



City of Killeen, Texas

Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2007

CITY OF KILLEEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2007

ELECTED OFFICIALS

Timothy L. Hancock, Mayor
Fred Latham, Mayor Pro-Tem
Kenny Wells, Council Member
Juan Rivera, Council Member
Claudia L. Brown, Council Member
Larry Cole, Council Member
Otis Evans, Council Member
Billy C. Workman, Council Member

MANAGEMENT STAFF

Connie Green, City Manager
Don Christian, Assistant City Manager
Barbara A. Gonzales, Director of Finance

OFFICIAL ISSUING REPORT

Barbara A. Gonzales, Director of Finance



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INTRODUCTORY SECTION

March 5, 2008

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, 2007 is submitted in accordance with the provisions of the City Charter. This report was prepared by the City's Finance Department, in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and audited in accordance with U.S. Generally Accepted Auditing Standards by a firm of licensed independent certified public accountants.

This report consists of management's representations concerning the finances of the City of Killeen. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Killeen has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Killeen's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Killeen's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Killeen's financial statements have been audited by Brockway, Gersbach, McKinnon & Niemeier, P.C., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Killeen for fiscal year ended September 30, 2007, 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, 2007, 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 45.35 square miles. Major metropolitan areas are easily accessible - 60 miles to Waco, 70 miles to Austin, 150 miles to San Antonio, 160 miles to Dallas-Fort Worth and 190 miles to Houston.

Killeen was founded in 1882 by the Santa Fe Railroad and named in honor of an employee of the railroad, Frank P. Killeen. In 1884, the City had a population of 350 and consisted of a post office, a cotton gin, and two grain mills. The 1941 population of 1,265 rose to 7,100 in 1950, due primarily from the activation of Fort Hood, a military base on Killeen's northern border, which began functioning in 1942 and was designated a permanent military installation in 1950. By 1960, Killeen's population was over 21,000 and has grown steadily since then to a 2007 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 average temperatures, ranging from 37 to 38 degrees, occur in December and January.

Two basic services essential to any community are health care and education. Outstanding medical facilities are one of the key attractions of the area. The area serves as a Regional Medical Center with 827 hospital beds within 25 miles. Killeen is served by Metroplex Hospital, which provides 213 beds, an intensive care unit, a bassinet nursery, a full-range pathological laboratory, a licensed pharmacy, full-service radiology and a 24-hour physician-staffed emergency room. Metroplex Pavilion is a mental and behavioral health care center located on the Metroplex Hospital Campus. Licensed for 60 beds, it offers numerous treatment programs, and has separate patient areas for children, adolescents, and adults. The main Scott and White Killeen Clinic accommodates 15 Family Medicine physicians and 4 pediatricians. Other Scott and White clinics include the new Killeen West Clinic, Killeen Cancer Center, Killeen Dialysis Center and the Killeen OB/GYN clinic. These clinics offer referral service to specialists in their 486-bed, regional hospital 25 miles away. The Scott and White hospital will be moving each of its departments early in 2007 to the newly constructed Center for Advanced Medicine, which will be the largest outpatient facility in the region. The military community is served by the 128-bed Darnall Army Hospital and the satellite clinics. Darnall Hospital was rededicated in May 2006 as the Carl R. Darnall Army Medical Center. The new designation will lead to an expansion of medical services, facilities, and staffing offered to active duty military and retirees residing in our community.

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

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

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

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

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

Economic activity continued to show strong growth during 2007. For the fourteenth consecutive year, building permits issued exceeded \$100 million dollars and exceeded over \$200 million for the fifth consecutive year. Total permits issued in FY 2007 were \$238,951,448.

BUDGET PROCESS

The budget process for the City of Killeen is a year round process that is centered on a fiscal year, not a calendar year. Killeen's fiscal year begins on October 1st and ends on September 30th. The Killeen City Charter ("the Charter") vests the responsibility for preparing an annual budget and plan of municipal services with the City Manager. The City Manager must then submit the proposed budget to the City Council for its review and adoption. The City Manager, between forty-five and ninety days prior to the beginning of each fiscal year, submits to the Council a proposed budget, which budget shall provide a complete financial plan for the fiscal year. The proposed budget is made available as a public record at the time it is presented to the City Council. Public Hearings, as required by Charter and state law, are held on the proposed budget and tax rate. The Council has the opportunity to make changes to the proposed budget during this process, subject to required additional public hearings. The budget is adopted by the favorable vote of a majority of the members of the whole Council and must be adopted not later than September 20th of each year. If the Council fails to adopt a budget by this date, the proposed budget submitted by the City Manager shall be deemed to have been adopted by the Council. The FY 2006-07 Budget and Plan of Municipal Services was adopted by the City Council on September 12, 2006.

MAJOR INITIATIVES

The FY 2006-07 Budget identified eight goals and priorities which addressed the needs of the community. Substantial progress on each of these major initiatives was accomplished during the year.

MAINTAINING CURRENT PROGRAMS, SERVICES, AND THE AD VALOREM PROPERTY TAX RATE: The City tax rate for the fiscal year was 0.695 cents per \$100 valuation, which is the same as the FY 2005-06 tax rate. In addition to maintaining the tax rate, the City provided additional services through the addition of fourteen sworn police officer positions, nine fire rescue officers, and various other new programs and services totaling over \$8.2 million dollars city-wide.

STRENGTHENING OUR POLICE DEPARTMENT RESOURCES IN ORDER TO PROVIDE PROACTIVE PATROL TO DETER CRIME AND TO PROVIDE AN ENHANCED FEELING OF SAFETY FOR OUR CITIZENS: The City increased the number of police officers by 14 sworn officers in FY 2006-07. Thirteen new patrol vehicles were approved as well as evidence processing laboratory station.

PROVIDING FUNDING FOR EMERGENCY MANAGEMENT/HOMELAND SECURITY NEEDS: The City funded a new Emergency Management/Homeland Security Coordinator in FY 2006-07. This position was added to serve as the City's liaison on emergency preparedness issues with State and Federal Agencies. Phase I of an Emergency Warning System has been included in the capital improvements budget to provide an additional method of ensuring that our citizens have adequate notice of emergencies to prevent the needless loss of life.

PROVIDING ADEQUATE PAY AND BENEFITS TO CITY EMPLOYEES: Effective October 1, 2006, the City funded a 4% cost of living adjustment (COLA) for all civil and non-civil service employees. The budget also continues to fund the employee tuition reimbursement program that was started in FY 2005-06 and also provided funding in the amount of \$70,000 to support the achievement of the Texas A&M Central Texas University campus.

PROVIDE FUNDING FOR STREET IMPROVEMENTS: Funding for a traffic light with a camera has been included in the FY 2006-07 budget to address traffic issues at critical intersections.

PROVIDE FUNDING FOR ADDITIONAL EMPLOYEES IN THE WATER AND SEWER FUND: Funding for a two-member Cross-Connection Crew has been included in the FY 2006-07 budget. This represents the start-up phase of a program to ensure that the City is in compliance with state rules and regulations governing the safety of the public water system.

CONTINUE THE ADVANCEMENT OF A RIGHT-OF-WAY MOWING PROGRAM AND DRAINAGE MAINTENANCE PROGRAM TO PROVIDE A SAFE, CLEAN LIVING ENVIRONMENT FOR OUR CITIZENS: The budget continues the advancement of the right-of-way mowing/maintenance program and the drainage maintenance program that were created in FY 2005-06. These programs made great strides in the beautification, safety and appearance of the City. During its first year of operations, the Mowing Crew has already mowed 285 lane miles and 906 acres of right-of-way as of June 30th. Citizen feedback has been very positive about the impact this program has made in the City.

PROVIDE FUNDING FOR ECONOMIC DEVELOPMENT: Funding to the Greater Killeen Chamber of Commerce and the Killeen Economic Development Corporation has been increased in the FY 2006-07 budget to expand marketing efforts and promote Killeen as an ideal place to live and to do business. A comprehensive and strategic marketing plan will be developed for Killeen and a video will be produced to promote Killeen at a state and national level.

DEPARTMENT FOCUS

Each year the government focuses attention on departmental efforts and accomplishments. This year, the Drainage Maintenance Division has been selected for this purpose. The mission of the Drainage Utility – Drainage Maintenance Division is to provide drainage management services for the citizens and businesses of the City of Killeen that support water quality improvements: storm water run-off controls and beneficial usage solutions; system sustainability and chronic maintenance problem reduction; and environmental and aesthetic enhancement opportunities.

PROGRAM DESCRIPTIONS:

The Drainage Utility has developed a draft Storm Water Management Program (SWMP) to meet the mandates of the State of Texas Phase II program. The Drainage Utility manages storm water discharge permits for selected municipal industrial operations, and for City-performed/City-sponsored construction activities that disturb 1 acre of land or greater. The Drainage Utility has implemented a capital improvements program and developed a Drainage Master Plan to address drainage infrastructure inadequacies and required system upgrades. Under the drainage master planning process, the Drainage Utility has undertaken comprehensive detailed studies of special flood hazard areas to support and enhance the Federal Emergency Management Agency's (FEMA's) Flood Insurance Rate Map Modernization project in Bell County. The Drainage Utility is performing a surface water quality monitoring project in the South Nolan Creek and Lampasas River Watersheds under Clean Water Act 319(h) grant agreements with the Texas Commission on Environmental Quality (TCEQ). The Drainage Utility includes a Drainage Maintenance Program to address the repair and rehabilitation of degraded and damaged municipal drainage infrastructure.

ACCOMPLISHMENTS:

- Staffed and resourced City's first dedicated drainage maintenance crew.
- Developed a written Drainage Maintenance Plan to direct activities of the Drainage Maintenance crew.

KEY OBJECTIVES / PERFORMANCE MEASURES:

Improve the quality of the drainage infrastructure throughout the City by accomplishing work in accordance with the instruction and priority set by Drainage Utility.

	Actual	Budget	Estimated	Adopted
	<u>2005-06</u>	<u>2006-07</u>	<u>2006-07</u>	<u>2007-08</u>
Drainage Infrastructure Repaired in Miles	N/A	8.3	13.4	30.0
Repaired in Acres	N/A	59.0	94.9	212.7

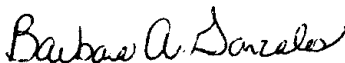
AWARDS AND ACKNOWLEDGEMENTS

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, 2006. This was the seventeenth 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, 2006 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, 2007.

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,



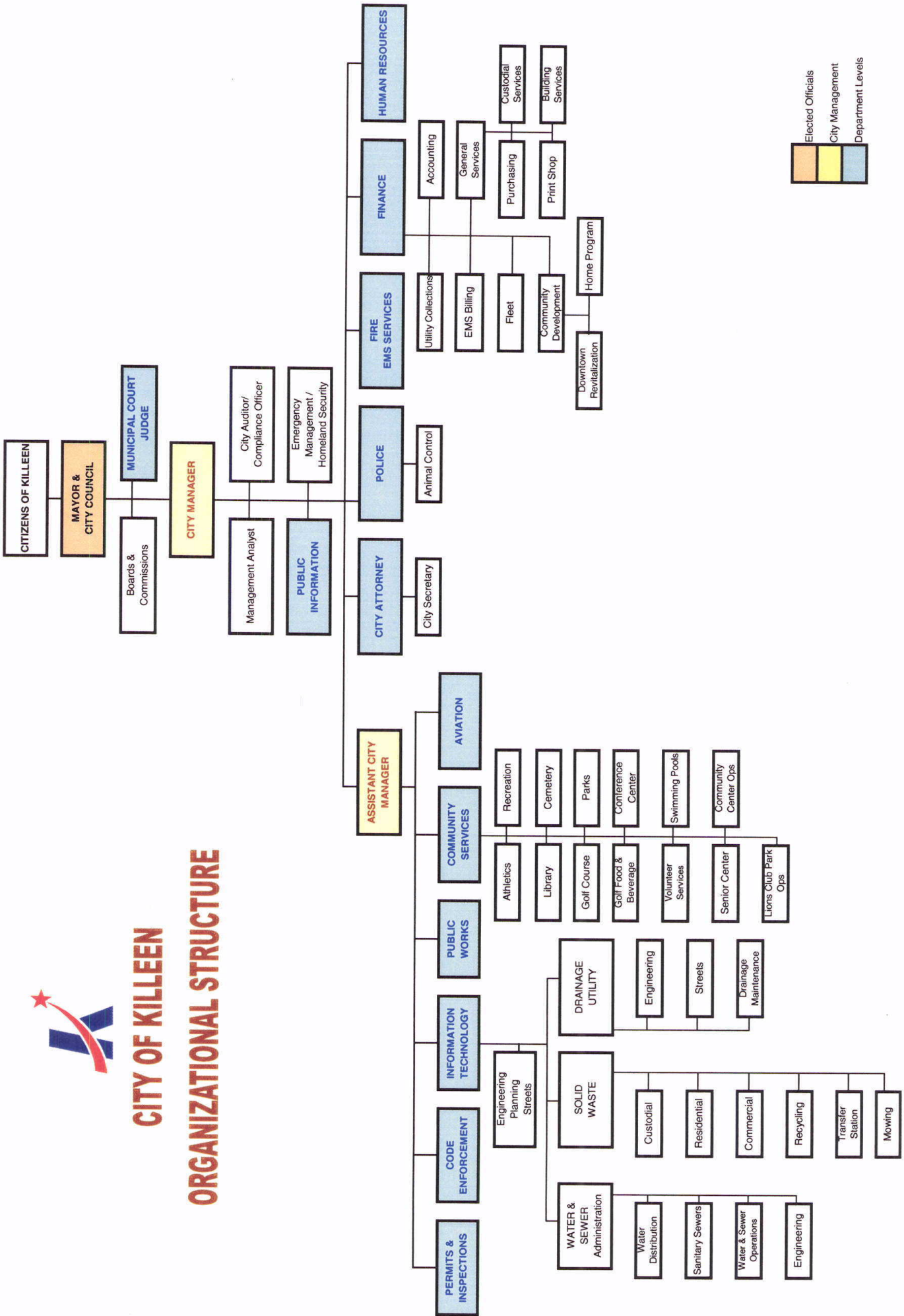
Barbara A. Gonzales
Chief Financial Officer



Connie J. Green
City Manager
Chief Executive Officer



CITY OF KILLEEN ORGANIZATIONAL STRUCTURE



Elected Officials
 City Management
 Department Levels

**CITY OF KILLEEN
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2007**

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Killeen
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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.



Charles S. Cox

President

Jeffrey R. Emen

Executive Director



BROCKWAY, GERSBACH, MCKINNON & NIEMEIER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Honorable Mayor and
City Council
City of Killeen, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Killeen, Texas as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Killeen's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Killeen, Texas as of September 30, 2007, and the respective changes in financial position, and, where applicable cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Schedule of Funding Progress and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2007, on our consideration of the City of Killeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction in assessing the results of our audit.

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

Compliance and Other Matters

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

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

Brockway Strubach McKinnon & Neimeier PC

December 21, 2007

City of Killeen, Texas
Management's Discussion and Analysis
September 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Killeen, we offer readers of the City of Killeen's financial statement this narrative overview and analysis of the financial activities of the City of Killeen for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with our letter of transmittal which can be found on pages iii - viii of this report and the basic financial statements that follow this section. This discussion and analysis includes comparative data to fiscal year ended September 30, 2006. All amounts, unless otherwise indicated, are expressed in dollars.

Fiscal Year 2006-07 Financial Highlights

City-wide:

- The City's total net assets were \$ 285.9 million at September 30, 2007, of which \$ 93.9 million were in Governmental Activities and \$ 192.0 million were in Business-type Activities.
- Total City revenues were \$ 126.3 million, of which \$ 69.6 million were derived from Governmental Activities and \$ 56.7 million were derived from Business-type Activities.
- Total City expenses were \$ 105.3 million, of which \$ 66.2 million were incurred by Governmental Activities and \$ 39.1 million were incurred by Business-type Activities.
- The total revenue and expense amounts stated above do not include transfers between funds.

Fund Level:

- Governmental funds reported combined ending fund balances of \$ 51.3 million at September 30, 2007. Of the combined ending fund balances, \$ 2.8 million is reserved for debt service, \$ 24.3 million is reserved in capital project funds, \$ 2.4 million is reserved for encumbrances and inventories, and \$ 21.7 million is unreserved of which \$ 18.2 million is unreserved, undesignated in the General Fund.
- Governmental Fund revenues were \$ 69.5 million, an increase of \$ 13 million from fiscal year 2006's \$ 56.5 million.
- Governmental Fund expenditures increased to \$ 82.1 million in fiscal year 2007, up \$ 15.4 million from the prior year.
- Enterprise fund operating revenues were \$ 44.7 million in fiscal year 2007, up \$.4 million from the prior year.
- Enterprise fund operating expenses were \$ 36.5 million in fiscal year 2007, an increase of \$ 2.0 million from the prior year.
- Non-operating revenues, including capital contributions, were \$ 11.6 million in fiscal year 2007, compared to prior year of \$ 22 million.

General Fund:

- General Fund revenues were \$ 55.7 million, an increase of \$ 10.5 million from the prior year.
- General Fund expenditures were \$ 58.1 million, an increase of \$ 6.9 million over the prior year.
- Net transfers into the General Fund were \$ 3.5 million in fiscal year 2007, a decrease of approximately \$100,000 under the prior year.
- Unreserved, undesignated fund balance for the general fund was \$ 18.2 million at September 30, 2007 or 32 percent of total general fund expenditures of \$ 58.1 million. The undesignated ending fund balance is up approximately \$ 300,000 from the prior year.

**City of Killeen, Texas
Management's Discussion and Analysis
September 30, 2007**

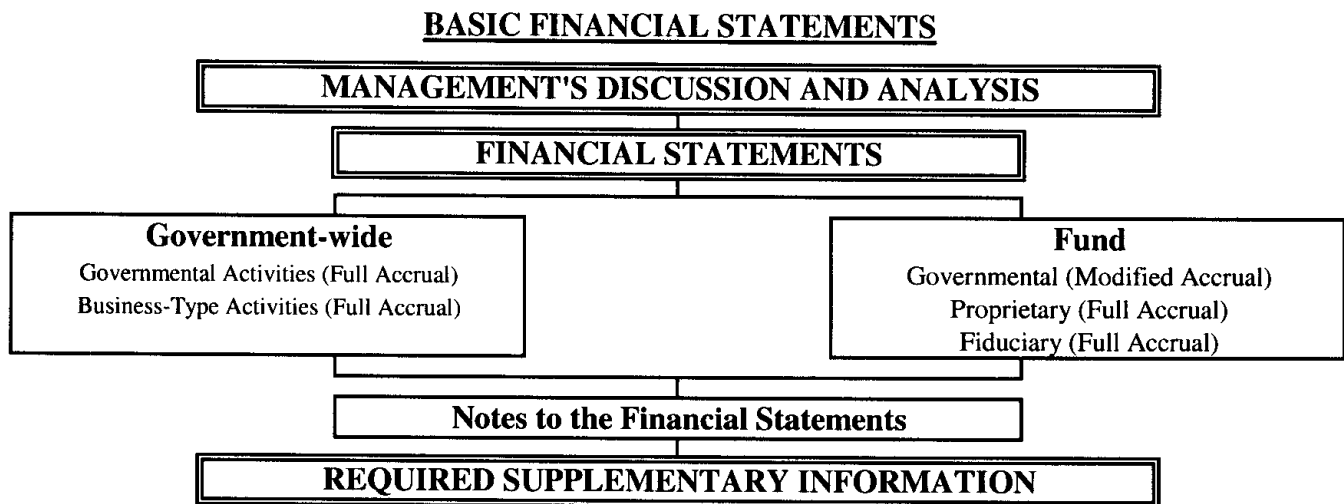
USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

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

Components of the Financial Section



OVERVIEW OF THE FINANCIAL STATEMENTS

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

City of Killeen, Texas
Management's Discussion and Analysis
September 30, 2007

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, one needs to consider other non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

City of Killeen, Texas
Management's Discussion and Analysis
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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation between changes in net assets and changes in fund balances is provided to facilitate this comparison between government funds and governmental activities.

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the 2004 G.O. fund because they are considered as major funds. Data from the other governmental funds are combined into a single, aggregated column labeled as "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the "Combining Statements" section of this financial report. The City adopts an annual appropriated budget for its general fund. A Budgetary comparison statement (page 88) has been provided for the general fund to demonstrate compliance with the budget. This budgetary comparison presents a favorable variance in operating transfers.

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found starting on page 41 of this report.

City of Killeen, Texas
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Required Supplementary Information

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

Combining Statements

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

Government-Wide Financial Analysis

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$ 285.9 million for the year ended September 30, 2007.

Net Assets
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Current and other assets	\$ 60.6	\$ 72.0	\$ 61.5	\$ 60.2	\$ 122.1	\$ 132.2
Capital Assets	120.3	103.2	201.4	199.3	321.7	302.5
Total Assets	<u>\$ 180.9</u>	<u>\$ 175.2</u>	<u>\$ 262.9</u>	<u>\$ 259.5</u>	<u>\$ 443.8</u>	<u>\$ 434.7</u>
Liabilities						
Long-term liabilities outstanding	\$ 78.9	\$ 80.2	\$ 65.9	\$ 72.3	\$ 144.8	\$ 152.5
Other liabilities	8.1	6.0	5.0	5.7	13.1	11.7
Total Liabilities	<u>87.0</u>	<u>86.2</u>	<u>70.9</u>	<u>78.0</u>	<u>157.9</u>	<u>164.2</u>
Net Assets						
Invested in capital assets, net of related debt	47.4	66.7	153.2	146.4	200.6	213.1
Restricted	27.2	5.2	6.3	12.1	33.5	17.3
Unrestricted	19.3	17.1	32.5	23.0	51.8	40.1
Total Net Assets	<u>93.9</u>	<u>89.0</u>	<u>192.0</u>	<u>181.5</u>	<u>285.9</u>	<u>270.5</u>
Total Liabilities and Net Assets	<u>\$ 180.9</u>	<u>\$ 175.2</u>	<u>\$ 262.9</u>	<u>\$ 259.5</u>	<u>\$ 443.8</u>	<u>\$ 434.7</u>

The largest portion of the City's net assets, \$ 200.6 million or 70.2 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment and systems), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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An additional portion of the City's net assets, \$ 33.5 million or 11.7 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, \$ 51.8 million or 18.1 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

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

Analysis of Change in Net Assets

The City's net assets overall increased by \$ 21 million during the current fiscal year. These increments are explained in the governmental and business-type activities discussion in the following table.

	Changes in Net Assets <i>(in millions of dollars)</i>					
	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
<i>Program revenues:</i>						
Charges for services	\$ 7.23	\$ 6.76	\$ 44.75	\$ 44.33	\$ 51.98	\$ 51.09
Operating grants and contributions	5.09	1.74	0.02	0.01	5.11	1.75
Capital grants and contributions	4.29	5.23	8.98	19.45	13.27	24.68
<i>General revenues:</i>						
Property taxes	23.90	20.60	-	-	23.90	20.60
Business taxes	5.40	5.13	-	-	5.40	5.13
Sales taxes	20.01	18.45	-	-	20.01	18.45
Interest and investment income	3.72	3.35	2.92	2.57	6.64	5.92
Other	-	0.02	-	0.05	-	0.07
Total Revenues	<u>69.64</u>	<u>61.28</u>	<u>56.67</u>	<u>66.41</u>	<u>126.31</u>	<u>127.69</u>
Expenses						
General	13.06	9.00	-	-	13.06	9.00
Police	18.04	16.41	-	-	18.04	16.41
Fire	11.73	10.24	-	-	11.73	10.24
Highway & Streets	8.84	7.98	-	-	8.84	7.98
Library	1.32	1.25	-	-	1.32	1.25
Parks and Recreation	2.60	2.34	-	-	2.60	2.34
Permits and Inspections	1.40	0.83	-	-	1.40	0.83
Community Services	4.20	1.25	-	-	4.20	1.25
Golf	1.47	-	-	1.30	1.47	1.30
Miscellaneous	-	3.61	-	-	-	3.61
Intrest on Long-term Debt	3.53	3.29	-	-	3.53	3.29
Airport Operations	-	-	6.03	5.43	6.03	5.43
Solid Waste	-	-	9.92	9.24	9.92	9.24
Water and Sewer	-	-	21.81	20.05	21.81	20.05
Drainage Utility	-	-	1.35	0.53	1.35	0.53
Total Expenses	<u>66.19</u>	<u>56.20</u>	<u>39.11</u>	<u>36.55</u>	<u>105.30</u>	<u>92.75</u>
Change in net assets before transfers	3.45	5.08	17.56	29.86	21.01	34.94
Transfers	4.01	2.54	(4.01)	(2.54)	-	-
Change in net assets	<u>7.46</u>	<u>7.62</u>	<u>13.55</u>	<u>27.32</u>	<u>21.01</u>	<u>34.94</u>
Net assets at beginning of year, as restated	86.39	81.37	184.12	154.21	270.51	235.58
Prior period adjustment	-	-	(5.66)	-	(5.66)	-
Net assets at end of year	<u>\$ 93.85</u>	<u>\$ 88.99</u>	<u>\$ 192.01</u>	<u>\$ 181.53</u>	<u>\$ 285.86</u>	<u>\$ 270.52</u>

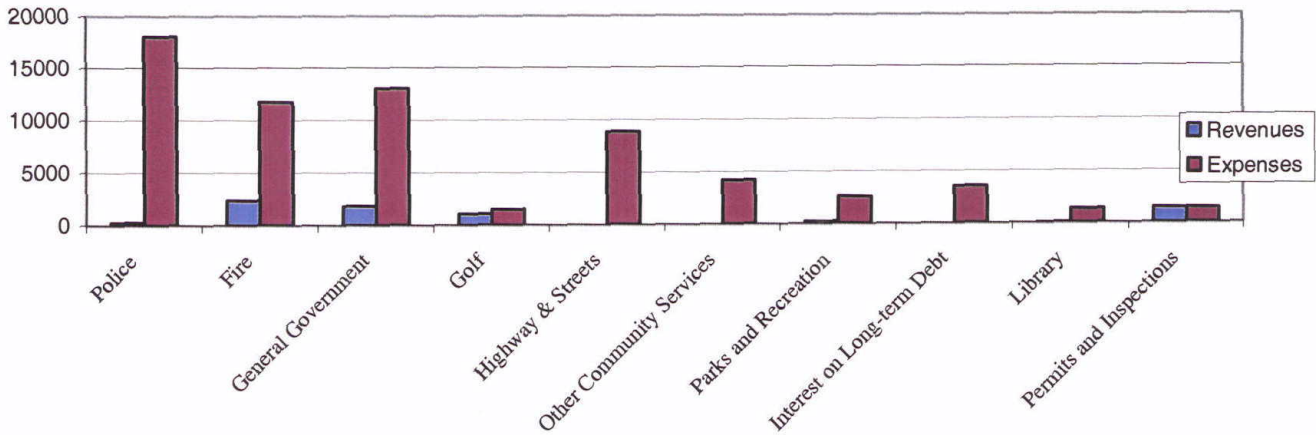
**City of Killeen, Texas
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Governmental Activities

Governmental activities increased the City's net assets by \$ 7.5 million, thereby accounting for 36 percent of the total growth in the net assets of the City. Key factors of this increase are as follows:

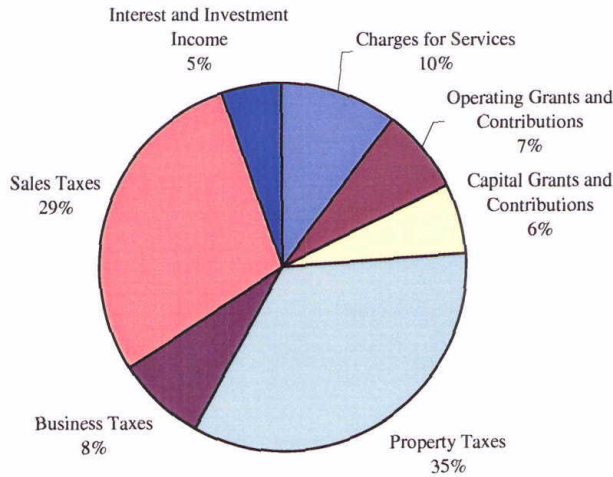
The charts below illustrate the City's governmental expenses and revenues by function. As shown, police is the largest function in expense (\$ 18.04 million), followed by fire (\$ 11.73 million) and general government (\$ 13.06 million). General revenues such as sales, property, and business taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, property taxes are the largest single source of funds (\$ 23.9 million), followed by sales taxes (\$ 20.01 million) and charges for services (\$ 7.2 million). Property tax revenue increased by \$ 3.3 million, sales tax is up \$ 1.6 million, and charges for services is up \$.5 million from the previous fiscal year.

**Program Revenues and Expenditures - Governmental Activities
Fiscal Year 2006-07
(in thousands of dollars)**



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Revenue by Source – Governmental Activities
Fiscal Year 2006-07



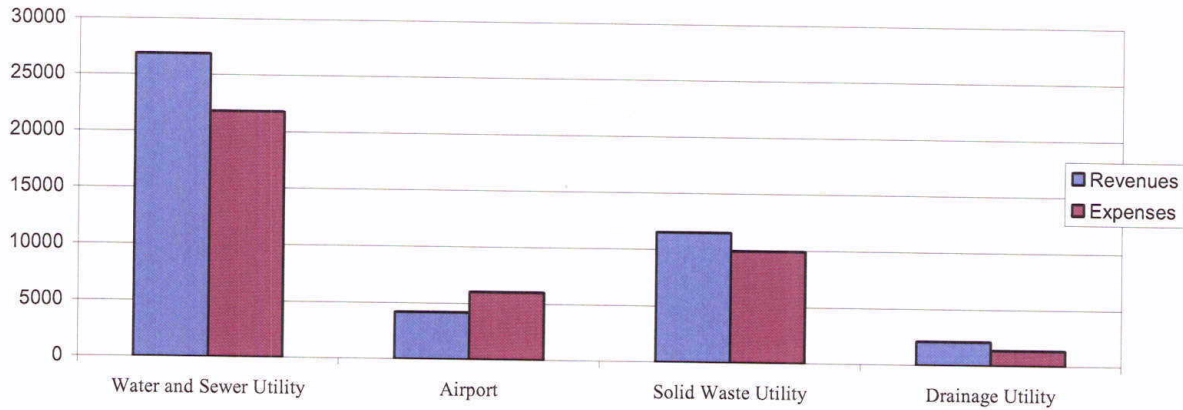
Business-type Activities

Business-type activities increased the City's net assets by \$ 13.5 million, accounting for 64 percent of the total growth in the City's net assets. Key factors of this increase are as follows:

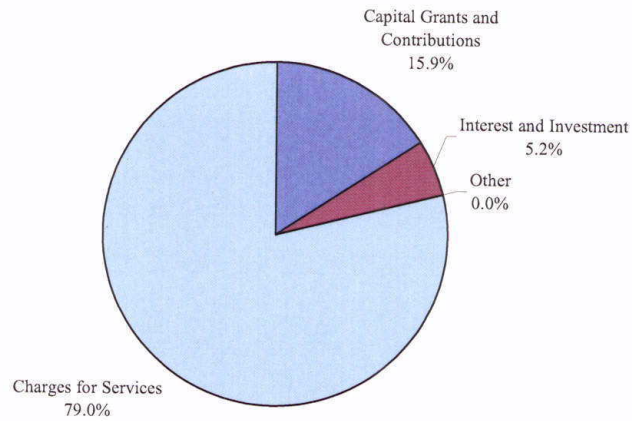
The charts following illustrate the City's business-type expenses and revenues by fund. The largest of the City's business-type activities, Water and Sewer utilities, had expenses of \$ 19.9 million in fiscal year 2007, followed by Solid Waste with expenses of approximately \$ 9.5 million. For the fiscal year, revenues exceeded expenses in all areas of business. Charges for services provided the largest share of revenues (78.9 percent) followed by capital grants and contributions (15.8 percent) for all business-type activities. Charges for services revenue increased by \$.4 million this year while operating expenses increased by \$ 3.9 million. Total revenues decreased by \$ 9.7 million partially due to prior year revenue being overstated by \$ 5.2 million.

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Program Revenues and Expenditures - Business Type Activities
Fiscal Year 2006-07
(in thousands of dollars)



Revenues by Source – Business Type Activities
Fiscal Year 2006-07



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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 \$ 51.2 million, a decrease of \$ 13.5 million in comparison with the prior year. The decrease is primarily due to proceeds of bonds issued in the prior year in the Capital Projects fund. The City did not issue any new debt in the current year, therefore, there were no bond proceeds in the current year revenues. Approximately \$ 20.2 million (40 percent) of this total amount constitutes unreserved / undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved for encumbrances, inventories, debt service, and capital projects or designated to be used for emergencies.

Revenues for governmental functions overall totaled approximately \$ 69.5 million in the fiscal year ended September 30, 2007, which represents a \$ 13 million increase from the prior fiscal year. Expenditures for governmental functions, totaling \$ 82.1 million, increased by approximately \$ 15.4 million from the prior fiscal year. In the fiscal year ended September 30, 2007, expenditures for governmental functions exceeded revenues by approximately \$ 12.5 million, or approximately 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 \$ 18.2 million, while total fund balance was \$ 21.8 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 31.4 percent of total general fund expenditures, while total fund balance represents 37.6 percent of that same amount.

General Fund Budgetary Highlights

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

- \$ 140 thousand increase in general government expenditures
- \$ 1.6 million increase in public safety expenditures
- \$ 240 thousand increase in community services expenditures

Proprietary Funds

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

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At the end of the fiscal year, the unrestricted net assets for the Airport Fund were \$ 6.2 million, the Solid Waste Fund had \$ 4.9 million, the Water and Sewer Fund had \$ 21.3 million and the Drainage Utility Fund had \$ -0- in unrestricted net assets. The total growth in net assets for the enterprise funds was \$ 13.9 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

Fiduciary Funds

The City maintains a fiduciary fund for the assets of the Firemen's Pension Trust Fund. The Firemen's Pension Trust Fund manages the investment of monies held in trust for retirement annuity payments at appropriate amounts and times in the future. As of the end of the fiscal year 2006-07, the net assets of the Firemen's Pension Trust Fund totaled \$ 19.3 million, representing an increase of \$ 3.0 million in total net assets since September 30, 2006. The change is primarily related to appreciation of the fair value of the plans investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2007, amount to \$ 321.7 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, vehicles, furniture, fixtures, equipment, construction in progress and infrastructure. The total increase in the City's capital assets (net of accumulated depreciation) for the current fiscal year was 17.6 percent (a 16.5 percent increase for governmental activities and a 1.1 percent increase for business-type activities) as shown in the table below.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 6.7	\$ 1.1	\$ 1.6	\$ 1.6	\$ 8.3	\$ 2.7
Buildings and						
Land Improvements	20.5	19.5	137.1	116.4	157.6	135.9
Improvements Other	-	-	50.8	37.7	50.8	37.7
Vehicles	3.7	3.7	3.7	3.4	7.4	7.1
Furniture, Fixtures, Office Equipment	3.8	3.6	2.1	2.2	5.9	5.8
Construction in Progress	16.3	4.7	6.2	38.0	22.5	42.7
Infrastructure Assets	69.3	70.6	-	-	69.3	70.6
Total	\$ 120.3	\$ 103.2	\$ 201.5	\$ 199.3	\$ 321.8	\$ 302.5

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

- Governmental activities' construction in progress increased by \$ 11.6 million due to major street, roadway, and traffic improvement projects.
- Business-type activities' construction in progress decreased by \$ 31.8 million due to the completion of major airport projects, the new solid waste transfer station facility, and several water and sewer infrastructure projects.

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- Business-type activities' building and land improvements increased by \$ 20.7 million due to the completion of several projects that were previously shown in construction in progress.

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

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$ 138.8 million. Of this amount, \$ 37.5 million is general obligation bonds backed by the full faith and credit of the City and \$ 59.9 million in revenue bonds, certificates of obligation or other obligations of the City's business enterprises. The remainder includes revenue bonds, certificates of obligation, and other obligations of \$ 41.4 million of governmental activities.

During fiscal year 2007, the City's total bonded debt decreased by approximately \$ 7.6 million. The decrease is due to the fact that the City did not issue new debt in fiscal year 2007. The City made scheduled payments against the bonds, which reduced the amount owed by the City.

Outstanding Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 32.0	\$ 34.7	\$ 5.5	\$ 6.4	\$ 37.5	\$ 41.1
Revenue bonds (less deferred)	-	-	43.7	45.3	43.7	45.3
Certificates of obligation	41.4	42.7	16.2	16.8	57.6	59.5
Limited tax notes	-	0.5	-	-	-	0.5
Less unamortized bond issue costs	(0.5)	(0.5)	(0.6)	(0.7)	(1.1)	(1.2)
Plus unamortized bond premium/ (discounts)	0.3	0.3	1.0	1.2	1.3	1.5
Less deferred amounts on refunding	(0.3)	(0.3)	(0.6)	(0.7)	(0.9)	(1.0)
Total bonds payable	<u>\$ 72.9</u>	<u>\$ 77.4</u>	<u>\$ 65.2</u>	<u>\$ 68.3</u>	<u>\$ 138.1</u>	<u>\$ 145.7</u>

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

**City of Killeen, Texas
Management's Discussion and Analysis
September 30, 2007**

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

**City of Killeen Bonded Debt Ratings
September 30, 2007**

Bond Type	Standard & Pools	Moody's
General Obligation	AA-	Aa3
Utility Revenue Bond	AA-	Aa3
Certificates of Obligation	AA-	Aa3

The state limits the legal amount of general obligation debt of a governmental entity to \$ 1.25 per \$ 100 valuation. The City's 2007 debt levy equaled \$ 0.2188 per \$ 100 assessed valuation, or 17.5 percent of the maximum allowed.

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

Economic Factors and Next Years' Budget and Rates

At the time this MD&A was written, leading indicators such as the stock market, money supply, housing market, and the unemployment rates are showing signs of future economic growth. Economic forecast clearly reflects the fact that the U.S. economy is moderating to more sustainable growth levels, firmer labor markets and steady inflations rates. In the wake of the subprime lending crisis leading to great disruption in the financial and housing markets, the Federal Open Market Committee (FOMC) voted to lower the federal funds and the discount rates twice during the month of January. At a national level, residential construction activity remained weak. On the contrary, the City of Killeen continues to exhibit steady growth in the single family, duplex, multifamily respectively. In addition, the Nation's unemployment rate was 4.9 percent, compared to a local unemployment rate of 5.4 percent during the same period. The significant increases in materials and fuel are requiring additional funding to supplement the 2004 and 2007 general obligation and certificate of obligation projects.

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

City of Killeen, Texas
Management's Discussion and Analysis
September 30, 2007

Tourism is one of Killeen's major industries and is a significant contributor to the City's economy. Many local hotels, motels and restaurants complement the city's 63,000 square feet Civic and Conference Center. The Center boasts a 23,400 square feet ballroom, 3,000 square feet special events room, six large meeting rooms and two small meeting rooms in addition to full-featured kitchen facilities. Hotel Occupancy tax revenues through the fiscal year ended September 30, 2007 have grown by 91% since the conference center opened in 2002. Construction of several new upscale hotels are underway and expected to add over 600 rooms to the City's inventory during the coming year. The most significant addition will be the opening of the City's first 160 room full-service hotel and restaurant directly adjacent to the conference center. Increased tourism connected with the activities of Fort Hood influence the activities at the conference center and hotel occupancy tax receipts. The long-term outlook for local tourism looks positive.

Many factors were considered in preparing the City's budget for fiscal year 2007-08, including national, state, and local economic trends. The concerns of our citizens and the priorities of the City Council were included in the development of the budget. The stability and continuing growth in the local economy allowed the City to address major needs in the budget this year. The budget for the 2007-08 fiscal year includes:

- Conservative projections of major revenue sources.
- Maintain the ad valorem tax rate.
- Strengthened police department resources to deter crime and provide enhanced safety.
- Provide a cost of living increase for all City employees.
- Provide funding for street improvements and infrastructure needs.
- Establish an Emergency Management and Homeland Security division to evaluate and coordinate emergency issues with various agencies, jurisdictions, and governmental levels.

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

Request for Information

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

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

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

BASIC FINANCIAL STATEMENTS

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 36,443,123	\$ 25,999,501	\$ 62,442,624
Investments	20,335,060	10,170,325	30,505,385
Accrued interest	-	143,997	143,997
Receivables (net of allowances for uncollectibles)-			
Grants	36,555	271,214	307,769
Taxes	612,027	-	612,027
Accounts	2,191,338	5,827,054	8,018,392
Notes receivable	82,729	-	82,729
Internal balances	(42,769)	42,769	-
Inventories	361,620	359,903	721,523
Prepaid items	-	545,000	545,000
Restricted assets:			
Cash and cash equivalents	34,971	17,503,009	17,537,980
Deferred charges	526,791	630,767	1,157,558
Capital assets:			
Non-depreciable	23,018,280	7,766,272	30,784,552
Depreciable (net)	97,290,295	193,652,345	290,942,640
 Total assets	 <u>\$ 180,890,020</u>	 <u>\$ 262,912,156</u>	 <u>\$ 443,802,176</u>

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

EXHIBIT A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 5,551,212	\$ 2,362,323	\$ 7,913,535
Escrow payable	-	21,946	21,946
Accrued liabilities	420,983	-	420,983
Customer deposits	917,737	1,663,359	2,581,096
Accrued interest payable	448,548	433,959	882,507
Unearned revenue	684,501	-	684,501
Deferred amount on refunding bonds	(303,127)	(642,838)	(945,965)
Unamortized bond premium	352,101	1,124,378	1,476,479
Noncurrent liabilities			
Due within one year	4,445,263	3,871,705	8,316,968
Due in more than one year	74,513,260	62,065,756	136,579,016
Total liabilities	<u>87,030,478</u>	<u>70,900,588</u>	<u>157,931,066</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	47,388,909	153,152,207	200,541,116
Restricted for:			
Debt service	2,806,680	6,277,051	9,083,731
Capital projects	24,355,131	-	24,355,131
Unrestricted	19,308,822	32,582,310	51,891,132
Total net assets	<u>\$ 93,859,542</u>	<u>\$ 192,011,568</u>	<u>\$ 285,871,110</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 13,059,352	\$ 1,845,447	\$ 214,298	\$ 348,832
Police	18,035,487	240,764	77,298	47,046
Fire	11,732,401	2,371,608	496,423	-
Public works	8,835,018	-	-	3,305,484
Library	1,324,670	41,944	453	9,555
Parks and Recreation	2,602,046	233,265	-	-
Permits and Inspections	1,402,169	1,414,929	-	-
Community Services	4,201,866	-	4,299,724	582,754
Golf	1,470,975	1,084,479	-	-
Interest on long-term debt	3,526,706	-	-	-
Total governmental activities	<u>66,190,690</u>	<u>7,232,436</u>	<u>5,088,196</u>	<u>4,293,671</u>
Business-type activities:				
Airport Operations	6,032,956	4,182,662	-	5,211,415
Solid Waste	9,923,685	11,541,857	-	-
Water and Sewer	21,805,817	26,898,319	-	3,770,008
Drainage Utility	1,354,988	2,124,081	25,304	-
Total business-type activities	<u>39,117,446</u>	<u>44,746,919</u>	<u>25,304</u>	<u>8,981,423</u>
Total primary government	<u>\$ 105,308,136</u>	<u>\$ 51,979,355</u>	<u>\$ 5,113,500</u>	<u>\$ 13,275,094</u>

General revenues:

Taxes:

Ad Valorem Taxes
Penalties and Interest
Beverage Taxes
Franchise Taxes
City Sales Taxes
Bingo Taxes
Investment income

Transfers

Total general revenues and transfers

Change in net assets

Net assets, as restated -beginning

Prior period adjustments

Net assets-ending

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

EXHIBIT A-2

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (10,650,775)	\$ -	\$ (10,650,775)
(17,670,379)	-	(17,670,379)
(8,864,370)	-	(8,864,370)
(5,529,534)	-	(5,529,534)
(1,272,718)	-	(1,272,718)
(2,368,781)	-	(2,368,781)
12,760	-	12,760
680,612	-	680,612
(386,496)	-	(386,496)
(3,526,706)	-	(3,526,706)
<u>(49,576,387)</u>	<u>-</u>	<u>(49,576,387)</u>
-	3,361,121	3,361,121
-	1,618,172	1,618,172
-	8,862,510	8,862,510
-	794,397	794,397
<u>-</u>	<u>14,636,200</u>	<u>14,636,200</u>
<u>(49,576,387)</u>	<u>14,636,200</u>	<u>(34,940,187)</u>
23,692,133	-	23,692,133
205,665	-	205,665
240,268	-	240,268
4,960,867	-	4,960,867
20,009,130	-	20,009,130
199,589	-	199,589
3,722,650	2,920,129	6,642,779
4,013,454	(4,013,454)	-
<u>57,043,756</u>	<u>(1,093,325)</u>	<u>55,950,431</u>
7,467,369	13,542,875	21,010,244
86,392,173	184,124,516	270,516,689
-	(5,655,823)	(5,655,823)
<u>\$ 93,859,542</u>	<u>\$ 192,011,568</u>	<u>\$ 285,871,110</u>

CITY OF KILLEEN, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2007

<u>ASSETS</u>	General Fund	2004 G. O.	Other Governmental Funds	Total Governmental Funds
Assets-				
Cash and cash equivalents	\$ 9,427,697	\$ 7,649,000	\$ 19,366,426	\$ 36,443,123
Investments	15,335,060	5,000,000	-	20,335,060
Receivables (net of allowances for uncollectibles) -				
Grants	-	-	36,555	36,555
Taxes	487,406	-	124,621	612,027
Accounts	2,147,321	30,822	13,195	2,191,338
Notes receivable	82,729	-	-	82,729
Due from other funds	142,111	-	5,378	147,489
Inventories	361,620	-	-	361,620
Restricted assets -				
Cash and cash equivalents	-	-	34,971	34,971
 Total assets	 <u>\$ 27,983,944</u>	 <u>\$ 12,679,822</u>	 <u>\$ 19,581,146</u>	 <u>\$ 60,244,912</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities-				
Accounts payable	\$ 3,167,239	\$ 1,577,129	\$ 806,844	\$ 5,551,212
Due to state agencies	420,983	-	-	420,983
Due to other funds	-	-	190,258	190,258
Customer deposits	908,237	-	9,500	917,737
Vacation and sick leave payable	12,818	-	-	12,818
Deferred revenue	1,685,250	-	136,306	1,821,556
Unearned revenue	-	-	73,558	73,558
Total liabilities	<u>6,194,527</u>	<u>1,577,129</u>	<u>1,216,466</u>	<u>8,988,122</u>
Fund balances -				
Reserved:				
Encumbrances	1,716,100	-	328,900	2,045,000
Inventories	361,620	-	-	361,620
Debt service	-	-	2,806,680	2,806,680
Capital projects	-	11,102,693	13,252,438	24,355,131
Unreserved:				
Designated (Note F)	1,525,000	-	-	1,525,000
Undesignated - general fund	18,186,697	-	-	18,186,697
Undesignated - special revenue funds	-	-	1,976,662	1,976,662
Total fund balances	<u>21,789,417</u>	<u>11,102,693</u>	<u>18,364,680</u>	<u>51,256,790</u>
 Total liabilities and fund balances	 <u>\$ 27,983,944</u>	 <u>\$ 12,679,822</u>	 <u>\$ 19,581,146</u>	 <u>\$ 60,244,912</u>

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

**CITY OF KILLEEN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

Total fund balances - governmental funds balance sheet	\$ 51,256,790
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.	120,308,575
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(78,916,436)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>1,210,613</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 93,859,542</u></u>

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

**CITY OF KILLEEN, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	General Fund	2004 G.O.	Other Governmental Funds	Total Governmental Funds
Revenues -				
Taxes	\$ 40,410,383	\$ -	\$ 8,849,558	\$ 49,259,941
Licenses and permits	1,292,332	-	-	1,292,332
Intergovernmental	3,018,413	280,000	1,789,783	5,088,196
Charges for services	3,967,248	-	66,862	4,034,110
Fines	1,735,531	-	109,916	1,845,447
Miscellaneous	1,925,938	694,010	2,091,131	4,711,079
Developer contributions	3,305,484	-	-	3,305,484
Total revenues	55,655,329	974,010	12,907,250	69,536,589
Expenditures -				
Current -				
General government	5,307,442	-	1,349,468	6,656,910
Public safety	28,471,569	-	15,965	28,487,534
Public works	4,881,644	-	-	4,881,644
Community services	9,652,994	-	169,763	9,822,757
Miscellaneous	3,977,409	-	674,949	4,652,358
Capital Outlay	5,792,507	3,503,076	10,223,078	19,518,661
Debt service -				
Principal	-	-	4,528,400	4,528,400
Interest	-	-	3,507,615	3,507,615
Fiscal charges	-	-	6,227	6,227
Total expenditures	58,083,565	3,503,076	20,475,465	82,062,106
Excess (deficiency) of revenues over expenditures	(2,428,236)	(2,529,066)	(7,568,215)	(12,525,517)
Other financing sources (uses) -				
Transfers in	4,813,454	-	1,242,627	6,056,081
Transfers out	(1,350,336)	-	(692,291)	(2,042,627)
Total other financing sources (uses)	3,463,118	-	550,336	4,013,454
Net changes in fund balance	1,034,882	(2,529,066)	(7,017,879)	(8,512,063)
Fund balances as restated, October 1, 2006	20,754,535	13,631,759	25,382,559	59,768,853
Fund balances, September 30, 2007	\$ 21,789,417	\$ 11,102,693	\$ 18,364,680	\$ 51,256,790

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

**CITY OF KILLEEN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Net change in fund balances - total government funds \$ (8,512,063)

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

Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This reconciling item represents the amount by which capital outlays exceeded depreciation in the current period. 11,820,684

The issuance of long-term debt (i.e. bonds, notes payable) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items. 4,830,594

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. (779,862)

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. 108,016

Change in Net Assets of Governmental Activities - Statement of Activities \$ 7,467,369

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

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2007**

<u>ASSETS</u>	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
Cash and cash equivalents	\$ 6,177,227	\$ 3,013,086	\$ 16,147,503
Investments	-	2,002,190	8,168,135
Accrued interest	-	36,714	107,283
Receivables (net of allowances for uncollectibles) -			
Grants	271,214	-	-
Accounts	-	1,500,554	4,151,911
Due from other funds	-	48,147	-
Inventories	77,808	-	282,095
Prepaid items	-	-	545,000
Restricted assets -			
Cash and cash equivalents	94,595	1,827,616	7,215,867
Deferred charges	-	55,611	460,432
Total Current Assets	<u>6,620,844</u>	<u>8,483,918</u>	<u>37,078,226</u>
Property and Equipment:			
Land	1,319,003	72,165	168,147
Buildings and improvements	86,269,215	9,457,196	76,090,660
Improvements other than buildings	-	-	53,540,361
Furniture and equipment	585,394	3,384,485	3,414,360
Vehicle	777,290	7,626,418	3,050,434
Construction in progress	99,514	201,822	5,732,173
Less accumulated depreciation	(14,448,500)	(9,150,815)	(29,078,530)
Net Property and Equipment	<u>74,601,916</u>	<u>11,591,271</u>	<u>112,917,605</u>
Total Assets	<u>\$ 81,222,760</u>	<u>\$ 20,075,189</u>	<u>\$ 149,995,831</u>

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

EXHIBIT A-7

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 661,685	\$ 25,999,501
-	10,170,325
-	143,997
-	271,214
174,589	5,827,054
-	48,147
-	359,903
-	545,000
8,364,931	17,503,009
114,724	630,767
<u>9,315,929</u>	<u>61,498,917</u>
-	1,559,315
-	171,817,071
1,647,451	55,187,812
675,511	8,059,750
74,624	11,528,766
173,448	6,206,957
(263,209)	(52,941,054)
<u>2,307,825</u>	<u>201,418,617</u>
<u>\$ 11,623,754</u>	<u>\$ 262,917,534</u>

(Continued)

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS (CONTINUED)
SEPTEMBER 30, 2007**

<u>LIABILITIES AND NET ASSETS</u>	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprises Fund
Liabilities:			
Accounts payable	\$ 170,612	\$ 746,739	\$ 1,191,595
Escrow payable	21,946	-	-
Due to other funds	-	-	5,378
Customer deposits	-	-	1,663,359
Vacation and sick leave payable	139,879	193,584	231,423
Current portion of general obligation bonds payable	-	-	2,692,800
Current portion of certificate of obligation bonds payable	-	346,000	-
Restricted accrued interest payable	-	-	380,106
Total Current liabilities	<u>332,437</u>	<u>1,286,323</u>	<u>6,164,661</u>
General obligation bonds payable - long-term	-	-	46,463,499
Certificate of obligation bonds payable - long term	-	8,577,257	-
Deferred amount on refunding bonds	-	-	(642,838)
Unamortized bond premium (discount)	-	(64,124)	1,256,365
Total Non-Current Liabilities	<u>-</u>	<u>8,513,133</u>	<u>47,077,026</u>
Total Liabilities	<u>332,437</u>	<u>9,799,456</u>	<u>53,241,687</u>
Net Assets:			
Investment in capital assets (net of related debt)	74,601,916	4,611,451	70,417,350
Restricted:			
Debt service	-	727,456	4,973,437
Capital projects	-	-	-
Unrestricted:	<u>6,288,407</u>	<u>4,936,826</u>	<u>21,363,357</u>
Total Net Assets	<u>80,890,323</u>	<u>10,275,733</u>	<u>96,754,144</u>
Total Liabilities and Net Assets	<u>\$ 81,222,760</u>	<u>\$ 20,075,189</u>	<u>\$ 149,995,831</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-7 (CONT'D)

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 253,377	\$ 2,362,323
-	21,946
-	5,378
-	1,663,359
13,019	577,905
-	2,692,800
255,000	601,000
53,853	433,959
<u>575,249</u>	<u>8,358,670</u>
-	46,463,499
7,025,000	15,602,257
-	(642,838)
(67,863)	1,124,378
<u>6,957,137</u>	<u>62,547,296</u>
<u>7,532,386</u>	<u>70,905,966</u>
3,521,490	153,152,207
576,158	6,277,051
-	-
(6,280)	32,582,310
<u>4,091,368</u>	<u>192,011,568</u>
<u>\$ 11,623,754</u>	<u>\$ 262,917,534</u>

CITY OF KILLEEN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
Operating Revenues:			
Charges for services	\$ 4,182,662	\$ 11,541,857	\$ 26,898,319
Total operating revenues	<u>4,182,662</u>	<u>11,541,857</u>	<u>26,898,319</u>
Operating Expenses:			
Purchase of water	-	-	4,720,203
Sewage treatment	-	-	5,580,525
Salaries	1,386,670	2,604,043	3,271,596
Employee benefits	419,333	766,839	975,701
Repairs and maintenance	293,277	937,519	508,526
Supplies	110,780	620,070	523,915
Depreciation	2,414,809	1,318,613	3,102,710
Miscellaneous service and charges	1,408,087	247,142	1,257,269
Refuse disposal costs	-	3,033,499	-
Total operating expenses	<u>6,032,956</u>	<u>9,527,725</u>	<u>19,940,445</u>
Operating Income (Loss)	<u>(1,850,294)</u>	<u>2,014,132</u>	<u>6,957,874</u>
Non-Operating Revenues (Expenses)			
Grants	16,113	-	-
Investment revenue	286,997	412,311	1,740,945
Industrial development	-	-	(663,013)
Interest expense	-	(395,960)	(1,202,359)
Total Non-Operating Revenues (Expenses)	<u>303,110</u>	<u>16,351</u>	<u>(124,427)</u>
Net Income (Loss) Before Contributions and Transfers	<u>(1,547,184)</u>	<u>2,030,483</u>	<u>6,833,447</u>
Contribution and Transfers			
Contributions - other	5,195,302	-	-
Contributions - developer	-	-	3,770,008
Transfers in	-	-	800,000
Transfers out	-	(1,766,751)	(3,029,008)
Total Contributions and Transfers	<u>5,195,302</u>	<u>(1,766,751)</u>	<u>1,541,000</u>
Change in Net Assets	3,648,118	263,732	8,374,447
Beginning Net Assets as restated, October 1, 2006	77,242,205	10,515,071	93,532,450
Prior period adjustment	-	(503,070)	(5,152,753)
Ending Net Assets, September 30, 2007	<u>\$ 80,890,323</u>	<u>\$ 10,275,733</u>	<u>\$ 96,754,144</u>

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

EXHIBIT A-8

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 2,124,081	\$ 44,746,919
<u>2,124,081</u>	<u>44,746,919</u>
-	4,720,203
-	5,580,525
254,529	7,516,838
69,868	2,231,741
238,456	1,977,778
45,283	1,300,048
171,000	7,007,132
236,425	3,148,923
-	3,033,499
<u>1,015,561</u>	<u>36,516,687</u>
<u>1,108,520</u>	<u>8,230,232</u>
25,304	41,417
479,876	2,920,129
-	(663,013)
(339,427)	(1,937,746)
<u>165,753</u>	<u>360,787</u>
<u>1,274,273</u>	<u>8,591,019</u>
-	5,195,302
-	3,770,008
-	800,000
(17,695)	(4,813,454)
<u>(17,695)</u>	<u>4,951,856</u>
1,256,578	13,542,875
2,834,790	184,124,516
-	(5,655,823)
<u>\$ 4,091,368</u>	<u>\$ 192,011,568</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Business Type Activities- Enterprise Funds			
	Airport	Solid Waste	Water and Sewer	Drainage Utility
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 4,567,325	\$ 11,490,360	\$ 26,952,576	\$ 2,145,732
Receipts from interfund services provided	-	(4,583)	-	-
Payments to suppliers	(2,279,509)	(5,416,148)	(12,672,916)	(532,943)
Payments to employees	(1,784,300)	(3,333,267)	(4,213,969)	-
Payments for interfund services used	(1,120,290)	(18,668)	5,378	(313,075)
Net cash provided (used) by operating activities	<u>(616,774)</u>	<u>2,717,694</u>	<u>10,071,069</u>	<u>1,299,714</u>
Cash Flows from Noncapital Financing Activities:				
Industrial development	-	-	(663,013)	-
Reclassification of capital projects fund balance	5,190,561	-	-	-
Transfers in from other funds	-	-	800,000	-
Transfers out to other funds	-	(1,766,751)	(3,029,008)	(17,695)
Net cash provided (used) by noncapital financing activities	<u>5,190,561</u>	<u>(1,766,751)</u>	<u>(2,892,021)</u>	<u>(17,695)</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions/grants	5,211,415	-	3,770,008	25,304
Purchase and construction of capital assets	(5,405,779)	(3,427,431)	(8,903,385)	(1,521,663)
Principal paid on long term debt	-	(337,000)	(2,579,600)	(250,000)
Interest and fees paid on long term debt	-	(390,259)	(1,167,212)	(331,157)
Net cash provided (used) by capital and related financing activities	<u>(194,364)</u>	<u>(4,154,690)</u>	<u>(8,880,189)</u>	<u>(2,077,516)</u>
Cash Flows from Investing Activities:				
(Purchase) sale of investment securities	-	993,103	9,016,203	-
Interest and dividends on investments	286,997	412,311	1,740,945	479,876
Net cash provided by (used for) investing activities	<u>286,997</u>	<u>1,405,414</u>	<u>10,757,148</u>	<u>479,876</u>
Net increase (decrease) in cash and cash equivalents	4,655,901	(1,967,979)	8,958,215	(315,621)
Cash and cash equivalents at beginning of year	<u>1,615,921</u>	<u>6,808,681</u>	<u>14,405,155</u>	<u>9,342,237</u>
Cash and cash equivalents at end of year	<u>\$ 6,271,822</u>	<u>\$ 4,840,702</u>	<u>\$ 23,363,370</u>	<u>\$ 9,026,616</u>

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

<u>Totals</u>
\$ 45,155,993
(4,583)
(20,901,516)
(9,331,536)
<u>(1,446,655)</u>
<u>13,471,703</u>
(663,013)
5,190,561
800,000
<u>(4,813,454)</u>
<u>514,094</u>
9,006,727
(19,258,258)
(3,166,600)
<u>(1,888,628)</u>
<u>(15,306,759)</u>
10,009,306
<u>2,920,129</u>
<u>12,929,435</u>
11,330,516
<u>32,171,994</u>
<u>\$ 43,502,510</u>

(Continued)

**CITY OF KILLEEN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Business Type Activities- Enterprise Funds			
	Airport	Solid Waste	Water and Sewer	Drainage Utility
Reconciliation of Operating Income to Net Cash				
Provided (used) by Operating Activities:				
Operating income (loss)	\$ (1,850,294)	\$ 2,014,132	\$ 6,957,874	\$ 1,108,520
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	2,414,809	1,318,613	3,102,710	171,000
Change in Assets and Liabilities:				
Decrease (increase) in receivables	384,663	451,573	54,257	21,651
Provision for bad debt	-	(503,070)	-	-
Decrease (increase) in due from other funds	-	(4,583)	-	-
Decrease (increase) in inventories	(26,325)	-	78,442	-
Decrease (increase) in other assets	-	-	(61,375)	-
Increase (decrease) in payables	(441,040)	(577,918)	(227,739)	(12,779)
Increase (decrease) in due to other funds	(1,120,290)	(18,668)	5,378	-
Increase (decrease) in customer deposits	-	-	128,194	-
Increase (decrease) in vacation and sick leave payable	21,703	37,615	33,328	11,322
Total adjustments	<u>1,233,520</u>	<u>703,562</u>	<u>3,113,195</u>	<u>191,194</u>
Net cash provided (used) by operating activities	<u>\$ (616,774)</u>	<u>\$ 2,717,694</u>	<u>\$ 10,071,069</u>	<u>\$ 1,299,714</u>

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

EXHIBIT A-9 (CONT'D)

<u>Totals</u>
\$ 8,230,232
7,007,132
912,144
(503,070)
(4,583)
52,117
(61,375)
(1,259,476)
(1,133,580)
128,194
103,968
<u>5,241,471</u>
<u>\$ 13,471,703</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2007**

	<u>Fireman's Pension Trust Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 101,994
Temporary Investments	
Fixed income securities	7,004,558
Equities	9,761,702
Partnership ownership	2,497,258
Total assets	<u>\$ 19,365,512</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities -	
Accounts payable	\$ -
Total liabilities	<u>-</u>
Net Assets:	
Net Assets Held in Trust for Pension Benefits	<u>19,365,512</u>
Total liabilities and net assets	<u>\$ 19,365,512</u>

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

CITY OF KILLEEN, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Fireman's Pension Trust Fund</u>
Additions:	
Contributions:	
Employee contributions	\$ 767,704
Employer contributions	998,009
Total Contributions	<u>1,765,713</u>
Net Investment Income:	
Interest and dividends	640,012
Net appreciation in the fair value of plan investments	1,960,597
Total Net Investment Income	<u>2,600,609</u>
Total Additions	<u>4,366,322</u>
Deductions:	
Benefit Payments	1,123,240
Administrative Expenses	75,873
Termination payments	95,420
Total Deductions	<u>1,294,533</u>
Net increase	3,071,789
Net Assets - Beginning of the Year	<u>16,293,723</u>
Net Assets- End of the Year	<u>\$ 19,365,512</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The government-wide financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund 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.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition to the government-wide financial statements, the City has prepared governmental fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Accordingly, the accounting and financial reporting of the City's General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34.

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

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

Business type activities, all proprietary funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste, drainage utility, and airport funds are charges to customers for sales and services. Operating expenses for the Proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The City reports the following major governmental funds:

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

2004 General Obligation Bond Fund – is a capital projects fund that accounts for construction projects financed through bond proceeds.

Additionally, the City reports the following fund types:

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major proprietary funds:

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

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

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

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

The City reports the following fiduciary fund:

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.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1) Deposits and Investments:

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

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

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1) Deposits and Investments (continued):

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

2) Interfund Transactions and Receivables and Payables

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

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

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

3) Encumbrances

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

4) Cash and Investments

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

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5) Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

6) Restricted Assets

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

7) Capital Assets

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest expense, incurred from the date of the borrowing until completion of the project, is offset by interest earned on invested proceeds over the same period.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7) Capital Assets (continued)

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

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

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

8) Compensated Absences

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

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

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

9) Transactions Between Funds

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. This has been implemented in the government-wide financial statements prospectively.

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

11) Fund Equity

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

12) Comparative Data/Reclassifications

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

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

Certain reclassifications have been made to the September 30, 2006 financial data to be consistent with the September 30, 2007 presentation.

13) Pension Plans

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14) Deferred Revenues

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

	Fund			Total Governmental Funds
	General	Special Revenue	Debt Service	
Property taxes receivable	\$ 487,406	\$ -	\$ 124,621	\$ 612,027
Miscellaneous	126,013	-	-	126,013
Ambulance fees receivable	598,586	-	-	598,586
Municipal court receivable	390,811	11,685	-	402,496
Notes receivable	82,434	-	-	82,434
Total deferred revenue	<u>\$ 1,685,250</u>	<u>\$ 11,685</u>	<u>\$ 124,621</u>	<u>\$ 1,821,556</u>

15) Net Assets/Fund Balance reclassifications

As of October 1, 2006 the City reclassified a number of funds to more accurately report the activities.

<u>Proprietary Funds</u>	<u>Golf</u>	<u>Airport</u>
Net assets/fund balance as originally reported September 30, 2006	\$ 2,586,458	\$72,051,644
Reclassification of balances	<u>(2,586,458)</u>	<u>5,190,561</u>
Net assets/fund balance as restated October 1, 2006	<u>\$ -</u>	<u>\$77,242,205</u>

The golf fund was integrated into the general fund. Two capital projects funds were moved into the airport enterprise fund as the amounts within those funds were solely for the use of the airport.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

15) Net Assets/Fund Balance reclassifications (Continued)

<u>Governmental Funds</u>	<u>General Fund</u>	<u>2001 C.O. Bonds</u>	<u>2003 C. O. Bonds</u>	<u>Tax Interest and Sinking 2004</u>	<u>2004 G.O. Bonds</u>
Net assets/fund balance as originally reported September 30, 2006	\$20,634,932	\$ 1,274,681	\$ 3,915,880	\$ 165,794	\$ 319,325
Reclassification of balances	<u>119,603 *</u>	<u>(1,274,681)</u>	<u>(3,915,880)</u>	<u>11,628 *</u>	<u>32,850 *</u>
Net assets/fund balances as restated October 1, 2006	<u>\$20,754,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,422</u>	<u>\$ 352,175</u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net assets as originally reported September 30, 2006	\$ 88,996,276	\$ 181,520,413
Reclassification of Golf Fund to General Fund	2,586,458	(2,586,458)
Reclassification of Capital Projects to Airport Enterprise	<u>(5,190,561)</u>	<u>5,190,561</u>
Net Assets	<u>\$ 86,392,173</u>	<u>\$ 184,124,516</u>

*These were the part of the golf enterprise fund that was transferred to the general fund on a governmental fund basis. The capital assets and long-term debt were recognized for government-wide reporting only.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$ 78,916,486 difference are as follows:

General obligation bonds payable	\$ (31,963,701)
Certificates of obligation bonds payable	(41,421,743)
Less: Unamortized bond issuance costs - deferred charges	526,791
Less: Deferred amount on refunding	303,127
Plus: Unamortized premium	(352,101)
Notes payable	(12,039)
Accrued interest payable	(448,548)
Vacation and sick leave payable (in excess fund financial statement liability)	<u>(5,548,222)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ (78,916,436)</u></u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$ 11,820,684 difference are as follows:

Capital outlay	\$ 20,525,559
Depreciation expense	(8,153,772)
Reclassifications	<u>(551,103)</u>
 Net adjustment to increase net changes in fund balances- total government funds to arrive at changes in net assets of governmental activities	 <u><u>\$ 11,820,684</u></u>

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

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

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

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have an effect on net assets.

The details of this \$ 4,830,594 difference are as follows:

Principal repayments:	
Notes payable	\$ 302,194
General obligation debt	2,695,400
Certificate of obligation debt	1,288,000
Tax anticipation debt	<u>545,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,830,594</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 \$ 779,862 difference are as follows:

Vacation and sick leave	\$ (766,998)
Accrued interest	11,769
Amortization of bond premium	15,591
Amortization of bond issuance costs	(26,445)
Amortization of amount deferred on refunding	<u>(13,779)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (779,862)</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for budgeting current expenditures and capital outlay together by department and the use of encumbrances as discussed below. Annual appropriated budgets are adopted for the General, Special Revenue (except Emergency Management, Library Memorial, Parks and Lion's Club Park), 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. Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year. However, these encumbrances are considered to be expenditures under the budgetary basis of accounting.

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

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. BUDGETARY ACCOUNTING (CONTINUED)

6. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods except for appropriations for major capital projects.
7. During the year, no material supplemental appropriations were adopted.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended September 30, 2007, the City's General Fund actual expenditures and transfers exceeded the budget amounts by \$ 24,007 in general government and \$ 100,336 in transfers out.

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits

All of the City's demand depository accounts are held in a local banking institution under the terms of a written depository contract. The City's policy requires the depository bank to secure the City's funds on a day-to-day basis with approved pledged securities with a market value equal to, but no less than, one hundred percent of the amount on deposit. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2007, the carrying amount of the City's demand deposits (excluding the Pension Trust Fund) was \$ 239,390 and the bank balance was \$ 1,775,318. This negative book balance is a result of the City's policy to maximize its earnings potential by keeping a majority of the City's funds on deposit with Texpool. Funds are transferred from Texpool, as needed, to ensure that the bank balance remains positive at all times. The carrying amount and bank balance of the City's Pension Trust Fund was \$ 101,994.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

- a. Obligations of the United States or its agencies and instrumentalities that have a stated maturity date from purchase of two years or less.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities.
- c. Insured or fully collateralized certificates of deposit.
- d. 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.
- e. Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act.
- f. Eligible investments pools if the City Council by resolution authorizes investment in the particular pool.
- g. 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.

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

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

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

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

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

	Fair Value	Weighted Average Maturity (years)
TexPool (considered cash & cash equivalents due to liquidity)	\$ 79,741,215	0.09
TexStar	3,482,804	0.05
TexasTerm	5,000,000	0.12
U. S. Agency Securities	22,022,581	0.72
Total fair value	<u>\$ 110,246,600</u>	<u>0.22</u>
Portfolio weighted average maturity		

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

Investment in Firemen's Pension Trust Mutual Funds	\$ 19,263,518
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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.

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.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

TexStar

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

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

Texas TERM

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

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

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2006, upon which the 2007 fiscal year levy was based, was \$ 3,905,005,516.

The tax assessment of October 1, 2006 sets a tax levy at \$.695 per \$ 100 of assessed valuation at 100 percent of assumed market value. The City may levy a tax of up to \$ 1.50 per \$ 100 of assessed valuations for operations and maintenance purposes.

Taxes are due by January 1 following the October 1 levy date, at which time a lien attaches to the property. Tax collections during the fiscal year ended September 30, 2007, for the fiscal 2007 tax levy, were 96.05 percent of the total tax levy for that year.

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

At September 30, 2007, delinquent property taxes receivable were \$ 612,027, net of allowance for uncollectibles for \$ 204,008.

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. RECEIVABLES

Receivables at September 30, 2007 for the City's individual major governmental funds, in the aggregate non-major governmental funds, and proprietary funds, net of allowances for uncollectible accounts, consist of the following:

	General	2004 G. O.	Other Governmental Funds	Airport	Solid Waste	Water & Sewer	Drainage Utility	Total
Receivables:								
Grants	\$ -	\$ -	\$ 36,555	\$ 271,214	\$ -	\$ -	\$ -	\$ 307,769
Taxes	487,406	-	124,621	-	-	-	-	612,027
Accounts	2,147,321	30,822	13,195	-	1,500,554	4,151,911	174,589	8,018,392
Notes receivable	82,729	-	-	-	-	-	-	82,729
Total Net								
Receivables:	<u>\$ 2,717,456</u>	<u>\$ 30,822</u>	<u>\$ 174,371</u>	<u>\$ 271,214</u>	<u>\$ 1,500,554</u>	<u>\$ 4,151,911</u>	<u>\$ 174,589</u>	<u>\$ 9,020,917</u>

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2007.

D. CAPITAL ASSETS

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2007 was as follows.

Primary Government

	Balance 9/30/2006 (as restated)*	Additons	Deletions	Balance 9/30/2007
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,778,035	\$ 2,916,539	\$ -	\$ 6,694,574
Construction in progress	4,753,222	14,357,784	(2,787,300)	16,323,706
Total capital assets, not being depreciated	<u>8,531,257</u>	<u>17,274,323</u>	<u>(2,787,300)</u>	<u>23,018,280</u>
Capital assets, being depreciated:				
Buildings and improvements	34,000,653	25,045	(775,197)	33,250,501
Vehicles	13,999,615	1,190,430	(270,837)	14,919,208
Furniture, fixtures, and equipment	16,346,269	1,517,577	(176,391)	17,687,455
Infrastructure Assets	149,133,779	3,305,484	-	152,439,263
Total capital assets being depreciated	<u>213,480,316</u>	<u>6,038,536</u>	<u>(1,222,425)</u>	<u>218,296,427</u>
Less accumulated depreciation for:				
Buildings and improvements	11,976,753	994,008	(224,093)	12,746,668
Vehicles	10,294,551	1,209,983	(270,837)	11,233,697
Furniture, fixtures, and equipment	12,694,342	1,321,989	(176,392)	13,839,939
Infrastructure assets	78,558,036	4,627,792	-	83,185,828
Total accumulated depreciation	<u>113,523,682</u>	<u>8,153,772</u>	<u>(671,322)</u>	<u>121,006,132</u>
Total capital assets being depreciated, net	<u>99,956,634</u>	<u>(2,115,236)</u>	<u>(551,103)</u>	<u>97,290,295</u>
Governmental activities capital assets, net	<u>\$ 108,487,891</u>	<u>\$ 15,159,087</u>	<u>\$ (3,338,403)</u>	<u>\$ 120,308,575</u>

*During the year ended September 30, 2007 the Golf Enterprise Fund was moved back to the general fund and is shown in the beginning governmental activities.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2006	Additons	Deletions	Balance 9/30/2007
Airport activities:				
Capital assets, not being depreciated:				
Land	\$ 1,319,003	\$ -	\$ -	\$ 1,319,003
Construction in progress	16,775,351	5,058,440	(21,734,277)	99,514
Total capital assets, not being depreciated	<u>18,094,354</u>	<u>5,058,440</u>	<u>(21,734,277)</u>	<u>1,418,517</u>
Capital assets being depreciated:				
Buildings and improvements	64,590,132	21,679,083	-	86,269,215
Furniture and equipment	516,985	68,409	-	585,394
Vehicles	443,166	344,643	(10,519)	777,290
Total capital assets being depreciated	<u>65,550,283</u>	<u>22,092,135</u>	<u>(10,519)</u>	<u>87,631,899</u>
Less accumulated depreciation for:				
Buildings and improvements	11,282,322	2,299,740	-	13,582,062
Furniture and equipment	414,736	43,544	-	458,280
Vehicles	347,152	71,525	(10,519)	408,158
Total accumulated depreciation	<u>12,044,210</u>	<u>2,414,809</u>	<u>(10,519)</u>	<u>14,448,500</u>
Total capital assets, being depreciated, net	<u>53,506,073</u>	<u>19,677,326</u>	<u>-</u>	<u>73,183,399</u>
Aviation activities capital assets, net	<u>\$ 71,600,427</u>	<u>\$ 24,735,766</u>	<u>\$(21,734,277)</u>	<u>\$ 74,601,916</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2006	Additons	Deletions	Balance 9/30/2007
Solid Waste activities:				
Capital assets, not being depreciated:				
Land	\$ 72,165	\$ -	\$ -	\$ 72,165
Construction in progress	4,808,148	2,785,317	(7,391,643)	201,822
Total capital assets, not being depreciated	4,880,313	2,785,317	(7,391,643)	273,987
Capital assets, being depreciated:				
Buildings and improvements	2,063,349	7,393,847	-	9,457,196
Furniture and equipment	3,010,367	374,118	-	3,384,485
Vehicles	7,360,626	435,438	(169,646)	7,626,418
Total capital assets being depreciated	12,434,342	8,203,403	(169,646)	20,468,099
Less accumulated depreciation for:				
Buildings and improvements	995,500	247,272	-	1,242,772
Furniture and equipment	2,253,438	238,330	-	2,491,768
Vehicles	4,752,910	833,011	(169,646)	5,416,275
Total accumulated depreciation	8,001,848	1,318,613	(169,646)	9,150,815
Total capital assets, being depreciated, net	4,432,494	6,884,790	-	11,317,284
Solid waste activities capital assets, net	\$ 9,312,807	\$ 9,670,107	\$ (7,391,643)	\$ 11,591,271

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2006	Additons	Deletions	Balance 9/30/2007
Water and Sewer activities				
Capital assets, not being depreciated:				
Land	\$ 168,147	\$ -	\$ -	\$ 168,147
Construction in progress	16,084,555	3,731,947	(14,084,329)	5,732,173
Total capital, assets not being depreciated	16,252,702	3,731,947	(14,084,329)	5,900,320
Capital assets being depreciated:				
Buildings and improvements	76,687,781	4,555,632	(5,152,753)	76,090,660
Improvements - other	39,388,540	14,151,821	-	53,540,361
Furniture and equipment	3,233,963	180,397	-	3,414,360
Vehicles	2,750,080	465,709	(165,355)	3,050,434
Total capital assets being depreciated	122,060,364	19,353,559	(5,318,108)	136,095,815
Less accumulated depreciation for:				
Buildings and improvements	18,436,502	1,341,186	-	19,777,688
Improvements - other	3,074,124	1,191,952	-	4,266,076
Furniture and equipment	2,494,225	268,853	-	2,763,078
Vehicles	2,136,324	300,719	(165,355)	2,271,688
Total accumulated depreciation	26,141,175	3,102,710	(165,355)	29,078,530
Total capital assets, being depreciated, net	95,919,189	16,250,849	(5,152,753)	107,017,285
Water/Sewer activities capital assets, net	\$ 112,171,891	\$ 19,982,796	\$(19,237,082)	\$ 112,917,605

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2006	Additons	Deletions	Balance 9/30/2007
Drainage Utility activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 311,782	\$ 1,230,578	\$ (1,368,912)	\$ 173,448
Total capital assets not being depreciated	311,782	1,230,578	(1,368,912)	173,448
Capital assets being depreciated:				
Improvements - other	278,539	1,368,912	-	1,647,451
Furniture and equipment	384,426	291,085	-	675,511
Vehicles	74,624	-	-	74,624
Total capital assets being depreciated	737,589	1,659,997	-	2,397,586
Less accumulated depreciation for:				
Improvements - other	24,992	56,917	-	81,909
Furniture and equipment	54,484	99,158	-	153,642
Vehicles	12,733	14,925	-	27,658
Total accumulated depreciation	92,209	171,000	-	263,209
Total capital assets, being depreciated, net	645,380	1,488,997	-	2,134,377
Drainage Utility activities capital assets, net	\$ 957,162	\$ 2,719,575	\$ (1,368,912)	\$ 2,307,825

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 09/30/06	Additons	Deletions	Balance 09/30/07
Total Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 1,559,315	\$ -	\$ -	\$ 1,559,315
Construction in progress	37,979,836	12,806,282	(44,579,161)	6,206,957
Total capital assets, not being depreciated	<u>39,539,151</u>	<u>12,806,282</u>	<u>(44,579,161)</u>	<u>7,766,272</u>
Capital assets, being depreciated:				
Buildings and improvements	143,341,262	33,628,562	(5,152,753)	171,817,071
Improvement - other	39,667,079	15,520,733	-	55,187,812
Furniture and equipment	7,145,741	914,009	-	8,059,750
Vehicles	10,628,496	1,245,790	(345,520)	11,528,766
Total capital assets being depreciated	<u>200,782,578</u>	<u>51,309,094</u>	<u>(5,498,273)</u>	<u>246,593,399</u>
Less accumulated depreciation for:				
Buildings and improvements	30,714,324	3,888,198	-	34,602,522
Improvements - other	3,099,116	1,248,869	-	4,347,985
Furniture and equipment	5,216,883	649,885	-	5,866,768
Vehicles	7,249,119	1,220,180	(345,520)	8,123,779
Total accumulated depreciation	<u>46,279,442</u>	<u>7,007,132</u>	<u>(345,520)</u>	<u>52,941,054</u>
Total capital assets, being depreciated, net	<u>154,503,136</u>	<u>44,301,962</u>	<u>(5,152,753)</u>	<u>193,652,345</u>
Business-type activities capital assets, net	<u>\$ 194,042,287</u>	<u>\$ 57,108,244</u>	<u>\$(49,731,914)</u>	<u>\$ 201,418,617</u>

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General Government	\$ 1,956,602
Police	824,778
Fire	455,577
Highways and Streets	3,737,847
Community Services	549,887
Permits and inspections	31,073
Parks and recreation	236,955
Library	195,952
Golf	165,101
	<u>\$ 8,153,772</u>

Business-type activities:

Airport	\$ 2,414,809
Solid Waste	1,318,613
Water and Sewer	3,102,710
Drainage Utility	171,000
	<u>\$ 7,007,132</u>

Construction Commitments

The City has active Water and Sewer and Drainage Utility construction projects as of September 30, 2007. At year-end the City's commitments with contractors are as follows:

	Contract Amount	Spent-to-Date	Remaining Commitment
Water and Sewer	\$ 1,013,511	\$ 837,483	\$ 176,028
Drainage Utility	1,932,867	1,864,963	67,904
Solid Waste	1,944,970	157,306	1,787,664
Aviation	3,224,185	130,594	3,093,591
Governmental Funds	20,817,560	8,749,653	12,067,907
	<u>\$ 28,933,093</u>	<u>\$ 11,739,999</u>	<u>\$ 17,193,094</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivables and payables at September 30, 2007 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 142,111	\$ -
Special Revenue:		
Community Development Block Grant	-	142,111
Debt Service:		
1999 Refunding bond	5,378	-
1999 Interest and sinking	-	3,320
2005 C. O.	-	44,827
Total Other Governmental Funds	<u>147,489</u>	<u>190,258</u>
Solid Waste	48,147	-
Water and Sewer	-	5,378
Totals	<u>\$ 195,636</u>	<u>\$ 195,636</u>

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

Transfers during the year ended September 30, 2007 were:

	Transfers In	Transfers Out
General	\$ 4,813,454	\$ 1,350,336
Other Governmental Funds		
Special Revenue:		
Hotel Occupancy Tax	450,000	692,291
Community Development	100,336	-
Debt Service:		
Certificate of Obligation 2000	692,291	-
Total Governmental Funds	<u>6,056,081</u>	<u>2,042,627</u>
Enterprise:		
Water & Sewer	800,000	3,029,008
Solid Waste	-	1,766,751
Drainage	-	17,695
	<u>\$ 6,856,081</u>	<u>\$ 6,856,081</u>

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

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.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. FUND EQUITY (CONTINUED)

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.

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

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

Designations:

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

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

	General	Special Revenue	Debt Service	Capital Projects	Proprietary Enterprise	Fiduciary Pension Trust
Reserve						
Encumbrances	\$ 1,716,100	\$ 328,900	\$ -	\$ -	\$ -	\$ -
Reserve for Inventories	361,620	-	-	-	-	-
Debt Service	-	-	2,806,680	-	6,277,051	-
Capital Projects	-	-	-	24,355,131	-	-
Employee Pension Benefits	-	-	-	-	-	19,365,512
Designations						
Designated for Emergencies	1,525,000	-	-	-	3,262,000	-
	<u>\$ 3,602,720</u>	<u>\$ 328,900</u>	<u>\$ 2,806,680</u>	<u>\$ 24,355,131</u>	<u>\$ 9,539,051</u>	<u>\$ 19,365,512</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2007 is as follows:

	September 30, 2006	Additions/ Deletions	September 30, 2007	Due Within One Year
Governmental Activities:				
General Obligation bonds	\$ 34,659,101	\$ (2,695,400)	\$ 31,963,701	\$ 2,812,200
Certificates of obligation	42,709,743	(1,288,000)	41,421,743	1,394,000
Limited tax notes	545,000	(545,000)	-	-
Unamortized bond issue costs	(553,236)	26,445	(526,791)	-
Unamortized bond premiums/(discounts)	367,692	(15,591)	352,101	-
Deferred amount on refunding	(316,906)	13,779	(303,127)	-
Total bonds payable	<u>77,411,394</u>	<u>(4,503,767)</u>	<u>72,907,627</u>	<u>4,206,200</u>
Compensated absences	4,781,224	779,816	5,561,040	227,024
Note payable	314,233	(302,194)	12,039	12,039
Governmental activity long-term debt	<u>\$ 82,506,851</u>	<u>\$ (4,026,145)</u>	<u>\$ 78,480,706</u>	<u>\$ 4,445,263</u>
Business Type Activities:				
Water and Sewer Debt:				
Revenue bonds	\$ 45,320,000	\$ (1,650,000)	\$ 43,670,000	\$ 1,730,000
General obligation bonds	6,415,899	(929,600)	5,486,299	962,800
Unamortized bond issue costs	(507,822)	47,390	(460,432)	-
Unamortized bond premium	1,340,999	(84,634)	1,256,365	-
Deferred amount on refunding	(731,587)	88,749	(642,838)	-
Total Water and Sewer long-term debt	<u>\$ 51,837,489</u>	<u>\$ (2,528,095)</u>	<u>\$ 49,309,394</u>	<u>\$ 2,692,800</u>
Solid Waste Debt:				
Certificates of obligation	\$ 9,260,257	\$ (337,000)	\$ 8,923,257	\$ 346,000
Unamortized bond issue costs	(58,259)	2,648	(55,611)	-
Unamortized bond discount	(67,177)	3,053	(64,124)	-
Total Solid Waste long-term debt	<u>\$ 9,134,821</u>	<u>\$ (331,299)</u>	<u>\$ 8,803,522</u>	<u>\$ 346,000</u>
Drainage Utility:				
Certificates of obligation	\$ 7,530,000	\$ (250,000)	\$ 7,280,000	\$ 255,000
Unamortized bond issue costs	(120,762)	6,038	(114,724)	-
Unamortized bond discount	(71,435)	3,572	(67,863)	-
Total Drainage Utility long-term debt	<u>\$ 7,337,803</u>	<u>\$ (240,390)</u>	<u>\$ 7,097,413</u>	<u>\$ 255,000</u>
Business-type activity long-term debt	<u>\$ 68,310,113</u>	<u>\$ (3,099,784)</u>	<u>\$ 65,210,329</u>	<u>\$ 3,293,800</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2007 is comprised of the following:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Governmental Fund						
General obligation bonds:						
1999 Refunding	3.10-4.70	04/01/99	08/01/13	\$ 2,029,800	\$ 906,099	\$ 1,123,701
2004 Refunding	2.00-5.00	10/01/04	08/01/29	24,325,000	3,445,000	20,880,000
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	10,000,000	40,000	9,960,000
Tax/Revenue Certificates of Obligation:						
1999 Various purpose	4.00-4.30	04/01/99	08/01/99	1,500,000	1,146,000	354,000
2000 Hotel Occ. & Civic Center	4.50-5.50	12/15/00	08/01/30	10,500,000	1,425,000	9,075,000
2001 Various purpose	4.60-6.10	06/15/01	08/01/26	6,000,000	620,000	5,380,000
2002 Golf Course	2.70-4.50	12/01/02	08/01/12	2,000,000	810,000	1,190,000
2003 Various purpose	3.25-5.00	06/15/03	02/01/23	9,000,000	250,000	8,750,000
2004 Various purpose	2.00-4.75	10/01/04	08/01/29	6,000,000	590,000	5,410,000
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	11,500,000	237,257	11,262,743
Limited Tax Notes						
2000 Various purpose	4.50-5.00	10/15/00	08/15/07	3,000,000	3,000,000	-
Total				<u>\$ 85,854,800</u>	<u>\$ 12,469,356</u>	<u>\$ 73,385,444</u>
Proprietary Funds						
Revenue Bonds:						
1997 Various purpose	3.80-5.30	10/15/97	08/15/17	\$ 8,860,000	\$ 8,860,000	\$ -
1999 Various purpose	5.00-7.00	10/15/99	08/15/19	9,000,000	8,600,000	400,000
2001 Various purpose	4.75-5.75	06/15/01	08/15/21	8,700,000	945,000	7,755,000
2004 Various purpose	2.25-5.00	10/01/04	08/15/24	20,200,000	855,000	19,345,000
2005 Refunding	3.25-4.50	09/15/05	08/15/19	16,875,000	705,000	16,170,000
General Obligation Bonds:						
1999 Refunding	3.10-4.70	04/01/99	08/01/13	9,910,200	4,423,901	5,486,299
Tax/Revenue Certificates of Obligation:						
1999 Various purpose	4.00-4.30	04/01/99	08/01/09	1,000,000	764,000	236,000
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	9,100,000	412,743	8,687,257
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	8,000,000	720,000	7,280,000
Total				<u>\$ 91,645,200</u>	<u>\$ 26,285,644</u>	<u>\$ 65,359,556</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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
2008	\$ 2,812,200	\$ 1,429,190	\$ 962,800	\$ 244,846
2009	2,938,900	1,290,158	971,100	204,408
2010	1,697,200	1,147,305	962,800	162,651
2011	1,525,500	1,085,055	954,500	119,806
2012	1,563,800	1,024,247	946,200	76,377
2013-2017	6,521,100	4,204,652	688,899	32,378
2018-2022	5,940,000	2,765,885	-	-
2023-2027	6,805,000	1,463,561	-	-
2028-2029	2,160,001	158,353	-	-
Total	\$ 31,963,701	\$ 14,568,406	\$ 5,486,299	\$ 840,466

Note Payable

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2008	\$ 12,039	\$ 66
Total	\$ 12,039	\$ 66

Revenue Bonds

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Business-type Activities	
	Principal	Interest
2008	\$ 1,730,000	\$ 2,035,991
2009	1,845,000	1,961,167
2010	1,970,000	1,891,491
2011	2,110,000	1,816,804
2012	2,260,000	1,728,579
2013-2017	18,585,000	6,642,287
2018-2022	11,500,000	2,516,374
2023-2024	3,670,000	277,500
Total	\$ 43,670,000	\$ 18,870,193

Tax and Revenue Certificates of Obligation

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

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 1,394,000	\$ 1,868,566	\$ 601,000	\$ 702,614
2009	1,465,000	1,812,463	630,000	680,067
2010	1,905,000	1,746,468	530,000	655,707
2011	1,980,000	1,666,265	545,000	635,757
2012	2,060,000	1,581,084	565,000	614,594
2013-2017	8,925,000	6,716,668	3,215,000	2,700,122
2018-2022	10,275,000	4,668,603	3,985,000	1,926,929
2023-2027	8,975,000	2,317,419	4,395,000	946,122
2028-2030	4,442,743	439,886	1,737,257	151,955
Total	\$ 41,421,743	\$ 22,817,422	\$ 16,203,257	\$ 9,013,867

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

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

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

On April 1, 1999 the City issued \$ 11,940,000 in General Obligation Bonds with an average interest rate of 3.7% to refund and legally defease \$ 1,890,000 of General Obligation Bonds, Series 1991, \$ 2,375,000 of Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993, and \$ 6,805,000 of Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993-B. The net proceeds of \$ 11,675,135 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U. S. securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the series bonds referred to above. It is bond counsel's opinion that the advance refunding is a legal defeasance, and the holders of the refunded obligations may obtain payment of principal and interest solely from the funds of the irrevocable trust. As a result, the refunded portions of the bonds referred to above have been excluded from exhibit A-1 (statement of net assets) and long-term obligations of the water and sewer enterprise fund. As of September 30, 2007 the outstanding maturities on the refunded debt were \$ 1,600,000 for the Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993, and \$ 4,825,000 of Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993-B.

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

October 1, 2004, the City issued \$ 24,325,000 in General Obligation Refunding and Improvement bonds, Series 2004 with an interest rate of 2.00-5.00% to refund \$ 1,025,000 of Series 1993, General Obligation bonds, \$ 5,200,000 of Series 1995, General Obligation bonds and \$ 2,300,000 of Series 1996, Combination Tax & Revenue Certificates of Obligation bonds. The net proceeds were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds referred to above. As a result, the bonds referred to above are considered under Texas State law, Article 717K, V.A.T.C.S., as amended to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Assets. The remaining proceeds of the bonds will be used to pay for the construction and improvement of city streets, public safety, and parks and recreation.

The difference between the principal amount of \$ 24,325,000 and the sales price of \$ 25,068,759 represents a \$ 743,759 unamortized premium, which has been netted against an underwriter's discount of \$ 143,563. The net premium is being amortized over the life of the bonds using the interest method and is presented as an addition to the face value of the bonds. The advanced refunding of the bonds referred to above resulted in a \$ 344,464 difference between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the financial statements as a deduction to long-term debt, is being amortized over the life of the Series 1993 debt in accordance with GASB 7 entitled Advanced Refundings Resulting in Defeasance of Debt.

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

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

The difference between the principal amount of \$ 16,875,000 and the sales price of \$ 17,385,749 represents a \$ 510,749 unamortized premium, which has been netted against an underwriter's discount of \$ 109,083. The net premium is being amortized over the life of the bonds using the interest method and is presented as an addition to the face value of the bonds. The advanced refunding of the bonds referred to above resulted in a \$ 634,671 difference between the reacquisition price and the net carrying amount of the old debt. The difference, reported in the financial statements as a deduction to long-term, is being amortized over the life of the Series 2005 debt in accordance with GASB 7 entitled Advanced Refundings Resulting in Defeasance of Debt. This transaction resulted in future cash flow savings of \$ 824,711 through September 30, 2024 and an economic gain (difference between the present value of the old debt and new debt service payments) of \$ 906,227.

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

H. PRIOR PERIOD ADJUSTMENTS

During prior fiscal years an allowance for uncollectible solid waste receivables had not been recorded. The effect on prior years was to decrease net assets of the enterprise/business-type activities by \$ 503,070.

During fiscal year 2006, \$ 5,152,753 of developer contributions were reported in the water and sewer fund in error. The effect on the prior year is to decrease net assets of the enterprise/business-type activities by that amount.

V. OTHER INFORMATION

A. RISK MANAGEMENT

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

V. OTHER INFORMATION (CONTINUED)

A. RISK MANAGEMENT (CONTINUED)

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

B. COMMITMENTS AND CONTINGENCIES

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

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

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, 2007, the total unexpended FAA awards amount to approximately \$ 2,730,171.

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS

Plan Descriptions

The City provides pension benefits for all of its full-time employees, except firemen, through a nontraditional, joint contributory, hybrid defined plan in the state-wide Texas Municipal Retirement System (TARS), one of 821 administered by TMRS, an agent multi-employer public employee retirement system.

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

Contributions

Under the state law governing TMRS, the actuary annually determines the City contributions rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plans 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. Both the City and the employee make contributions monthly. Since the City needs to know its contributions rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2006, valuation is effective for rates beginning January 2008).

The City of Killeen is one of 821 municipalities having their benefit plan administered by TMRS. Each of the 821 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/06 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report.

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Actuarial Value of Assets	\$ 44,009,771	\$ 41,083,115	\$ 38,815,602	\$ 35,834,782
Actuarial Accrued Liability	\$ 60,828,956	\$ 56,366,278	\$ 52,151,216	\$ 48,701,857
Percentage Funded	72.35%	72.9%	74.4%	73.6%
Unfunded (Over funded) Actuarial Accrued Liability (UAAL)	\$ 16,819,185	\$ 15,283,163	\$ 13,335,614	\$ 12,867,075
Annual Covered Payroll	\$ 27,299,198	\$ 24,375,195	\$ 22,555,152	\$ 21,701,404
UAAL as a Percentage of Covered Payroll	61.61%	62.7%	59.1%	59.3%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Pension Cost:				
Annual Required Contribution (ARC)	\$ 3,428,543	\$ 3,428,709	\$ 2,958,395	\$ 2,719,025
Interest on NPO	-	-	-	-
Adjustment to the ARC	-	-	-	-
Subtotal	<u>3,428,543</u>	<u>3,428,709</u>	<u>2,958,395</u>	<u>2,719,025</u>
Contributions Made	3,428,543	3,428,709	2,958,395	2,719,025
Increase in NPO	-	-	-	-
NPO at the end of the period	<u>\$ -</u>	<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 requirement of GASB statement No. 25, paragraphs 36e and 138)
Assumptions:	
Investment Rate of Return	7%
Projected Salary Increases	None
Inflation	3.5%
Cost-of-Living Adjustments	None

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

Plan Description – Firefighter’s Relief and Retirement Fund

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

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

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

Summary of Significant Accounting Policies and Plan Asset Matters

The Killeen Firefighter's Relief and Retirement Fund financial statements are prepared using the accrual basis of accounting. The fund's fiscal year began October 1, 2006 and ended September 30, 2007. Employee and employer contributions are recognized as revenues in the period in which the salaries are earned. Investment income is recognized as it is earned. All unrealized gains/losses on sales of assets are recognized on the transaction date.

Contributions Required and Contributions Made

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

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

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

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

**CITY OF KILLEEN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2007**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S PENSION TRUST FUND
SEPTEMBER 30, 2007**

I. Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Entry Age		Funded Ratio	Annual Covered Payroll ¹	UAAL as a Percentage of Covered Payroll
			Actuarial Liability (AAL)	Unfunded AAL (UAAL)			
1998	9/30/1998	\$ 9,273,403	\$ 11,316,851	\$ 2,403,448	81.9%	\$ 3,731,750	54.8%
2000	9/30/2000	11,545,699	15,569,564	4,023,865	74.2%	4,467,823	90.1%
2002	9/30/2002	^{2,3} 10,872,235	19,317,195	8,444,960	56.3%	4,936,246	171.1%
2004	9/30/2004	^{2,3} 13,458,288	22,964,558	9,506,270	58.6%	5,473,090	173.7%
2005	9/30/2006	^{2,3} 15,842,065	26,998,706	11,156,641	58.7%	8,245,812	135.3%

¹ The covered payroll is based on estimated annualized salaries used in the valuation.

² Economic and demographic assumptions were revised.

³ Reflects plan benefits provisions effective April 1, 1999 and amended October 1, 1999.

II. Schedule of Employer Contributions

Reporting Year Ended September 30	Annual Required Contribution (ARC)	Actual Contribution	Percentage of Required Contribution Contributed
1998	\$ 276,687	\$ 276,687	100%
1999	310,364	310,364	100%
2000	353,117	353,117	100%
2001	416,299	416,299	100%
2002	440,151	440,151	100%
2003	464,924	464,924	100%
2004	535,208	535,208	100%
2005	631,206	631,206	100%
2006	861,208	861,208	100%
2007	998,010	998,010	100%

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

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

³ The percentage of the ARC contributed should be determined by dividing the actual contribution by the ARC.

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

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 40,410,383	\$ 39,094,016	\$ 39,094,016	\$ 1,316,367
Licenses and permits	1,292,332	1,216,050	1,216,050	76,282
Intergovernmental	3,018,413	271,418	971,886	2,046,527
Charges for services	3,967,248	3,542,307	3,542,307	424,941
Fines	1,735,531	1,575,685	1,575,685	159,846
Miscellaneous	1,925,938	1,453,000	1,467,500	458,438
Total revenues	<u>52,349,845</u>	<u>47,152,476</u>	<u>47,867,444</u>	<u>4,482,401</u>
Expenditures:				
Current:				
General government	12,833,345	12,670,104	12,809,338	(24,007)
Public safety	30,297,537	29,362,770	30,972,633	675,096
Public works	4,753,414	5,019,011	5,019,011	265,597
Community services	7,678,929	8,067,031	8,310,594	631,665
Total expenditures	<u>55,563,225</u>	<u>55,118,916</u>	<u>57,111,576</u>	<u>1,548,351</u>
Excess (deficiency) of revenues (under) expenditures	(3,213,380)	(7,966,440)	(9,244,132)	6,030,752
Other financing sources (uses):				
Transfers in	4,813,454	4,813,454	4,813,454	-
Transfers out	(1,350,336)	(1,250,000)	(1,250,000)	(100,336)
Total other financing sources (uses)	<u>3,463,118</u>	<u>3,563,454</u>	<u>3,563,454</u>	<u>(100,336)</u>
Net change in fund balance	249,738	<u>\$ (4,402,986)</u>	<u>\$ (5,680,678)</u>	<u>\$ 5,930,416</u>
Fund balances, as restated October 1	20,754,535			
Current year encumbrances	1,716,100			
Prior year encumbrances	<u>(930,956)</u>			
Adjusted fund balance	<u>21,539,679</u>			
Fund balances, September 30	<u>\$ 21,789,417</u>			

COMBINING STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents	\$ 2,608,615	\$ 2,849,449	\$ 13,908,362	\$ 19,366,426
Receivables (net of allowances for uncollectibles):				
Grants	36,555	-	-	36,555
Taxes	-	124,621	-	124,621
Accounts	12,917	-	278	13,195
Due from other funds	-	5,378	-	5,378
Restricted assets:				
Cash and Cash Equivalents	34,971	-	-	34,971
Total assets	\$ 2,693,058	\$ 2,979,448	\$ 13,908,640	\$ 19,581,146
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities :				
Accounts payable	\$ 150,642	\$ -	\$ 656,202	\$ 806,844
Due to other funds	142,111	48,147	-	190,258
Customer deposits	9,500	-	-	9,500
Deferred revenue	11,685	124,621	-	136,306
Unearned revenue	73,558	-	-	73,558
Total liabilities	387,496	172,768	656,202	1,216,466
Fund Balances:				
Reserved:				
Encumbrances	328,900	-	-	328,900
Debt service	-	2,806,680	-	2,806,680
Capital projects	-	-	13,252,438	13,252,438
Unreserved:				
Undesignated	1,976,662	-	-	1,976,662
Total fund balances	2,305,562	2,806,680	13,252,438	18,364,680
Total liabilities and fund balances	\$ 2,693,058	\$ 2,979,448	\$ 13,908,640	\$ 19,581,146

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Taxes	\$ 1,428,029	\$ 7,421,529	\$ -	\$ 8,849,558
Intergovernmental	1,789,783	-	-	1,789,783
Charges for services	66,862	-	-	66,862
Fines	109,916	-	-	109,916
Miscellaneous	626,223	429,070	1,035,838	2,091,131
Total revenues	<u>4,020,813</u>	<u>7,850,599</u>	<u>1,035,838</u>	<u>12,907,250</u>
Expenditures:				
Current:				
General government	1,349,468	-	-	1,349,468
Community services	169,763	-	-	169,763
Public safety	15,965	-	-	15,965
Miscellaneous	674,949	-	-	674,949
Capital outlay	1,250,423	-	8,972,655	10,223,078
Debt service:				
Principal	-	4,528,400	-	4,528,400
Interest	-	3,507,615	-	3,507,615
Fiscal charges	-	6,227	-	6,227
Total expenditures	<u>3,460,568</u>	<u>8,042,242</u>	<u>8,972,655</u>	<u>20,475,465</u>
Excess (deficiency) of revenues (under) expenditures	560,245	(191,643)	(7,936,817)	(7,568,215)
Other financing sources (uses):				
Transfers in	550,336	692,291	-	1,242,627
Transfers out	(692,291)	-	-	(692,291)
Total other financing sources (uses)	<u>(141,955)</u>	<u>692,291</u>	<u>-</u>	<u>550,336</u>
Net change in fund balance	418,290	500,648	(7,936,817)	(7,017,879)
Fund balances as restated, October 1	<u>1,887,272</u>	<u>2,306,032</u>	<u>21,189,255</u>	<u>25,382,559</u>
Fund balances, September 30	<u>\$ 2,305,562</u>	<u>\$ 2,806,680</u>	<u>\$ 13,252,438</u>	<u>\$ 18,364,680</u>

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2007**

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents	\$ 74,180	\$ 252,789	\$ 45,448	\$ 15,104
Receivables (net of allowances for uncollectibles):				
Grants	-	-	-	10,727
Accounts	-	-	-	-
Restricted Assets:				
Cash and cash equivalents	-	-	-	-
	<u>\$ 74,180</u>	<u>\$ 252,789</u>	<u>\$ 45,448</u>	<u>\$ 25,831</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Customer deposits	9,500	-	-	-
Deferred revenue	-	-	-	-
Unearned revenue	60,621	-	-	-
Total liabilities	<u>70,121</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances:				
Reserved:				
Encumbrances	646	-	-	-
Unreserved:				
Undesignated	3,413	252,789	45,448	25,831
Total fund balances	<u>4,059</u>	<u>252,789</u>	<u>45,448</u>	<u>25,831</u>
	<u>\$ 74,180</u>	<u>\$ 252,789</u>	<u>\$ 45,448</u>	<u>\$ 25,831</u>
Total liabilities and fund balances	<u>\$ 74,180</u>	<u>\$ 252,789</u>	<u>\$ 45,448</u>	<u>\$ 25,831</u>

EXHIBIT C-3

<u>Hotel Occupancy Tax</u>	<u>Special Events Center</u>	<u>Cablesystem Improvements</u>	<u>Library Memorial</u>	<u>Parks</u>
\$ 1,417,882	\$ 90,880	\$ 195,606	\$ 18,396	\$ -
-	-	-	-	-
1,232	-	-	-	-
<u>22,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,149</u>
<u>\$ 1,441,936</u>	<u>\$ 90,880</u>	<u>\$ 195,606</u>	<u>\$ 18,396</u>	<u>\$ 12,149</u>
\$ 108,611	\$ 16,415	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
130	-	-	-	-
<u>108,741</u>	<u>16,415</u>	<u>-</u>	<u>-</u>	<u>-</u>
214,093	-	39,290	-	-
<u>1,119,102</u>	<u>74,465</u>	<u>156,316</u>	<u>18,396</u>	<u>12,149</u>
<u>1,333,195</u>	<u>74,465</u>	<u>195,606</u>	<u>18,396</u>	<u>12,149</u>
<u>\$ 1,441,936</u>	<u>\$ 90,880</u>	<u>\$ 195,606</u>	<u>\$ 18,396</u>	<u>\$ 12,149</u>

(CONTINUED)

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
SEPTEMBER 30, 2007**

	<u>Community Development</u>	<u>CDBG Home Program</u>	<u>Lion's Club Park</u>	<u>Court Technology</u>
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents	\$ 144,842	\$ 53,783	\$ 32,995	\$ 137,746
Receivables (net of allowances for uncollectibles):				
Grants	25,828	-	-	-
Accounts	-	-	-	-
Restricted Assets:				
Cash and cash equivalents	-	-	-	-
 Total assets	 <u>\$ 170,670</u>	 <u>\$ 53,783</u>	 <u>\$ 32,995</u>	 <u>\$ 137,746</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 24,559	\$ 1,057	\$ -	\$ -
Due to other funds	142,111	-	-	-
Customer deposits	-	-	-	-
Deferred revenue	-	-	-	-
Unearned revenue	4,000	8,807	-	-
Total liabilities	<u>170,670</u>	<u>9,864</u>	<u>-</u>	<u>-</u>
 Fund Balances:				
Reserved:				
Encumbrances	-	40,078	-	34,793
Unreserved:				
Undesignated	-	3,841	32,995	102,953
Total fund balances	<u>-</u>	<u>43,919</u>	<u>32,995</u>	<u>137,746</u>
 Total liabilities and fund balances	 <u>\$ 170,670</u>	 <u>\$ 53,783</u>	 <u>\$ 32,995</u>	 <u>\$ 137,746</u>

EXHIBIT C-3 (CONT'D)

<u>Court Security</u>	<u>Juvenile Case Manager</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 47,565	\$ 81,399	\$ 2,608,615
-	-	36,555
-	11,685	12,917
-	-	34,971
<u>\$ 47,565</u>	<u>\$ 93,084</u>	<u>\$ 2,693,058</u>
\$ -	\$ -	\$ 150,642
-	-	142,111
-	-	9,500
-	11,685	11,685
-	-	73,558
-	11,685	387,496
-	-	328,900
<u>47,565</u>	<u>81,399</u>	<u>1,976,662</u>
<u>47,565</u>	<u>81,399</u>	<u>2,305,562</u>
<u>\$ 47,565</u>	<u>\$ 93,084</u>	<u>\$ 2,693,058</u>

**CITY OF KILLEEN, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	19,060	-	14,764	-
Charges for services	-	-	-	-
Fines	-	-	-	-
Miscellaneous	1,859	61,612	1,893	612
Total revenues	<u>20,919</u>	<u>61,612</u>	<u>16,657</u>	<u>612</u>
Expenditures:				
Current:				
General government	4,000	13,164	-	1,087
Community services	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	13,060	57,138	-	-
Total Expenditures	<u>17,060</u>	<u>70,302</u>	<u>-</u>	<u>1,087</u>
Excess (Deficiency) of Revenues (under) Expenditures	3,859	(8,690)	16,657	(475)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	3,859	(8,690)	16,657	(475)
Fund Balances, October 1	200	261,479	28,791	26,306
Fund Balances, September 30	<u>\$ 4,059</u>	<u>\$ 252,789</u>	<u>\$ 45,448</u>	<u>\$ 25,831</u>

EXHIBIT C-4

Hotel Occupancy Tax	Special Events Center	Cablestystem Improvements	Library Memorial	Parks
\$ 1,428,029	\$ -	\$ -	\$ -	\$ -
8,330	-	205,968	-	-
-	-	-	-	-
-	-	-	-	-
479,503	4,246	4,430	9,555	516
<u>1,915,862</u>	<u>4,246</u>	<u>210,398</u>	<u>9,555</u>	<u>516</u>
1,331,217	-	-	-	-
106,606	-	63,157	-	-
-	-	-	-	-
24,771	-	-	-	-
55,392	-	-	8,371	80
<u>1,517,986</u>	<u>-</u>	<u>63,157</u>	<u>8,371</u>	<u>80</u>
397,876	4,246	147,241	1,184	436
450,000	-	-	-	-
(692,291)	-	-	-	-
<u>(242,291)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
155,585	4,246	147,241	1,184	436
1,177,610	70,219	48,365	17,212	11,713
<u>\$ 1,333,195</u>	<u>\$ 74,465</u>	<u>\$ 195,606</u>	<u>\$ 18,396</u>	<u>\$ 12,149</u>

(CONTINUED)

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Community Development</u>	<u>CDBG Home Program</u>	<u>Lion's Club Park</u>	<u>Court Technology</u>
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	955,693	585,968	-	-
Charges for services	-	-	-	-
Fines	-	-	-	40,000
Miscellaneous	60,353	-	1,644	-
Total revenues	<u>1,016,046</u>	<u>585,968</u>	<u>1,644</u>	<u>40,000</u>
Expenditures:				
Current:				
General government	-	-	-	-
Community services	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	620,540	-	-
Capital outlay	1,116,382	-	-	-
Total Expenditures	<u>1,116,382</u>	<u>620,540</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues (under) Expenditures	(100,336)	(34,572)	1,644	40,000
Other Financing Sources (Uses):				
Transfers in	100,336	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>100,336</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(34,572)	1,644	40,000
Fund Balances, October 1	-	78,491	31,351	97,746
Fund Balances, September 30	<u>\$ -</u>	<u>\$ 43,919</u>	<u>\$ 32,995</u>	<u>\$ 137,746</u>

EXHIBIT C-4 (CONT'D)

Court Security	Juvenile Case Manager	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ 1,428,029
-	-	1,789,783
-	66,862	66,862
69,916	-	109,916
-	-	626,223
<u>69,916</u>	<u>66,862</u>	<u>4,020,813</u>
-	-	1,349,468
-	-	169,763
-	15,965	15,965
29,638	-	674,949
-	-	1,250,423
<u>29,638</u>	<u>15,965</u>	<u>3,460,568</u>
40,278	50,897	560,245
-	-	550,336
-	-	(692,291)
-	-	(141,955)
40,278	50,897	418,290
7,287	30,502	1,887,272
<u>\$ 47,565</u>	<u>\$ 81,399</u>	<u>\$ 2,305,562</u>

CITY OF KILLEEN, TEXAS
LAW ENFORCEMENT GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Intergovernmental	\$ 19,060	\$ -	\$ 4,000	\$ 15,060
Miscellaneous	1,859	-	-	1,859
Total revenues	<u>20,919</u>	<u>-</u>	<u>4,000</u>	<u>16,919</u>
Expenditures:				
Capital outlay	<u>6,286</u>	<u>40,342</u>	<u>46,629</u>	<u>40,343</u>
Total expenditures	<u>6,286</u>	<u>40,342</u>	<u>46,629</u>	<u>40,343</u>
Net change in fund balance	14,633	<u>\$ (40,342)</u>	<u>\$ (42,629)</u>	<u>\$ 57,262</u>
Fund balances, October 1	200			
Current year encumbrances	646			
Prior year encumbrances	<u>(11,420)</u>			
Adjusted fund balance	<u>(10,574)</u>			
Fund balances, September 30	<u>\$ 4,059</u>			

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

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 61,612	\$ 20,000	\$ 20,000	\$ 41,612
Total revenues	61,612	20,000	20,000	41,612
Expenditures:				
General government	13,164	-	13,164	-
Capital outlay	57,138	50,000	88,836	31,698
Total expenditures	70,302	50,000	102,000	31,698
Net change in fund balance	(8,690)	<u>\$ (30,000)</u>	<u>\$ (82,000)</u>	<u>\$ 73,310</u>
Fund balances, October 1	<u>261,479</u>			
Fund balances, September 30	<u>\$ 252,789</u>			

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

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 14,764	\$ -	\$ -	\$ 14,764
Miscellaneous	1,893	-	-	1,893
Total revenues	<u>16,657</u>	<u>-</u>	<u>-</u>	<u>16,657</u>
Expenditures:				
Capital outlay	-	28,640	28,640	28,640
Total expenditures	<u>-</u>	<u>28,640</u>	<u>28,640</u>	<u>28,640</u>
Net change in fund balance	16,657	<u>\$ (28,640)</u>	<u>\$ (28,640)</u>	<u>\$ 45,297</u>
Fund balances, October 1	<u>28,791</u>			
Fund balances, September 30	<u>\$ 45,448</u>			

CITY OF KILLEEN, TEXAS
HOTEL OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 1,428,029	\$ 1,335,600	\$ 1,335,600	\$ 92,429
Intergovernmental	8,330	8,330	8,330	-
Miscellaneous	479,503	504,000	504,000	(24,497)
Total revenues	<u>1,915,862</u>	<u>1,847,930</u>	<u>1,847,930</u>	<u>67,932</u>
Expenditures:				
Current:				
General government	1,321,427	1,442,784	1,464,984	143,557
Community services	113,950	157,725	157,725	43,775
Miscellaneous	40,768	52,782	52,983	12,215
Capital outlay	186,012	259,380	261,979	75,967
Total expenditures	<u>1,662,157</u>	<u>1,912,671</u>	<u>1,937,671</u>	<u>275,514</u>
Excess (deficiency) of revenues (under) expenditures	253,705	(64,741)	(89,741)	343,446
Other financing sources (uses):				
Transfers in	450,000	536,669	536,669	(86,669)
Transfers out	(692,291)	(692,291)	(692,291)	-
Total other financing sources (uses)	<u>(242,291)</u>	<u>(155,622)</u>	<u>(155,622)</u>	<u>(86,669)</u>
Net change in fund balance	11,414	<u>\$ (220,363)</u>	<u>\$ (245,363)</u>	<u>\$ 256,777</u>
Fund balances, October 1	1,177,610			
Current year encumbrances	214,093			
Prior year encumbrances	<u>(69,922)</u>			
Adjusted fund balance	<u>1,321,781</u>			
Fund balances, September 30	<u>\$ 1,333,195</u>			

**CITY OF KILLEEN, TEXAS
SPECIAL EVENTS CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 4,246	\$ 16,715	\$ 16,715	\$ (12,469)
Total revenues	4,246	16,715	16,715	(12,469)
Expenditures:				
Total expenditures	-	86,669	86,669	86,669
Net change in fund balance	4,246	\$ (69,954)	\$ (69,954)	\$ 74,200
Fund balances, October 1	70,219			
Fund balances, September 30	\$ 74,465			

CITY OF KILLEEN, TEXAS
CABLE SYSTEM IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Intergovernmental	\$ 205,968	\$ -	\$ 200,000	\$ 5,968
Miscellaneous	4,430	-	-	4,430
Total revenues	<u>210,398</u>	<u>-</u>	<u>200,000</u>	<u>10,398</u>
Expenditures:				
Current:				
Community services	46,136	45,000	69,609	23,473
Capital outlay	54,211	-	99,000	44,789
Total expenditures	<u>100,347</u>	<u>45,000</u>	<u>168,609</u>	<u>68,262</u>
Net change in fund balance	110,051	<u>\$ (45,000)</u>	<u>\$ 31,391</u>	<u>\$ 78,660</u>
Fund balances, October 1	48,365			
Current year encumbrances	39,290			
Prior year encumbrances	<u>(2,100)</u>			
Adjusted fund balance	<u>85,555</u>			
Fund balances, September 30	<u>\$ 195,606</u>			

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

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 955,693	\$ 1,919,650	\$ 1,919,650	\$ (963,957)
Miscellaneous	60,353	-	-	60,353
Total revenues	<u>1,016,046</u>	<u>1,919,650</u>	<u>1,919,650</u>	<u>(903,604)</u>
Expenditures:				
Current:				
Miscellaneous	<u>1,130,731</u>	<u>1,976,772</u>	<u>1,694,322</u>	<u>563,591</u>
Total expenditures	<u>1,130,731</u>	<u>1,976,772</u>	<u>1,694,322</u>	<u>563,591</u>
Excess (deficiency) of revenues (under) expenditures	(114,685)	(57,122)	225,328	(340,013)
Other financing sources:				
Transfers in	<u>100,336</u>	<u>57,122</u>	<u>57,122</u>	<u>43,214</u>
Total other financing sources	<u>100,336</u>	<u>57,122</u>	<u>57,122</u>	<u>43,214</u>
Net change in fund balance	(14,349)	\$ -	\$ 282,450	\$ (296,799)
Fund balances, October 1	-			
Current year encumbrances	26,853			
Prior year encumbrances	<u>(12,504)</u>			
Adjusted fund balance	<u>14,349</u>			
Fund balances, September 30	<u>\$ -</u>			

CITY OF KILLEEN, TEXAS
CDBG HOME PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 585,967	\$ 1,389,414	\$ 1,389,414	\$ (803,447)
Total revenues	<u>585,967</u>	<u>1,389,414</u>	<u>1,389,414</u>	<u>(803,447)</u>
Expenditures:				
Current:				
Miscellaneous	622,703	1,420,717	1,134,808	512,105
Total expenditures	<u>622,703</u>	<u>1,420,717</u>	<u>1,134,808</u>	<u>512,105</u>
Excess (deficiency) of revenues (under) expenditures	(36,736)	(31,303)	254,606	(291,342)
Other financing sources (uses):				
Transfers in	-	1,303	1,303	(1,303)
Total other financing sources (uses)	<u>-</u>	<u>1,303</u>	<u>1,303</u>	<u>(1,303)</u>
Net change in fund balance	(36,736)	<u>\$ (30,000)</u>	<u>\$ 255,909</u>	<u>\$ (292,645)</u>
Fund balances, October 1	78,491			
Current year encumbrances	40,078			
Prior year encumbrances	<u>(37,914)</u>			
Adjusted fund balance	<u>80,655</u>			
Fund balances, September 30	<u>\$ 43,919</u>			

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

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Fines	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Total revenues	40,000	40,000	40,000	-
Expenditures:				
Miscellaneous	34,793	-	63,000	28,207
Total Expenditures	34,793	-	63,000	28,207
Excess (Deficiency) of Revenues Over Expenditures	5,207	40,000	(23,000)	28,207
Other Financing Sources (Uses):				
Operating Transfers In	-	1,303	1,303	(1,303)
Total Other Financing Sources (Uses)	-	1,303	1,303	(1,303)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	5,207	\$ 41,303	\$ (21,697)	\$ 26,904
Fund balances, October 1	97,746			
Current year encumbrances	34,793			
Prior year encumbrances	-			
Adjusted fund balance	132,539			
Fund balances, September 30	\$ 137,746			

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

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Fines	\$ 69,916	\$ 37,289	\$ 37,289	\$ 32,627
Total revenues	69,916	37,289	37,289	32,627
Expenditures:				
Current:				
Miscellaneous	29,638	37,289	37,289	7,651
Total expenditures	29,638	37,289	37,289	7,651
Net change in fund balance	40,278	\$ -	\$ -	\$ 40,278
Fund balances, October 1	7,287			
Fund balances, September 30	\$ 47,565			

**CITY OF KILLEEN, TEXAS
 JUVENILE CASE MANAGER FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Fines	\$ 66,862	\$ 30,000	\$ 30,000	\$ 36,862
Total revenues	<u>66,862</u>	<u>30,000</u>	<u>30,000</u>	<u>36,862</u>
Expenditures:				
Current:				
Miscellaneous	15,965	30,000	30,000	14,035
Total expenditures	<u>15,965</u>	<u>30,000</u>	<u>30,000</u>	<u>14,035</u>
Net change in fund balance	50,897	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,897</u>
Fund balances, October 1	<u>30,502</u>			
Fund balances, September 30	<u>\$ 81,399</u>			

DEBT SERVICE FUNDS

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

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

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2007**

	<u>Certificates of Obligation 2000</u>	<u>Tax Interest and Sinking 1999</u>	<u>Certification of Obligation 1996</u>	<u>Refunding Bond 1999</u>	<u>Limited Tax Notes 2000</u>	<u>Certificates of Obligation 2001</u>
<u>ASSETS</u>						
Assets:						
Cash and cash equivalents	\$ 44,098	\$ 91,287	\$ 22,110	\$ 626,143	\$ 70,178	\$ 99,977
Due from other funds	-	-	-	5,378	-	-
Receivables (net of allowances - for uncollectibles):						
Taxes	-	5,368	-	5,714	14,225	11,085
Total assets	\$ 44,098	\$ 96,655	\$ 22,110	\$ 637,235	\$ 84,403	\$ 111,062
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Due to other funds	\$ -	\$ 3,320	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	5,368	-	5,714	14,225	11,085
Total liabilities	-	8,688	-	5,714	14,225	11,085
Fund balances:						
Reserved:						
Debt service	44,098	87,967	22,110	631,521	70,178	99,977
Total fund balances	44,098	87,967	22,110	631,521	70,178	99,977
Total liabilities and fund balances	\$ 44,098	\$ 96,655	\$ 22,110	\$ 637,235	\$ 84,403	\$ 111,062

EXHIBIT C-16

<u>Tax Interest and Sinking 2002</u>	<u>Tax Interest and Sinking 2003</u>	<u>Tax Interest and Sinking 2004</u>	<u>General Obligation Interest and Sinking 2004</u>	<u>Tax Interest and Sinking 2005</u>	<u>Tax Interest and Sinking 2006</u>	<u>Total Nonmajor Debt Service Funds (See Exhibit C-1)</u>
\$ 72,116	\$ 116,316	\$ 145,818	\$ 858,276	\$ 565,216	\$ 137,914	\$ 2,849,449
-	-	-	-	-	-	5,378
<u>5,682</u>	<u>9,806</u>	<u>7,464</u>	<u>50,394</u>	<u>9,157</u>	<u>5,726</u>	<u>124,621</u>
<u>\$ 77,798</u>	<u>\$ 126,122</u>	<u>\$ 153,282</u>	<u>\$ 908,670</u>	<u>\$ 574,373</u>	<u>\$ 143,640</u>	<u>\$ 2,979,448</u>
\$ -	\$ -	\$ -	\$ -	\$ 44,827	\$ -	\$ 48,147
<u>5,682</u>	<u>9,806</u>	<u>7,464</u>	<u>50,394</u>	<u>9,157</u>	<u>5,726</u>	<u>124,621</u>
<u>5,682</u>	<u>9,806</u>	<u>7,464</u>	<u>50,394</u>	<u>53,984</u>	<u>5,726</u>	<u>172,768</u>
<u>72,116</u>	<u>116,316</u>	<u>145,818</u>	<u>858,276</u>	<u>520,389</u>	<u>137,914</u>	<u>2,806,680</u>
<u>72,116</u>	<u>116,316</u>	<u>145,818</u>	<u>858,276</u>	<u>520,389</u>	<u>137,914</u>	<u>2,806,680</u>
<u>\$ 77,798</u>	<u>\$ 126,122</u>	<u>\$ 153,282</u>	<u>\$ 908,670</u>	<u>\$ 574,373</u>	<u>\$ 143,640</u>	<u>\$ 2,979,448</u>

**CITY OF KILLEEN, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Certificates of Obligation 2000	Tax Interest and Sinking 1999	Certificates of Obligation 1996	Refunding Bond 1999	Limited Tax Notes 2000	Certificates of Obligation 2001
Revenue:						
Taxes	\$ -	\$ 198,231	\$ -	\$ 253,906	\$ 499,460	\$ 457,918
Miscellaneous	20,538	10,489	1,132	89,004	24,879	17,164
Total revenues	<u>20,538</u>	<u>208,720</u>	<u>1,132</u>	<u>342,910</u>	<u>524,339</u>	<u>475,082</u>
Expenditures:						
Current:						
Debt Service						
Principal	205,000	168,000	-	190,400	545,000	165,000
Interest	487,291	22,020	-	58,051	27,250	286,520
Fiscal charges	742	822	-	822	822	1,219
Total Expenditures	<u>693,033</u>	<u>190,842</u>	<u>-</u>	<u>249,273</u>	<u>573,072</u>	<u>452,739</u>
Excess (Deficiency) of Revenues over Expenditures	(672,495)	17,878	1,132	93,637	(48,733)	22,343
Other Financing Sources:						
Transfers in	692,291	-	-	-	-	-
Total Other Financing Sources	<u>692,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	19,796	17,878	1,132	93,637	(48,733)	22,343
Fund Balances as restated, October 1	24,302	70,089	20,978	537,884	118,911	77,634
Fund Balances, September 30	<u>\$ 44,098</u>	<u>\$ 87,967</u>	<u>\$ 22,110</u>	<u>\$ 631,521</u>	<u>\$ 70,178</u>	<u>\$ 99,977</u>

EXHIBIT C-17

Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Tax Interest and Sinking 2004	General Obligation Interest and Sinking 2004	Tax Interest and Sinking 2005	Tax Interest and Sinking 2006	Total Nonmajor Debt Service Funds (See Exhibit C-1)
\$ 269,239	\$ 497,910	\$ 579,810	\$ 3,635,892	\$ 559,615	\$ 469,548	\$ 7,421,529
11,924	14,951	27,184	154,221	41,229	16,355	429,070
<u>281,163</u>	<u>512,861</u>	<u>606,994</u>	<u>3,790,113</u>	<u>600,844</u>	<u>485,903</u>	<u>7,850,599</u>
210,000	125,000	415,000	2,505,000	-	-	4,528,400
46,895	358,038	223,298	1,070,000	493,961	434,291	3,507,615
-	600	300	300	300	300	6,227
<u>256,895</u>	<u>483,638</u>	<u>638,598</u>	<u>3,575,300</u>	<u>494,261</u>	<u>434,591</u>	<u>8,042,242</u>
24,268	29,223	(31,604)	214,813	106,583	51,312	(191,643)
-	-	-	-	-	-	692,291
-	-	-	-	-	-	692,291
24,268	29,223	(31,604)	214,813	106,583	51,312	500,648
47,848	87,093	177,422	643,463	413,806	86,602	2,306,032
<u>\$ 72,116</u>	<u>\$ 116,316</u>	<u>\$ 145,818</u>	<u>\$ 858,276</u>	<u>\$ 520,389</u>	<u>\$ 137,914</u>	<u>\$ 2,806,680</u>

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2000 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 20,538	\$ 7,000	\$ 7,000	\$ 13,538
Total revenues	20,538	7,000	7,000	13,538
Expenditures:				
Current:				
Debt service:				
Principal	205,000	205,000	205,000	-
Interest	487,291	487,291	487,291	-
Fiscal charges	742	4,000	4,000	3,258
Total expenditures	693,033	696,291	696,291	3,258
Excess (deficiency) of revenues over expenditures	(672,495)	(689,291)	(689,291)	16,796
Other financing sources (uses):				
Transfers in	692,291	692,291	692,291	-
Total other financing sources (uses)	692,291	692,291	692,291	-
Net change in fund balance	19,796	\$ 3,000	\$ 3,000	\$ 16,796
Fund balances, October 1	24,302			
Fund balances, September 30	\$ 44,098			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 1999 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 198,231	\$ 195,000	\$ 195,000	\$ 3,231
Miscellaneous	10,489	4,000	4,000	6,489
Total revenues	<u>208,720</u>	<u>199,000</u>	<u>199,000</u>	<u>9,720</u>
Expenditures:				
Current:				
Debt service:				
Principal	168,000	280,000	280,000	112,000
Interest	22,020	36,700	36,700	14,680
Fiscal charges	822	4,000	4,000	3,178
Total expenditures	<u>190,842</u>	<u>320,700</u>	<u>320,700</u>	<u>129,858</u>
Excess (deficiency) of revenues over expenditures	17,878	(121,700)	(121,700)	139,578
Other financing sources (uses):				
Transfers in	-	130,000	130,000	(130,000)
Total other financing sources (uses)	<u>-</u>	<u>130,000</u>	<u>130,000</u>	<u>(130,000)</u>
Net change in fund balance	17,878	<u>\$ 8,300</u>	<u>\$ 8,300</u>	<u>9,578</u>
Fund balances, October 1	<u>70,089</u>			
Fund balances, September 30	<u>\$ 87,967</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 1996 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	1,132	-	-	1,132
Total revenues	<u>1,132</u>	<u>-</u>	<u>-</u>	<u>1,132</u>
Expenditures:				
Current:				
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal charges	-	4,000	4,000	4,000
Total expenditures	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
Net change in fund balance	1,132	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>	<u>\$ 5,132</u>
Fund balances, October 1	<u>20,978</u>			
Fund balances, September 30	<u>\$ 22,110</u>			

CITY OF KILLEEN, TEXAS
REFUNDING BOND SERIES 1999 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 253,906	\$ 250,000	\$ 250,000	\$ 3,906
Miscellaneous	89,004	10,000	10,000	79,004
Total revenues	<u>342,910</u>	<u>260,000</u>	<u>260,000</u>	<u>82,910</u>
Expenditures:				
Current:				
Debt service:				
Principal	190,400	1,120,000	1,120,000	929,600
Interest	58,051	341,475	341,475	283,424
Fiscal charges	822	4,000	4,000	3,178
Total expenditures	<u>249,273</u>	<u>1,465,475</u>	<u>1,465,475</u>	<u>1,216,202</u>
Excess (deficiency) of revenues over expenditures	93,637	(1,205,475)	(1,205,475)	1,299,112
Other financing sources (uses):				
Transfers in	-	1,207,646	1,207,646	(1,207,646)
Total other financing sources (uses)	-	<u>1,207,646</u>	<u>1,207,646</u>	<u>(1,207,646)</u>
Net change in fund balance	93,637	<u>\$ 2,171</u>	<u>\$ 2,171</u>	<u>\$ 91,466</u>
Fund balances, October 1	<u>537,884</u>			
Fund balances, September 30	<u>\$ 631,521</u>			

CITY OF KILLEEN, TEXAS
LIMITED TAX NOTES SERIES 2000 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 499,460	\$ 490,000	\$ 490,000	\$ 9,460
Miscellaneous	24,879	5,000	5,000	19,879
Total revenues	<u>524,339</u>	<u>495,000</u>	<u>495,000</u>	<u>29,339</u>
Expenditures:				
Current:				
Debt service:				
Principal	545,000	545,000	545,000	-
Interest	27,250	27,250	27,250	-
Fiscal charges	822	4,000	4,000	3,178
Total expenditures	<u>573,072</u>	<u>576,250</u>	<u>576,250</u>	<u>3,178</u>
Net change in fund balance	(48,733)	<u>\$ (81,250)</u>	<u>\$ (81,250)</u>	<u>\$ 32,517</u>
Fund balances, October 1	<u>118,911</u>			
Fund balances, September 30	<u>\$ 70,178</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2001 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 457,918	\$ 450,000	\$ 450,000	\$ 7,918
Miscellaneous	17,164	10,000	10,000	7,164
Total revenues	475,082	460,000	460,000	15,082
Expenditures:				
Current:				
Debt service:				
Principal	165,000	165,000	165,000	-
Interest	286,520	286,520	286,520	-
Fiscal charges	1,219	4,000	4,000	2,781
Total expenditures	452,739	455,520	455,520	2,781
Net change in fund balance	22,343	\$ 4,480	\$ 4,480	\$ 17,863
Fund balances, October 1	77,634			
Fund balances, September 30	\$ 99,977			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2002 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 269,239	\$ 265,000	\$ 265,000	\$ 4,239
Miscellaneous	11,924	5,000	5,000	6,924
Total revenues	<u>281,163</u>	<u>270,000</u>	<u>270,000</u>	<u>11,163</u>
Expenditures:				
Current:				
Debt service:				
Principal	210,000	210,000	210,000	-
Interest	46,895	46,895	46,895	-
Fiscal charges	-	4,000	4,000	4,000
Total expenditures	<u>256,895</u>	<u>260,895</u>	<u>260,895</u>	<u>4,000</u>
Net change in fund balance	24,268	<u>\$ 9,105</u>	<u>\$ 9,105</u>	<u>\$ 15,163</u>
Fund balances, October 1	<u>47,848</u>			
Fund balances, September 30	<u>\$ 72,116</u>			

**CITY OF KILLEEN, TEXAS
 TAX INTEREST & SINKING SERIES 2003 FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 497,910	\$ 490,000	\$ 490,000	\$ 7,910
Miscellaneous	14,951	6,000	6,000	8,951
Total revenues	<u>512,861</u>	<u>496,000</u>	<u>496,000</u>	<u>16,861</u>
Expenditures:				
Current:				
Debt service:				
Principal	125,000	125,000	125,000	-
Interest	358,038	358,038	358,038	-
Fiscal charges	600	4,000	4,000	3,400
Total expenditures	<u>483,638</u>	<u>487,038</u>	<u>487,038</u>	<u>3,400</u>
Net change in fund balance	29,223	<u>\$ 8,962</u>	<u>\$ 8,962</u>	<u>\$ 20,261</u>
Fund balances, October 1	<u>87,093</u>			
Fund balances, September 30	<u>\$ 116,316</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2004 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Taxes	\$ 579,810	\$ 575,000	\$ 575,000	\$ 4,810
Miscellaneous	27,184	7,500	7,500	19,684
Total revenues	<u>606,994</u>	<u>582,500</u>	<u>582,500</u>	<u>24,494</u>
Expenditures:				
Current:				
Debt service:				
Principal	415,000	415,000	415,000	-
Interest	223,298	225,098	225,098	1,800
Fiscal charges	300	6,000	6,000	5,700
Total expenditures	<u>638,598</u>	<u>646,098</u>	<u>646,098</u>	<u>7,500</u>
Net change in fund balance	(31,604)	<u>\$ (63,598)</u>	<u>\$ (63,598)</u>	<u>\$ 31,994</u>
Fund balances as restated, October 1	<u>177,422</u>			
Fund balances, September 30	<u>\$ 145,818</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION INTEREST & SINKING SERIES 2004 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 3,635,892	\$ 3,595,000	\$ 3,595,000	\$ 40,892
Miscellaneous	154,221	57,466	57,466	96,755
Total revenues	<u>3,790,113</u>	<u>3,652,466</u>	<u>3,652,466</u>	<u>137,647</u>
Expenditures:				
Current:				
Debt service:				
Principal	2,505,000	2,505,000	2,505,000	-
Interest	1,070,000	1,070,000	1,070,000	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>3,575,300</u>	<u>3,579,000</u>	<u>3,579,000</u>	<u>3,700</u>
Net change in fund balance	214,813	<u>\$ 73,466</u>	<u>\$ 73,466</u>	<u>\$ 141,347</u>
Fund balances, October 1	<u>643,463</u>			
Fund balances, September 30	<u>\$ 858,276</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2005 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 559,615	\$ 550,000	\$ 550,000	\$ 9,615
Miscellaneous	41,229	36,000	36,000	5,229
Total revenues	<u>600,844</u>	<u>586,000</u>	<u>586,000</u>	<u>14,844</u>
Expenditures:				
Current:				
Debt service:				
Principal	-	225,000	225,000	225,000
Interest	493,961	871,897	871,897	377,936
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>494,261</u>	<u>1,100,897</u>	<u>1,100,897</u>	<u>606,636</u>
Excess (deficiency) of revenues over expenditures	106,583	(514,897)	(514,897)	621,480
Other financing sources:				
Transfers in	-	605,000	605,000	(605,000)
Total other financing sources	<u>-</u>	<u>605,000</u>	<u>605,000</u>	<u>(605,000)</u>
Net change in fund balance	106,583	<u>\$ 90,103</u>	<u>\$ 90,103</u>	<u>\$ 16,480</u>
Fund balances, October 1	<u>413,806</u>			
Fund balances, September 30	<u>\$ 520,389</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2006 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 469,548	\$ 465,000	\$ 465,000	\$ 4,548
Miscellaneous	16,355	15,000	15,000	1,355
Total revenues	<u>485,903</u>	<u>480,000</u>	<u>480,000</u>	<u>5,903</u>
Expenditures:				
Current:				
Debt service:				
Interest	434,291	434,291	434,291	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>434,591</u>	<u>438,291</u>	<u>438,291</u>	<u>3,700</u>
Net change in fund balance	51,312	<u>\$ 41,709</u>	<u>\$ 41,709</u>	<u>\$ 9,603</u>
Fund balances, October 1	<u>86,602</u>			
Fund balances, September 30	<u>\$ 137,914</u>			

CAPITAL PROJECTS FUNDS

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

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

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

Capital Projects Fund (2004 G.O.): To account for expenditure of funds for construction projects financed through bond proceeds and presented as a major fund.

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

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

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

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

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

**CITY OF KILLEEN, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2007**

	<u>2002</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
	C. O. Bonds	G. O. Bonds	C. O. Bond	G. O. Bonds
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents	\$ 475	\$ 362,961	\$ 7,175,955	\$ 5,871,134
Receivables (net of allowance for uncollectibles: Accounts	-	-	-	278
Total assets	<u>\$ 475</u>	<u>\$ 362,961</u>	<u>\$ 7,175,955</u>	<u>\$ 5,871,412</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,200</u>	<u>\$ 472,615</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>4,200</u>	<u>472,615</u>
Fund balances:				
Reserved:				
Capital projects	<u>475</u>	<u>362,961</u>	<u>7,171,755</u>	<u>5,398,797</u>
Total fund balances	<u>475</u>	<u>362,961</u>	<u>7,171,755</u>	<u>5,398,797</u>
Total liabilities and fund balances	<u>\$ 475</u>	<u>\$ 362,961</u>	<u>\$ 7,175,955</u>	<u>\$ 5,871,412</u>

EXHIBIT C-30

<u>1991</u> <u>G.O. Bonds</u>	<u>1993</u> <u>G. O. Bonds</u>	<u>1995</u> <u>G. O. Bonds</u>	<u>Total</u> <u>Nonmajor</u> <u>Capital Projects</u> <u>funds (See</u> <u>Exhibit C-1)</u>
\$ 810	\$ 120,894	\$ 376,133	\$ 13,908,362
-	-	-	278
<u>\$ 810</u>	<u>\$ 120,894</u>	<u>\$ 376,133</u>	<u>\$ 13,908,640</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,387</u>	<u>\$ 656,202</u>
<u>-</u>	<u>-</u>	<u>179,387</u>	<u>656,202</u>
<u>810</u>	<u>120,894</u>	<u>196,746</u>	<u>13,252,438</u>
<u>810</u>	<u>120,894</u>	<u>196,746</u>	<u>13,252,438</u>
<u>\$ 810</u>	<u>\$ 120,894</u>	<u>\$ 376,133</u>	<u>\$ 13,908,640</u>

**CITY OF KILLEEN, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	2002	2004	2005	2006
	<u>C. O. Bonds</u>	<u>G. O. Bonds</u>	<u>C. O. Bonds</u>	<u>G. O. Bonds</u>
Revenue:				
Miscellaneous	\$ 53	\$ 20,742	\$ 440,403	\$ 542,293
Total revenues	<u>53</u>	<u>20,742</u>	<u>440,403</u>	<u>542,293</u>
Expenditures:				
Current:				
Capital outlay	-	9,956	3,366,705	5,213,680
Total Expenditures	<u>-</u>	<u>9,956</u>	<u>3,366,705</u>	<u>5,213,680</u>
Net Change in Fund Balance	53	10,786	(2,926,302)	(4,671,387)
Fund Balances as restated, October 1	422	352,175	10,098,057	10,070,184
Fund Balances, September 30	<u>\$ 475</u>	<u>\$ 362,961</u>	<u>\$ 7,171,755</u>	<u>\$ 5,398,797</u>

EXHIBIT C-31

1991 G. O. Bonds	1993 G. O. Bonds	1995 G. O. Bonds	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 810	\$ 6,155	\$ 25,382	\$ 1,035,838
<u>810</u>	<u>6,155</u>	<u>25,382</u>	<u>1,035,838</u>
7,812	-	374,502	8,972,655
<u>7,812</u>	<u>-</u>	<u>374,502</u>	<u>8,972,655</u>
(7,002)	6,155	(349,120)	(7,936,817)
7,812	114,739	545,866	21,189,255
<u>\$ 810</u>	<u>\$ 120,894</u>	<u>\$ 196,746</u>	<u>\$ 13,252,438</u>

CITY OF KILLEEN, TEXAS
2004 C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
Revenues:				
Miscellaneous	\$ 20,742	\$ 2,000	\$ 2,000	\$ 18,742
Total revenues	<u>20,742</u>	<u>2,000</u>	<u>2,000</u>	<u>18,742</u>
Expenditures:				
Capital outlay	<u>9,956</u>	<u>-</u>	<u>-</u>	<u>(9,956)</u>
Total expenditures	<u>9,956</u>	<u>-</u>	<u>-</u>	<u>(9,956)</u>
Net change in fund balance	10,786	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 8,786</u>
Fund balances, October 1	<u>352,175</u>			
Fund balances, September 30	<u>\$ 362,961</u>			

CITY OF KILLEEN, TEXAS
2005 C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 440,403	\$ 150,000	\$ 150,000	\$ 290,403
Total revenues	<u>440,403</u>	<u>150,000</u>	<u>150,000</u>	<u>290,403</u>
Expenditures:				
Capital outlay	3,366,705	8,338,999	9,145,225	5,778,520
Total expenditures	<u>3,366,705</u>	<u>8,338,999</u>	<u>9,145,225</u>	<u>5,778,520</u>
Net change in fund balance	(2,926,302)	<u>\$ (8,188,999)</u>	<u>\$ (8,995,225)</u>	<u>\$ 6,068,923</u>
Fund balances, October 1	<u>10,098,057</u>			
Fund balances, September 30	<u>\$ 7,171,755</u>			

CITY OF KILLEEN, TEXAS
2006 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 542,293	\$ 196,224	\$ 196,224	\$ 346,069
Total revenues	542,293	196,224	196,224	346,069
Expenditures:				
Capital outlay	5,213,680	8,000,000	10,176,224	4,962,544
Total expenditures	5,213,680	8,000,000	10,176,224	4,962,544
Net change in fund balance	(4,671,387)	\$ (7,803,776)	\$ (9,980,000)	\$ 5,308,613
Fund balances, October 1	10,070,184			
Fund balances, September 30	\$ 5,398,797			

CITY OF KILLEEN, TEXAS
1991 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 810	\$ -	\$ -	\$ 810
Total revenues	<u>810</u>	<u>-</u>	<u>-</u>	<u>810</u>
Expenditures:				
Capital outlay	<u>7,812</u>	<u>24,039</u>	<u>24,039</u>	<u>16,227</u>
Total expenditures	<u>7,812</u>	<u>24,039</u>	<u>24,039</u>	<u>16,227</u>
Net change in fund balance	(7,002)	<u>\$ (24,039)</u>	<u>\$ (24,039)</u>	<u>\$ 17,037</u>
Fund balances, October 1	<u>7,812</u>			
Fund balances, September 30	<u>\$ 810</u>			

CITY OF KILLEEN, TEXAS
1993 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 6,155	\$ -	\$ -	\$ 6,155
Total revenues	<u>6,155</u>	<u>-</u>	<u>-</u>	<u>6,155</u>
Expenditures:				
Capital outlay	-	103,105	103,105	103,105
Total expenditures	<u>-</u>	<u>103,105</u>	<u>103,105</u>	<u>103,105</u>
Net change in fund balance	6,155	<u>\$ (103,105)</u>	<u>\$ (103,105)</u>	<u>\$ 109,260</u>
Fund balances, October 1	<u>114,739</u>			
Fund balances, September 30	<u>\$ 120,894</u>			

CITY OF KILLEEN, TEXAS
1995 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Miscellaneous	\$ 25,382	\$ 5,000	\$ 5,000	\$ 20,382
Total revenues	<u>25,382</u>	<u>5,000</u>	<u>5,000</u>	<u>20,382</u>
Expenditures:				
Capital outlay	374,502	384,829	457,252	82,750
Total expenditures	<u>374,502</u>	<u>384,829</u>	<u>457,252</u>	<u>82,750</u>
Net change in fund balance	(349,120)	<u>\$ (379,829)</u>	<u>\$ (452,252)</u>	<u>\$ 103,132</u>
Fund balances, October 1	<u>545,866</u>			
Fund balances, September 30	<u>\$ 196,746</u>			

CITY OF KILLEEN, TEXAS
2004 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 280,000	\$ -	\$ -	\$ 280,000
Miscellaneous	694,010	250,000	250,000	444,010
Total revenues	<u>974,010</u>	<u>250,000</u>	<u>250,000</u>	<u>724,010</u>
Expenditures:				
Current:				
Public Works	<u>3,503,076</u>	<u>11,095,197</u>	<u>14,011,779</u>	<u>10,508,703</u>
Total expenditures	<u>3,503,076</u>	<u>11,095,197</u>	<u>14,011,779</u>	<u>10,508,703</u>
Net change in fund balance	(2,529,066)	<u><u>\$(10,845,197)</u></u>	<u><u>\$(13,761,779)</u></u>	<u><u>\$ 11,232,713</u></u>
Fund balances, October 1	<u>13,631,759</u>			
Fund balances, September 30	<u><u>\$ 11,102,693</u></u>			

**CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Taxes:				
Ad valorem	\$ 16,222,894	\$ 16,172,416	\$ 16,172,416	\$ 50,478
Penalty and interest	205,665	170,000	170,000	35,665
Beverage	240,268	187,000	187,000	53,268
Franchise	4,960,867	4,519,600	4,519,600	441,267
City sales	18,581,100	17,880,000	17,880,000	701,100
Bingo	199,589	165,000	165,000	34,589
Total taxes	40,410,383	39,094,016	39,094,016	1,316,367
Licenses, permits and fees:				
Building permits and inspections	643,617	580,000	580,000	63,617
Electrical permits and inspections	150,646	137,500	137,500	13,146
Plumbing permits and inspections	119,655	99,000	99,000	20,655
Miscellaneous licenses	190,759	154,550	154,550	36,209
Taxi operators licenses	4,115	2,500	2,500	1,615
Food handlers permits	19,280	15,000	15,000	4,280
Trailer court licenses	4,005	6,500	6,500	(2,495)
Building plans review	108,072	161,000	161,000	(52,928)
Mechanical inspections	52,183	60,000	60,000	(7,817)
Total licenses, permits and fees	1,292,332	1,216,050	1,216,050	76,282
Intergovernmental:				
Bell County contribution - ambulance service	5,192	3,400	3,400	1,792
Civil defense matching funds	21,328	19,094	19,094	2,234
Community assistance	2,991,893	248,924	949,392	2,042,501
Total intergovernmental	3,018,413	271,418	971,886	2,046,527
Charges for Services:				
Ambulance service fees	2,371,608	1,800,000	1,800,000	571,608
Miscellaneous police receipts	113,350	86,000	86,000	27,350
Planning and zoning fees	42,960	46,000	46,000	(3,040)
Cemetery lots	29,975	39,200	39,200	(9,225)
Golf course receipts	1,084,481	1,247,660	1,247,660	(163,179)
Recreation receipts	169,217	127,047	127,047	42,170
Library charges and contributions	41,945	42,500	42,500	(555)
Swimming pool receipts and lessons	34,075	53,900	53,900	(19,825)
Code enforcement abatement	79,637	100,000	100,000	(20,363)
Total charges for services	3,967,248	3,542,307	3,542,307	424,941
Fines:				
Municipal court fines	1,458,465	1,278,045	1,278,045	180,420
Arrest fines	179,204	197,500	197,500	(18,296)
Parking fines	32,300	31,500	31,500	800
Court tax service fee	65,562	68,640	68,640	(3,078)
Total fines	1,735,531	1,575,685	1,575,685	159,846
Miscellaneous:				
Investment revenue	1,584,375	1,150,000	1,150,000	434,375
Miscellaneous receipts	341,563	303,000	317,500	24,063
Total Miscellaneous	1,925,938	1,453,000	1,467,500	458,438
Totals	\$ 52,349,845	\$ 47,152,476	\$ 47,867,444	\$ 4,482,401

**CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
General Government:				
City council	\$ 62,285	\$ 76,193	\$ 76,193	\$ 13,908
City manager	411,332	412,057	412,114	782
Emergency Mgmt/Homeland Security	76,389	76,996	76,939	550
Municipal court	802,902	951,762	951,762	148,860
Public information	125,661	142,925	141,425	15,764
City attorney	568,106	603,176	603,176	35,070
City secretary	85,068	89,440	89,440	4,372
Financial services	1,887,404	1,974,860	1,974,860	87,456
Human resources	621,833	647,452	647,452	25,619
Information systems	750,635	756,118	756,118	5,483
Non-departmental	7,441,730	6,939,125	7,079,859	(361,871)
Total General Government	12,833,345	12,670,104	12,809,338	(24,007)
Public Safety:				
Police	17,712,672	17,967,391	17,982,428	269,756
Animal control	378,743	373,941	397,101	18,358
Fire	12,206,122	11,021,438	12,593,104	386,982
Total Public Safety	30,297,537	29,362,770	30,972,633	675,096
Public Works:				
Public works	221,682	234,953	234,953	13,271
Traffic	241,870	250,323	250,323	8,453
Street	791,486	902,586	875,311	83,825
Engineering	3,020,670	3,128,260	3,155,535	134,865
Planning	477,706	502,889	502,889	25,183
Total Public Works	4,753,414	5,019,011	5,019,011	265,597
Community Services:				
Community development	328,274	306,826	344,931	16,657
Senior citizens	176,148	188,281	188,281	12,133
Library	1,255,192	1,307,127	1,324,990	69,798
Parks	2,000,428	2,059,846	2,183,092	182,664
Recreation	283,658	297,951	297,951	14,293
Athletics	294,612	333,932	333,932	39,320
Swimming pools	133,236	144,517	144,517	11,281
Golf course	1,338,542	1,474,414	1,498,414	159,872
Cemetery	297,196	322,487	322,487	25,291
Permits and inspections	928,317	969,865	969,865	41,548
Code enforcement	517,512	527,427	567,776	50,264
Volunteer services	125,814	134,358	134,358	8,544
Total Community Services	7,678,929	8,067,031	8,310,594	631,665
Totals	\$ 55,563,225	\$ 55,118,916	\$ 57,111,576	\$ 1,548,351

STATISTICAL SECTION

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

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

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These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	148
Revenue Capacity	
These schedules contain information to help the reader assess the City’s significant local revenue sources, the property and sales tax.	160
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City’s currently outstanding debt and the City’s ability to issue additional debt in the future.	166
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	174
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information contained in the City’s financial report relates to the services the City provides and the activities it performs.	176

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

TABLE I

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

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

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

<u>2006</u>	<u>2007</u>
\$ 66,757,690	\$ 47,388,909
2,294,404	2,806,680
2,848,184	24,355,131
<u>17,095,997</u>	<u>19,308,822</u>
<u>\$ 88,996,275</u>	<u>\$ 93,859,542</u>
\$ 146,389,308	\$ 153,152,207
8,246,358	6,277,051
3,836,414	-
<u>23,048,333</u>	<u>32,582,310</u>
<u>\$ 181,520,413</u>	<u>\$ 192,011,568</u>
\$ 213,146,998	\$ 200,541,116
10,540,762	9,083,731
6,684,598	24,355,131
<u>40,144,330</u>	<u>51,891,132</u>
<u>\$ 270,516,688</u>	<u>\$ 285,871,110</u>

TABLE II

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

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

2007

\$ 13,059,352
18,035,487
11,732,401
8,835,018
1,324,670
2,602,046
1,470,975
1,402,169
4,201,866
-
3,526,706
\$ 66,190,690

\$ 6,032,956
-
9,923,685
21,805,817
1,354,988
39,117,446
\$ 105,308,136

\$ 1,845,447
240,764
2,371,608
-
41,944
233,265
1,084,479
1,414,929
-
-
5,088,196
4,293,671
\$ 16,614,303

TABLE II (CONT'D)

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

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

2007

\$ 4,182,662
-
11,541,857
26,898,319
2,124,081
25,304
8,981,423
53,753,646
70,367,949

(49,576,387)
14,636,200
\$ (34,940,187)

\$ 23,692,133
205,665
240,268
4,960,867
20,009,130
199,589
3,722,650
-
4,013,454
57,043,756

2,920,129
-
(4,013,454)
(1,093,325)
55,950,431

7,467,369
13,542,875
\$ 21,010,244

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

TABLE III

Fiscal Year	Ad Valorem Taxes*	Penalty and Interest	City Sales Tax	Beverage Tax	Franchise Tax	Bingo	Total
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
2005	13,702,865	173,518	16,240,984	183,734	4,231,603	159,132	34,691,836
2006	14,750,670	172,446	18,452,935	188,977	4,739,736	199,000	38,503,764
2007	23,692,133	205,665	20,009,130	240,268	4,960,867	199,589	49,307,652

*Includes General Fund tax revenues only for 1998-2006.

TABLE IV

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

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

2007

\$ 1,716,100
361,620
-
-

1,525,000
18,186,697

\$ 21,789,417

\$ 328,900
-
2,806,680
24,355,131

-
1,976,662

\$ 29,467,373

TABLE V

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 33,942,040	\$ 37,236,747	\$ 40,374,681	\$ 44,209,826
Licenses and permits	911,366	1,041,730	1,226,994	1,673,018
Intergovernmental	1,150,096	1,719,074	2,544,806	1,808,426
Charges for services	3,296,013	2,787,143	2,478,713	2,896,794
Fines	723,143	894,038	1,036,688	1,346,557
Miscellaneous	1,725,039	1,347,704	2,542,252	4,573,737
Developer contribution	-	-	-	-
Total revenues	<u>41,747,697</u>	<u>45,026,436</u>	<u>50,204,134</u>	<u>56,508,358</u>
Expenditures				
General government	5,545,415	5,467,205	6,366,296	7,568,283
Public safety	19,310,906	20,389,613	21,486,251	25,346,243
Public works	3,966,588	4,042,427	4,517,392	4,303,518
Community Services	6,507,274	6,469,184	5,196,402	4,704,721
Miscellaneous	4,210,902	4,706,548	5,690,519	4,851,202
Capital outlay	4,573,686	7,223,249	3,812,506	13,664,044
Debt service				
Bond issuance costs	90,533	-	120,732	-
Principal	2,453,488	2,842,567	2,907,350	3,066,407
Interest	1,835,077	2,154,860	2,531,840	3,167,191
Fiscal charges	16,515	18,559	18,677	19,089
Total expenditures	<u>48,510,384</u>	<u>53,314,212</u>	<u>52,647,965</u>	<u>66,690,698</u>
Excess of revenues over (under) expenditures	(6,762,687)	(8,287,776)	(2,443,831)	(10,182,340)
Other financing sources (uses)				
Proceeds from Sale of Bonds	11,000,000	772,669	18,969,760	21,623,647
Bond issuances costs/premiums/discounts	212,000	-	-	(427,862)
Proceeds from fixed asset dispositions	-	-	-	18,668
Developer contribution	-	-	-	5,152,753
Transfers in	5,276,758	6,064,663	8,272,993	6,711,505
Transfers out	(2,406,970)	(6,120,776)	(2,940,146)	(4,169,520)
Total other financing sources (uses)	<u>14,081,788</u>	<u>716,556</u>	<u>24,302,607</u>	<u>28,909,191</u>
Net change in fund balances	<u>\$ 7,319,101</u>	<u>\$ (7,571,220)</u>	<u>\$ 21,858,776</u>	<u>\$ 18,726,851</u>
Debt service as a percentage of noncapital expenditures	9.8%	10.8%	11.1%	11.2%

<u>2007</u>	
\$	49,259,941
	1,292,332
	5,088,196
	4,034,110
	1,845,447
	4,711,079
	<u>3,305,484</u>
	<u>69,536,589</u>
	6,656,910
	28,487,534
	4,881,644
	9,822,757
	4,652,358
	19,518,661
	-
	4,528,400
	3,507,615
	<u>6,227</u>
	<u>82,062,106</u>
	(12,525,517)
	-
	-
	-
	-
	6,056,081
	<u>(2,042,627)</u>
	<u>4,013,454</u>
\$	<u><u>(8,512,063)</u></u>
	13.6%

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

Fiscal Year Ended	Taxable Assessed Value		Less: Tax Exempt Property	Total Taxable Assessed Valuation	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property					
1998	\$1,554,199,667	\$ 205,525,099	\$216,146,137	\$1,543,578,629	0.5700	\$ 1,818,537,818	0.8488
1999	1,632,190,909	215,150,121	246,974,810	1,600,366,220	0.5900	1,909,969,183	0.8379
2000	1,729,249,013	225,233,350	243,026,079	1,711,456,284	0.6000	2,150,290,929	0.7959
2001	1,807,057,844	265,860,903	245,112,171	1,827,806,576	0.6800	2,288,765,949	0.7986
2002	1,894,856,103	303,325,791	254,849,959	1,943,331,935	0.6800	2,458,816,286	0.7904
2003	2,014,916,592	315,247,673	286,553,517	2,043,610,748	0.6800	2,623,975,762	0.7788
2004	2,522,768,679	320,734,650	307,256,037	2,536,247,292	0.6990	2,854,692,140	0.8884
2005	2,660,558,752	350,370,677	320,635,274	2,690,294,155	0.6950	3,018,010,096	0.8914
2006	2,998,256,599	360,965,321	335,207,423	3,024,014,497	0.6950	3,395,819,417	0.8905
2007	3,492,613,445	362,828,152	350,942,363	3,504,499,234	0.6950	3,904,819,744	0.8975

TABLE VII

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>City of Killeen General Fund</u>	<u>City of Killeen Debt Service</u>	<u>Total City of Killeen</u>	<u>Bell County</u>	<u>Killeen ISD</u>	<u>Central Texas College</u>	<u>Total</u>
1998	1997	0.41210	0.15790	0.5700	0.2967	1.3500	0.1500	2.3667
1999	1998	0.44062	0.14938	0.5900	0.3418	1.4580	0.1500	2.5398
2000	1999	0.46120	0.13880	0.6000	0.3657	1.4280	0.1490	2.5427
2001	2000	0.54540	0.13460	0.6800	0.3651	1.4280	0.1485	2.6216
2002	2001	0.51620	0.16380	0.6800	0.3651	1.4280	0.1485	2.6216
2003	2002	0.52110	0.17790	0.6800	0.3651	1.5223	0.1475	2.7149
2004	2003	0.52183	0.17317	0.6990	0.3650	1.5633	0.1475	2.7748
2005	2004	0.52183	0.17317	0.6950	0.3610	1.5583	0.1470	2.7613
2006	2005	0.50020	0.19480	0.6950	0.3760	1.5583	0.1460	2.7753
2007	2006	0.47625	0.21875	0.6950	0.3815	1.4191	0.1420	2.6376

Note: Data presented is received from various government agencies.

TAXABLE VIII

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

Name of Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
TXU Electrical Delivery	\$ 37,646,040	1	1.07%	\$ 22,489,569	2	1.39%
Central Telephone Co.	25,151,420	2	0.72%	23,554,614	1	1.45%
Wal-Mart Real Estate	18,877,496	3	0.54%	N/A		
GG&A Killeen Mall	16,976,285	4	0.48%	12,370,898	3	0.76%
TWE Advance/Newhouse	13,996,480	5	0.40%	N/A		
Sallie Mae, Inc.	12,787,822	6	0.36%	11,443,781	4	0.71%
Feiga/Sierra Creek, LP	9,952,274	7	0.28%	N/A		
SPRM Killeen, LP	8,975,733	8	0.26%	N/A		
Automax	8,869,224	9	0.25%	N/A		
KC-Cooper Mountain, LP	8,693,703	10	0.25%	N/A		
Sierra Creek, LTD	-		0.00%	8,232,966	5	0.51%
Lowe's Home Center, Inc.	-		0.00%	6,676,085	6	0.41%
Subtotal	<u>\$ 161,926,477</u>		<u>4.62%</u>	<u>\$ 84,767,913</u>		<u>5.23%</u>
All other taxpayers	<u>3,813,288,893</u>		<u>95.93%</u>	<u>2,005,352,066</u>		<u>95.94%</u>
	<u><u>\$ 3,975,215,370</u></u>		<u><u>100.55%</u></u>	<u><u>\$2,090,119,979</u></u>		<u><u>101.17%</u></u>

Source: Bell County Tax Appraisal District

TABLE IX

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

Fiscal Year September 30	Total Tax Levy for Fiscal Year	Tax Levy	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years (1)	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1998	1997	\$ 10,030,433	\$ 9,883,348	98.53%	\$ 117,815	\$ 10,001,163	99.71%
1999	1998	10,899,318	10,700,911	98.18%	148,378	10,849,289	99.54%
2000	1999	11,506,682	11,221,484	97.52%	171,688	11,393,172	99.01%
2001	2000	14,095,851	13,541,305	96.07%	195,560	13,736,865	97.45%
2002	2001	14,947,638	14,370,546	96.14%	345,835	14,716,381	98.45%
2003	2002	15,845,119	15,045,984	94.96%	418,055	15,464,039	97.59%
2004	2003	17,728,368	16,959,606	95.66%	415,950	17,375,556	98.01%
2005	2004	18,697,545	17,957,697	96.04%	441,789	18,399,486	98.41%
2006	2005	21,016,898	20,179,257	96.01%	461,613	20,640,870	98.21%
2007	2006	24,348,127	23,386,242	96.05%	490,899	23,877,141	98.07%

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

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Assessed Valuation</u>	<u>Assessments Rate</u>	<u>Gross Tax Rate</u>
2007	2006	\$ 3,855,441,597	100%	0.6950
2006	2005	3,359,221,920	100%	0.6950
2005	2004	3,010,929,429	100%	0.6950
2004	2003	2,843,503,329	100%	0.6990
2003	2002	2,330,164,265	100%	0.6800
2002	2001	2,198,181,894	100%	0.6800
2001	2000	2,072,918,747	100%	0.6880
2000	1999	1,954,482,363	100%	0.6000
1999	1998	1,847,341,030	100%	0.5900
1998	1997	1,759,724,766	100%	0.5700

TABLE XI

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

Fiscal Year	Governmental Activities			Total Governmental Activities	General Obligation Bonds	Revenue Bonds
	General Obligation Bonds	Certificates of Obligation	Limited Tax Notes			
1998	\$ 17,570,000	\$ 3,600,000	\$ 460,000	\$ 21,630,000	\$ 315,000	\$ 17,755,000
1999	16,363,800	5,000,000	345,000	21,708,800	10,036,200	16,960,000
2000	15,001,870	4,792,000	230,000	20,023,870	9,978,130	25,010,000
2001	13,561,316	20,715,000	3,030,000	37,306,316	9,918,685	32,490,000
2002	12,164,156	20,322,000	2,485,000	34,971,156	9,750,844	31,035,000
2003	10,676,668	30,806,000	2,035,000	43,517,668	9,408,332	29,490,000
2004	9,166,101	29,949,000	1,560,000	40,675,101	8,988,898	27,905,000
2005	25,784,251	29,718,500	1,065,000	56,567,751	7,905,749	46,665,000
2006	34,659,101	39,797,243	545,000	75,001,344	6,415,899	45,320,000
2007	31,963,701	41,421,743	-	73,385,444	5,486,299	43,670,000

TABLE XI (CONT'D)

Business-Type Activities						
Certificates of Obligation	Notes Payable	Limited Tax Notes	Total Business -Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 10,625,000	\$ 92,727	\$ -	\$ 28,787,727	\$ 50,417,727	0.00%	0.17%
2,080,000	81,469	-	29,157,669	50,866,469	0.00%	0.17%
1,653,000	69,605	1,200,000	37,910,735	57,934,605	0.00%	0.15%
298,000	12,502	200,000	42,919,187	80,225,503	0.00%	0.11%
1,053,000	44,336	800,000	42,683,180	77,654,336	0.00%	0.13%
829,000	30,900	600,000	40,358,232	83,875,900	0.00%	0.07%
556,000	16,758	300,000	37,766,656	78,441,757	0.00%	0.13%
3,406,500	-	-	57,977,249	114,545,000	0.00%	0.09%
19,702,757	-	-	71,438,656	146,440,000	0.00%	0.07%
16,203,257	-	-	65,359,556	138,745,000	0.00%	0.07%

TABLE XII

**CITY OF KILLEEN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2007**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Bell County	\$ 99,855,000	28.24%	\$ 28,199,052
Killeen Independent School District	144,650,000	77.93%	112,725,745
Central Texas College	3,556,000	67.16%	<u>2,388,210</u>
Subtotal, overlapping debt			143,313,007
City of Killeen			<u>138,745,000</u>
Total direct and overlapping debt			<u><u>\$ 282,058,007</u></u>

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

TABLE XIII

Fiscal Year	Gross Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2005	24,775,090	14,616,805	10,158,285	1,440,000	1,492,576	2,932,576	3.46
2006	27,036,300	15,531,689	11,504,611	1,490,000	2,349,391	3,839,391	3.00
2007	26,898,319	16,935,527	9,962,792	1,730,000	2,035,991	3,765,991	2.65

Source: Finance Department, City of Killeen

* Total operating expense less depreciation

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

Fiscal Year	City of Killeen			Overlapping Bell County		
	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen
1998	\$ 20,878,181	100.00%	\$ 20,878,181	\$ 28,344,930	28.24%	\$ 8,004,608
1999	20,923,223	100.00%	20,923,223	26,114,931	28.24%	7,374,857
2000	19,266,145	100.00%	19,266,145	24,813,368	28.24%	7,007,295
2001	36,557,433	100.00%	36,557,433	31,540,000	28.24%	8,906,896
2002	77,610,000	100.00%	77,610,000	29,220,000	28.24%	8,251,728
2003	83,845,000	100.00%	83,845,000	27,805,000	28.24%	7,852,132
2004	78,424,999	100.00%	78,424,999	52,030,000	28.24%	14,693,272
2005	114,545,000	100.00%	114,545,000	53,735,000	28.24%	15,174,764
2006	146,440,000	100.00%	146,440,000	98,050,000	28.24%	27,689,320
2007	138,745,000	100.00%	138,745,000	99,855,000	28.24%	28,199,052

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

Killeen Independent School District			Rates			
			Central Texas College			Total
Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Amount Applicable to Killeen
\$103,713,875	77.93%	\$80,824,223	\$ 5,711,000	67.16%	\$ 3,835,508	\$ 113,542,520
99,905,097	77.93%	77,856,042	19,862,000	67.16%	13,339,319	119,493,441
94,356,468	77.93%	73,531,996	13,335,793	67.16%	8,956,319	108,761,754
89,325,258	77.93%	69,611,174	13,666,620	67.16%	9,178,502	124,254,005
84,219,990	77.93%	65,632,638	14,000,000	67.16%	9,402,400	160,896,766
179,795,938	77.93%	140,114,974	12,260,000	67.16%	8,233,816	240,045,922
172,941,739	77.93%	134,773,497	10,440,000	67.16%	7,011,504	234,903,272
167,140,974	77.93%	130,252,961	8,530,000	67.16%	5,728,748	265,701,473
158,793,665	77.93%	123,747,903	6,530,000	67.16%	4,385,548	302,262,771
144,650,000	77.93%	112,725,745	3,556,000	67.16%	2,388,210	282,058,007

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assessed Value, Tax Roll	\$ 3,504,499,234	\$ 3,024,014,497	\$ 2,690,294,155	\$ 2,536,247,292
	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
Legal Debt Limit	<u>\$ 87,612,481</u>	<u>\$ 75,600,362</u>	<u>\$ 67,257,354</u>	<u>\$ 63,406,182</u>
Actual amount expended for General Obligation Debt Service During the Year	\$ 8,036,015	\$ 6,252,687	\$ 5,457,867	\$ 5,015,986

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

2003	2002	2001	2000	1999	1998
\$ 2,330,164,265	\$ 2,198,181,894	\$ 2,072,918,747	\$ 1,954,482,363	\$ 1,847,341,030	\$ 2,090,119,979
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
\$ 58,254,107	\$ 54,954,547	\$ 51,822,969	\$ 48,862,059	\$ 46,183,526	\$ 52,252,999
\$ 4,305,080	\$ 4,294,849	\$ 3,696,459	\$ 2,811,846	\$ 2,705,630	\$ 2,656,026

TABLE XVI

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

Fiscal Year	City of Killeen Population (a)	Killeen-Temple Fort Hood Metropolitan Statistical Area Population (b)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Unemployment Rates (c)
1998	84,488	307,900	\$ 6,579,938	\$ 21,370	4.6
1999	84,488	305,150	7,048,167	22,873	3.3
2000	86,911	312,952	7,458,649	23,833	4.7
2001	86,911	315,281	7,782,476	24,684	5.5
2002	100,976	319,346	8,208,370	25,704	6.1
2003	100,976	324,649	8,739,875	26,921	6.7
2004	103,210	325,398	9,321,254	28,646	5.6
2005	103,210	341,797	10,162,000	29,731	5.3
2006	103,210	351,320	11,140,000	31,709	5.8
2007	103,210	*	*	*	4.7

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

- Sources: (a) U. S. Census Bureau.
- (b) U. S. Department of Commerce, Bureau of Economic Analysis.
- (c) U. S. Department of Labor, Bureau of Labor Statistics.

* Information is unavailable.

TABLE XVII

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

Name of Employer	2007			1998		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
III Corps & Fort Hood	42,322	1	57.25%	N/A	N/A	
Killeen ISD	6,000	2	8.12%	4,121	2	
Civilian Personnel Office	3,187	3	4.31%	5,808	1	
Central Texas College	1,360	4	1.84%	1,374	3	
Metroplex Hospital	1,300	5	1.76%	874	5	
Fort Hood Exchange	1,218	6	1.65%	N/A	N/A	
Westar Aerospace & Defense	1,050	7	1.42%	N/A	N/A	
Science Application International	1,000	8	1.35%	N/A	N/A	
First National Bank	1,000	9	1.35%	N/A	N/A	
Sallie Mae	966	10	1.31%	915	4	
Subtotal	59,403		80.36%	13,092		
All other employers	14,516		19.64%	N/A		
Total employment	73,919		100.00%	N/A		

Source: Greater Killeen Chamber of Commerce

Notes: N/A = information not available or not applicable

TABLE XVIII

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
City Manager	3	3	3	3	3	3	3	3	3	3
Emergency Management & Homeland Security	0	0	0	0	0	0	0	0	0	1
Municipal Court	14	15	17	18	18	20	19	19	19	23
Public Information	1	1	1	1	1	1	1	1	2	2
Killeen Volunteer Services	1	3	3	3	3	3	3	3	3	3
City Attorney	5	5	5	6	6	6	6	7	7	7
City Secretary	1	1	1	1	1	1	1	1	1	1
Finance	4	4	4	4	5	5	5	6	6	6
Accounting	6	6	6	6	6	7	7	7	7	7
Purchasing	4	5	5	3	3	4	4	4	5	5
Building Services	2	2	2	2	2	2	2	2	3	3
Custodial Services	7	8	6	8	8	8	8	8	8	9
Printing Services	0	0	0	2	2	2	2	2	2	2
EMS Billing & Collections	2	3	3	3	3	5	5	5	5	5
Human Resources	5	6	6	6	6	8	8	8	10	10
Information Technology	6	6	9	10	10	10	10	10	12	12
Permits & Inspections	12	12	14	14	13	11	11	12	14	16
Code Enforcement	0	0	0	0	0	4	7	7	8	8
Library Services	14	14	18	21	21	31	30	30	30	31
Golf Course	11	11	11	12	12	12	12	13	17	18
Golf Course Food & Beverag	0	0	0	0	0	0	0	0	0	5
Parks	24	25	25	29	31	31	31	31	31	37
Recreation	5	6	3	3	3	3	3	3	3	3
Athletics	0	0	3	3	3	3	3	3	3	4
Cemetery	6	6	6	6	6	6	6	6	6	6
Senior Citizens	2	2	2	2	2	3	3	3	3	3
Community Development	5	5	6	6	5	4	4	4	4	4
Home Program	1	2	2	2	2	2	2	2	2	1.5
Public Works	2	2	2	2	2	2	2	2	2	2
Engineering	1	2	2	2	4	4	2	2	2	2
Traffic	7	7	8	8	10	10	10	10	10	10
Street	35	32	31	31	35	35	35	35	39	39
Planning	4	5	5	6	6	6	6	7	8	9
Police	194	194	198	198	204	211	214	230	249	263
Animal Control	7	7	8	8	8	8	8	8	8	8
Fire	123	123	123	121	124	128	128	137	143	152
Total General Fund	514	523	538	550	568	599	601	631	675	720.5
Killeen-Fort Hood										
Regional Airport										
Killeen-Fort Hood										
Regional Airport	0	0	1	2	3	4	14	37.5	37.5	40
Total Killeen-Fort Hood										
Regitonal Airport Fund	0	0	1	2	3	4	14	37.5	37.5	40
Skylark Field										
Skylark Field	11	11	11	11	17	20	20	5.5	5.5	4
Total Skylark Field Fund	11	11	11	11	17	20	20	5.5	5.5	4

TABLE XVIII(CONT'D)

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Solid Waste										
Code Enforcement	0	0	0	0	0	1	1	1	0	0
Residential Services	38	29	23	22	26	32	35	35	38	38
Commercial Services	14	15	16	16	17	18	19	19	19	20
Recycle Services	2	2	2	3	3	4	7	7	7	7
Transfer Station	9	9	9	10	10	10	11	11	11	13
Mowing	0	0	0	0	0	0	0	0	11	11
Total Solid Waste Fund	63	55	50	51	56	65	73	73	86	89
Water and Sewer										
Fleet Services	19	19	20	20	19	19	19	19	19	22
Utility Collections	24	24	26	27	28	29	30	30	32	34
GIS	0	0	0	0	0	2	2	2	3	3
Water Distribtuion	12	12	12	12	12	15	15	15	15	15
Sanitary Sewer	9	11	11	11	11	11	11	11	13	13
Water and Sewer Operations	15	15	18	19	17	18	20	20	24	20
Engineering	0	0	0	0	0	0	0	0	0	8
Total Water and Sewer Fund	79	81	87	89	87	94	97	97	106	115
Drainage Utility Fund										
Engineering	0	0	0	0	1	3	3	3	9	3
Maintenance	0	0	0	0	0	0	0	0	0	6
Total Drainage Utility Fund	0	0	0	0	1	3	3	3	9	9
Special Revenue Fund										
Cablesystem PEG	0	0	0	0	0	1	1	1	0	0
Civic and Conference Center	0	0	0	0	6	17	15	16	15	15
Community Development										
Block Grant	0	0	0	0	0	6	4	4	4	4
Home Program	0	0	0	0	0	1	1	1	1	0.5
Total Special Revenue Fund	0	0	0	0	6	25	21	22	20	19.5
Capital Improvement										
Bond Construction	9	8	8	6	5	5	5	5	0	0
Total Capital Improvement Fund	9	8	8	6	5	5	5	5	0	0
Total all funds	676	678	695	709	743	815	834	874	939	997

**CITY OF KILLEEN, TEXAS
WATERWORKS SYSTEM
SEPTEMBER 30, 2007**

WATER USAGE OF THE LAST EIGHT YEARS (IN MILLION OF GALLONS)

Fiscal Year	Peak Day Usage	Average Day Usage	Total Usage
2000	18.26	10.59	3882
2001	18380	11.05	4040
2002	19.26	12.06	4405
2003	21.12	12.30	4495
2004	16.75	11.07	4069
2005	21.17	11.48	4194
2006	22.31	12.99	4747
2007	18.72	11.99	4378

TEN LARGEST WATERS CUSTOMERS (IN THOUSANDS OF GALLONS)

Customer	Annual Water Usage	Annual Amount Billed	% of Total Water Usage
West Bell Water Supply Corp	43,618,500	\$ 59,533	0.0123%
Metroplex Hospital	20,062,800	59,183	0.0056%
West River Oaks Ltd.	14,248,200	40,045	0.0040%
Stone Hill Apartments	13,738,400	38,618	0.0039%
TGFT Enterprises, Inc.	13,338,300	39,127	0.0037%
Goode & Goodnight	11,704,600	32,923	0.0033%
Transit Mix Concrete	11,016,100	32,857	0.0031%
Elm Grove MHP	11,007,100	31,589	0.0031%
KISD-Shoemaker HS (SPR)	10,296,800	26,516	0.0029%
Goode & Goodnight	10,245,000	28,836	0.0029%

Note: Percent of total consumption based on \$ 3,560,321,300 gallons annual consumption.

**CITY OF KILLEEN, TEXAS
WATERWORKS SYSTEM
SEPTEMBER 30, 2007**

MONTHLY WATER RATES (EFFECTIVE 10/1/06)

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

0 to 2,000 gallons based on meter size:

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

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

TEN LARGEST WASTEWATER CUSTOMERS (MGD)

Customer	Annual Water Usage	Annual Amount Billed
Central Texas College	36,158,800	\$ 154,648
Metroplex Hospital	21,462,400	57,873
West River Oaks Ltd	14,248,200	41,757
Stone Hill Apartments	13,738,400	40,266
TFGT Enterprises, Inc.	13,338,300	39,095
Goode & Goodnight	11,704,600	34,317
Elm Grove MHP	11,007,100	49,474
Goode & Goodnight	10,245,000	30,047
Summerfield MHP	8,504,700	38,498
JOQ/Allora Way, Ltd.	7,745,700	22,737

TABLE XX

**CITY OF KILLEEN, TEXAS
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2007**

Date of Incorporation	1,882	Public Works			
Date of Charter	1,949	Paved Streets		489	
Legal Form of Government Home - Rule Municipal Corp.		Unpaved Streets		1 mile	
Management Form of Government		Arterial Streets (State)		30.10 mi.	
Countil-Manager		Storm Water Piping	150,000 linear f		
Area in Square Miles	45.41	Open Channels		83	
		Curb and Gutter		600	
		Signalized Intersections		81	
		Street lights		3,712	
Airport					
Number of Airports	2				
Number of Acres	289	Wastewater Systems			
Number of Airlines	3	Sanitary Sewer Mains		484.5 mi.	
Passengers Enplaning	191,596	Sewer Connections		36,007	
Deplaning	189,262	Sewer Treatment Plane is Activited Sludge			
			Plant 1	Plant 2	Plant 3
Fire Protection		Max Capacity	15 MGI	6 MGD	6 MGD
Number of Fire Stations	7				
Fire Aparatus	16	Water System			
Number of Fire Hydrants	3,368	Average Daily Consumption		9,754,305 gpd	
Number of Fireman	184	Rated Daily Capacity		29,500,000gpd	
Number of Fire Runs	4,851	Water Mains		520.9 miles	
Number of Paramedic Runs	12,279	Water Connections		37,496	
EMS Units	11	Max System Daily Capacity (Killeen)		29,500,000 gpd	
Libraries		Residential water rates			
Number of Libraries	2	0 to 2,000 gallons (5/8" to 3/4" meter)	\$	10.30	
Number of Volumes	100,613	2,001 to 25,000 gallons, per 1,000 gallon	\$	2.80	
Circulating of Volumes	300,899	Over 25,000 gallons, per 1,000 gallons	\$	3.34	
Library cards in force	35,881				
Public Computer Sessions	81,635	Commercial water rates			
		0 to 2,000 gallons (5/8" to 3/4" meter)	\$	10.71	
		Over 2,000 gallons, per 1,000 gallons	\$	2.91	
Parks and Recreation					
Number of Parks	19	Facilites no included in the Reporting Entity:			
Playgrounds	22				
Municipal Golf courses	1	Education*			
Swimming Pools	2	Number of Elementary Schools		30	
Tennis Courts	9	Number of Middle Schools		12	
Recreation Centers	1	Number of High Schools		4	
Baseball/Softball Fields	14	Number of Community Colleges		1	
		Number of Universities		1	
Police Protection					
Number of Facilities	4				
Number of Commissioned Police Officers	208	* Schools include all campuses in the Killeen Independent School District.			
Number of Employees-Other	68				

