.

**MONTHLY WATER RATES (FY 2003-04)**

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

0 to 3,000 gallons based on meter size:

5/8" and 3/4"	9.54
1"	10.66
1-1/2"	13.44
2"	16.79
3"	24.61
4"	35.79
6"	64.53
8"	97.18
10"	136.27
All over 3,000 gallons	2.19

Water rates for outside the city limits 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	41,278,000	\$ 98,991
Stone Hill Apartments	11,901,400	30,254
Elm Grove MHP	10,148,900	43,811
West River Oaks LTD	9,908,600	23,448
Blessing Stonegate MHP	9,478,500	35,727
Allora Way Apartments	8,903,300	22,638
Bay Colony Apartments	7,704,400	18,251
The Rosewood	7,436,400	17,619
Oak Springs Estates MHP	7,318,700	16,857
HEB Grocery Store	7,316,300	17,336



CITY OF KILLEEN, TEXAS  
MISCELLANEOUS STATISTICS  
SEPTEMBER 30, 2004

Date of Incorporation	1882	<b>Public Works</b>	
Date of Charter	1949	Paved Streets	381.4
Legal Form of Government	Home-Rule Municipal Corp.	Unpaved Streets	1 mile
Management Form of Government	Council-Manager	Arterial Streets (State)	30.1
Area in Square Miles	36.17	Lined Drainage Channels	150,000 feet
		Unlined Drainage Channels	185,000 feet
<b>Airport</b>		Signalized Intersections	83
Number of Airports	2	Street Lights	3,066
Number of Acres	289		
Number of Airlines	2	<b>Water System</b>	
Passengers Enplaning	108,638	Contracted Purchases	29.5 MGD
Deplaning	108,576	Storage Capacity	26.25 MGD
		Water Mains	422.60 miles
<b>Fire Protection</b>		Water Connections	31,575
Fire Apparatus	19		
Number of Fire Hydrants	4,000	<b>Wastewater System</b>	
Number of Firemen	128	Sewer Connections	30,202
Number of Civilian Employees	9	Contracted Treatment	13.50 MGD
Number of Paramedic Runs	7,969	Average Daily Flow	12 MGD
		Rates	
<b>Libraries</b>		Residential	
Number of Libraries	2	First 3,000 gallons of water consumption	\$14.06 Min.
Number of Volumes	96,822	Over 3,000 gallons at \$3.01 per 1,000 gallons	Not to Exceed 8,000 gallons
Circulation of Volumes	298,965		
Circulation per Capita	2.90	Commercial	
Library Cards in Force	26,248	First 3,000 gallons of water consumption	\$14.06 Min.
		Over 3,000 gallons at \$3.01 per 1,000 gallons	No Maximum
<b>Parks and Recreation</b>		Facilities not included in the Reporting Entity:	
Number of Parks	15		
Playgrounds	22	<b>Education</b>	
Municipal Golf Courses	1	Number of Elementary Schools	28
Swimming Pools	2	Number of Middle Schools	11
Tennis Courts	9	Number of High Schools	4
Recreation Centers	1	Number of Alternative Centers	2
Basketball Courts	5	Number of Vocational Schools	1
		Number of Community Colleges	1
<b>Police Protection</b>		Number of Universities	2
Number of Stations	4		
Number of Commissioned			
Police Officers	177		
Number of Employees-Police Officers and Civilians	54		