
CITY OF KILLEEN, TEXAS



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2006**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2006

CITY OF KILLEEN, TEXAS

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

**BARBARA A. GONZALES
ACTING DIRECTOR OF FINANCE**

CITY OF KILLEEN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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CITY OF KILLEEN

February 5, 2007

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, 2006 is submitted in accordance with the provisions of the City Charter. This report was prepared by the City's Finance Department, in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and audited in accordance with U.S. Generally Accepted Auditing Standards by a firm of licensed independent certified public accountants.

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

The City of Killeen's financial statements have been audited by Lott, Vernon and Company, P.C., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Killeen for fiscal year ended September 30, 2006, 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, 2006, 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.

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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 2006 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, Killen 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 36,000. 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 339 square miles (217,337 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 51,000 military personnel and more than 14,000 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 2006. 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 2006 were \$309,068,317.

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 2005-06 Budget and Plan of Municipal Services was adopted by the City Council on September 13, 2005.

MAJOR INITIATIVES

The FY 2005-06 Budget identified six major 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 2004-05 tax rate. In addition to maintaining the tax rate, the City provided additional services through the addition of fifteen sworn police officer positions, two police sergeants, and intelligence manager, an evidence manager, six fire rescue officers, and various other new programs and services totaling over \$8.7 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 15 sworn officers, two police sergeants, an intelligence manager, and an evidence manager in FY 2005-06. The Patrol Canine Program was increased to two animals and deployed two new police motorcycles in the traffic enforcement unit.

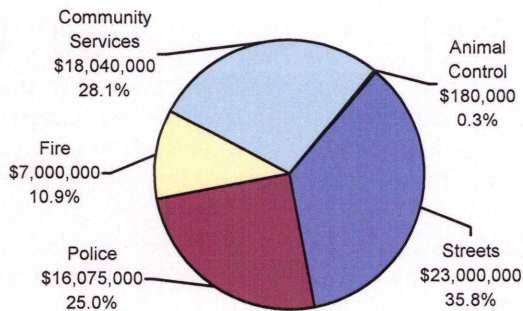
The police department also deployed comp-state methodologies to targeted areas of the community to address specific traffic and crime problems.

PROVIDING FUNDING FOR STREET IMPROVEMENTS AND INFRASTRUCTURE NEEDS: The City funded a new Street Maintenance Crew in FY 2005-06. Over \$689 thousand was spent on direct costs for street and roadway drainage repairs. There was also \$989 thousand spent on TXDOT Projects. An additional \$2.1 million dollars for City Owner Agreements was approved by City Council during FY 2005-06. Building infrastructure to enhance delivery of local community service programs in the downtown area is underway with the purchase of a building in the first quarter of FY 2006-07 and renovations scheduled to be complete in FY 2007-08.

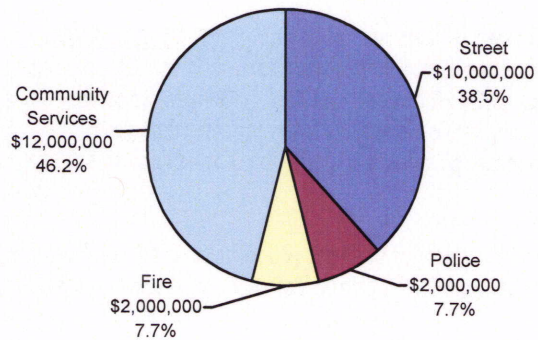
PROVIDING ADEQUATE PAY AND BENEFITS TO CITY EMPLOYEES: Effective October 1, 2005, the City funded a 3% cost of living adjustment (COLA) for all civil and non-civil service employees. In addition, the Police and Fire Pay Plans were updated to provide adequate pay for all civil-service employees.

CONTINUE IMPLEMENTATION OF PHASE III OF THE 2002 GENERAL OBLIGATION BOND PROGRAM FOR THE RECREATION AND SENIOR CENTER: Phase I of the \$64 million 2002 General Obligation Capital Improvement Program was issued in FY2004-05. \$16 million dollars was issued and allocated to authorized projects for Streets, Public Safety, and Community Services. Phase II of the program was approved in FY 2005-06 with an issuance of \$10 million for the Family Recreation and Senior Center Complex. Contracts were approved by City Council and construction began in October 2006 on the Recreation and Senior Center Complex. The remaining authorizations in the 2002 program are expected to be completed in future phases over the next three fiscal years.

**2002 GENERAL OBLIGATION BOND ELECTION
TOTAL CAPITAL IMPROVEMENT PROGRAM
APPROVED BY VOTERS
\$64,295,000**



**2002 CAPITAL IMPROVEMENT PROGRAM
ISSUANCES TO DATE:
PHASE I \$16 MILLION (FY 2004-05)
PHASE II \$10 MILLION (FY 2005-06)**



ESTABLISHING A RIGHT-OF-WAY MOWING PROGRAM AND DRAINAGE MAINTENANCE PROGRAM TO PROVIDE A SAFE, CLEAN LIVING ENVIRONMENT FOR OUR CITIZENS: In March 2006, the Right-of Way Mowing program with eleven new city employees was fully functioning. This program has successfully developed a schedule and a plan to maintain the right-of-ways within the City to a 12-inch standard. This program provides an aesthetically pleasing environment for the citizens of Killeen. The Drainage Maintenance Program is moving forward with the necessary equipment purchased and beginning the process to hire the new crew that was approved in the 2005-06 budget. This Drainage Maintenance program will be fully functioning in January 2007.

DEPARTMENT FOCUS

Each year the government focuses attention on departmental efforts and accomplishments. This year, the Right of Way Mowing Program has been selected for this purpose. The mission of the Right-of-Way Mowing Program was established to maintain roadway right-of-ways within the City in order to provide and preserve a healthy, safe and aesthetically

pleasing community for the citizens of Killeen. The program was very successful in its first year of operations and feedback from citizens and community members have been very complimentary and supportive of the program.

PROGRAM DESCRIPTIONS:

The Right-of-Way Mowing Program mows and trims roadway right-of-ways to a 12-inch standard, removes and disposes of trash/rubbish in the right-of-ways, and applies herbicide in designated areas of the City. This program provides a safe, clean and aesthetically pleasing community for the citizens of Killeen.

ACCOMPLISHMENTS:

- Hired mowing crew including a supervisor, two crew leaders, and eight service workers.
- Acquired necessary fleet and equipment through transfers from other City departments and the purchase of new equipment.
- Established a work area and office for the new division.
- Developed a mowing work plan and schedule.
- Began work as planed in early March 2006.

KEY OBJECTIVES / PERFORMANCE MEASURES:

Provide an aesthetically pleasing community by ensuring that right-of-ways are mowed and kept within a 12-inch standard. Remove all trash and rubbish in the right-of-ways and apply herbicide in designated areas to ensure the health, safety and general welfare of the public.

	<u>Actual</u> <u>2004-05</u>	<u>Budget</u> <u>2005-06</u>	<u>Estimated</u> <u>2005-06</u>	<u>Adopted</u> <u>2006-07</u>
Lane Miles Mowed	N/A	N/A	1,215	1,260
Acreage Mowed	N/A	N/A	3,330	3,602

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, 2005. This was the sixteenth 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, 2005 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, 2006.

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,

Handwritten signature of Barbara A. Gonzales in cursive script.

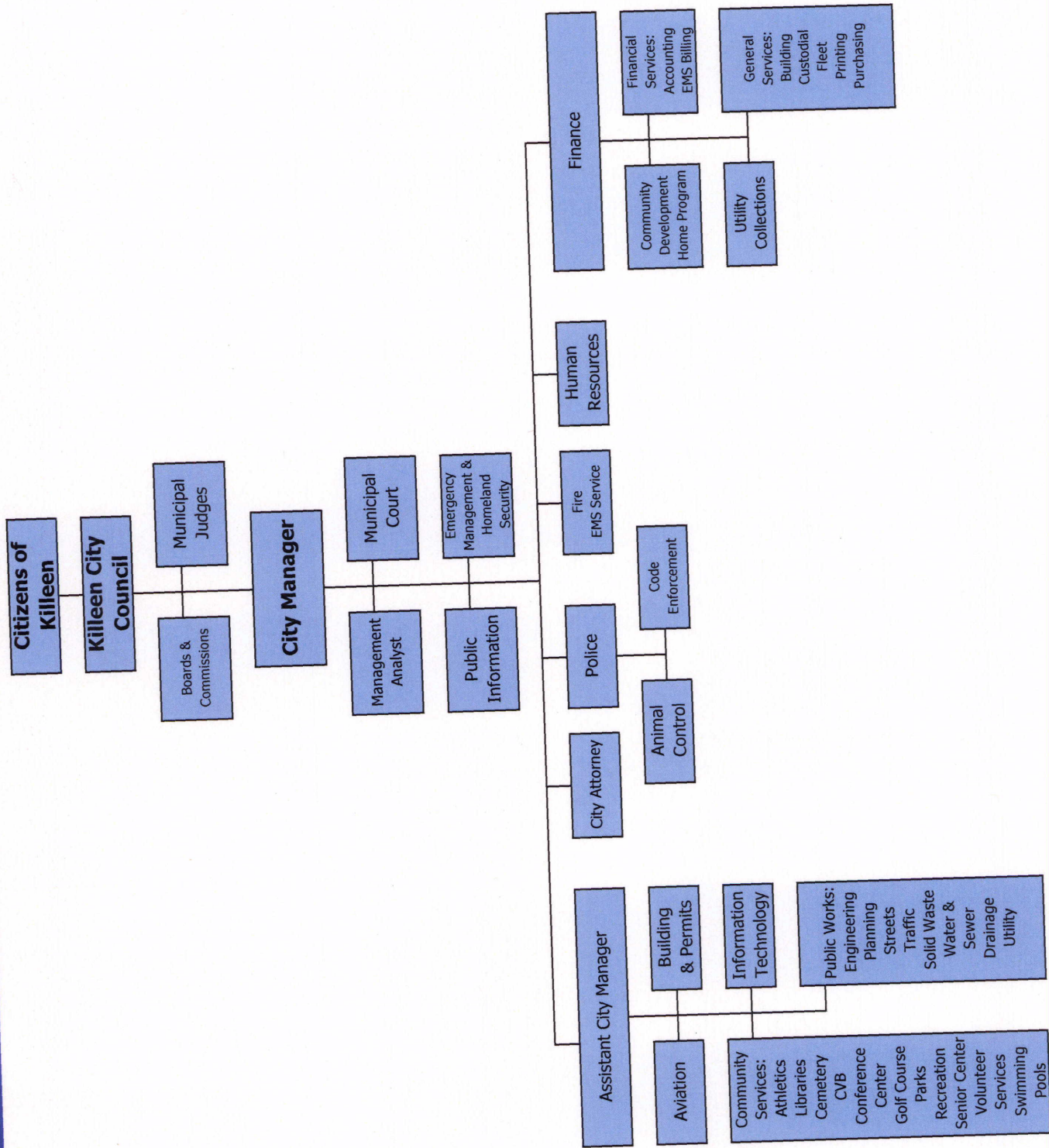
Barbara A. Gonzales
Chief Financial Officer

Handwritten signature of Connie J. Green in cursive script.

Connie J. Green
City Manager
Chief Executive Officer



CITY OF KILLEEN ORGANIZATIONAL STRUCTURE



**CITY OF KILLEEN
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2006**

Mayor	Timothy L. Hancock
Mayor Pro Tem – District 4	Ernest L. Wilkerson
Councilman – District 1	Bob Hausmann
Councilman – District 2	Dick Young
Councilman – District 3	Fred Latham
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
Director of Community Services	Glenn Morrison
Acting Director of Finance	Barbara Gonzales
Presiding Municipal Judge	Barbara Weaver
Chief of Police	Dennis M. Baldwin
City Attorney	Katherine H. Davis
City Secretary	Paula Miller
Director of Aviation	John Sutton
Director of Community Development	Leslie Hinkle
Director of Convention & Visitor’s Bureau	Connie Kuehl
Director of General Services	Barbara Gonzales
Director of Human Resources	Debbie Maynor
Director of Information Technology	Kevin Gunn
Director of Library Services	Deanna Frazee
Director of 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 Utility Services	Robert White
Director of Volunteer Services	Will Brewster
Fire Chief	Jerry Gardner

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, 2005

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



President

Executive Director



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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*Member of
American Institute & Texas Society of
Certified Public Accountants*

KILLEEN • COPPERAS COVE • TEMPLE

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Killeen, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Killeen, Texas (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Killeen, Texas as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 15, the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) on Exhibit B-1, and the Budgetary Comparison Schedules on Exhibit C-5 through C-14, C-17 through C-31 and C-34 through C-46 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Killeen, Texas basic financial statements. The introductory section, combining schedules and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Lott, Vernon & Company P.C.

February 5, 2007



Management's Discussion and Analysis (Unaudited)

As management of the City of Killeen, we offer readers of the City of Killeen's financial statement this narrative overview and analysis of the financial activities of the City of Killeen for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with our letter of transmittal which can be found on pages VI-XI 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, 2005. All amounts, unless otherwise indicated, are expressed in dollars.

Fiscal Year 2005-06 Financial Highlights

City-wide:

- The City's total net assets were \$270.5 million at September 30, 2006, of which \$89.0 million were in governmental Activities and \$181.5 million were in Business-type Activities.
- Total City revenues were \$127.7 million, of which \$61.3 million were derived from Governmental Activities and \$66.4 million were derived from Business-type Activities.
- Total City expenses were \$92.8 million, of which \$56.2 million were incurred by Governmental Activities and \$36.6 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 \$64.8 million at September 30, 2006. Of the combined ending fund balances, \$2.3 million is reserved for debt service, \$40.0 million is reserved in capital project funds, \$1.3 million is reserved for encumbrances and inventories, and \$21.2 million is unreserved of which \$17.9 million is unreserved, undesignated in the General Fund.
- Governmental Fund revenues were \$56.5 million, an increase of \$6.3 million from fiscal year 2005's \$50.2 million.
- Governmental Fund expenditures increased to \$66.7 million in fiscal year 2006, up \$14.0 million from the prior year.
- Enterprise fund operating revenues were \$44.3 million in fiscal year 2006, down \$2.3 million from the prior year. This decrease is a result of developer contributions in the current year being reported as capital contributions rather than as operating revenues as they were in the prior year.
- Enterprise fund operating expenses were \$34.5 million in fiscal year 2006, and increase of \$3.7 million from the prior year.
- Non-operating revenues, including capital contributions, were \$20.0 million in fiscal year 2006, compared to prior year of \$7.6 million. This increase is a result of the developer contributions in the current year being reported as capital contributions rather than as operating revenues as they were in the prior year.

General Fund:

- General Fund revenues were \$45.2 million, an increase of \$4.8 million from the prior year.
- General Fund expenditures were \$51.2 million, an increase of \$9.6 million over the prior year.
- Net transfers into the General Fund were \$3.6 million in fiscal year 2006, a decrease of \$14.6 thousand under the prior year.
- Unreserved, undesignated fund balance for the general fund was \$17.9 million at September 30, 2006 or 35 percent of total general fund expenditures of \$51.2 million. The undesignated ending fund balance is up \$3.0 million from the prior year.

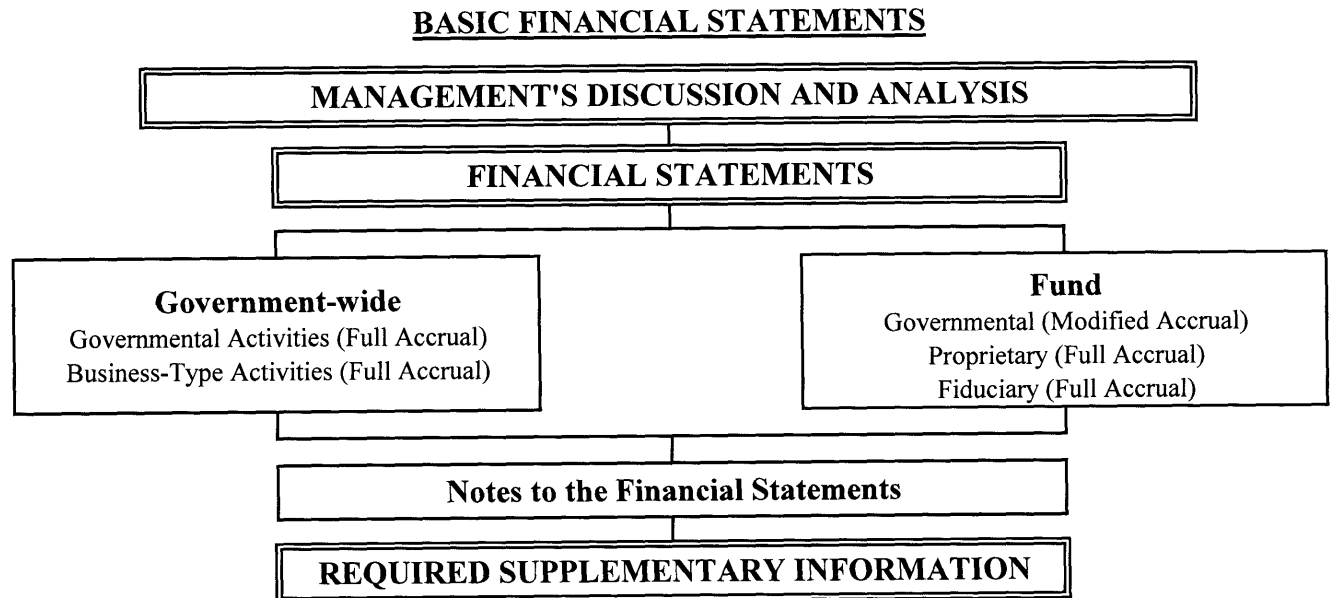
USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

The City implemented Governmental Accounting Standards Board Statement No. 44 (GASB 44) this fiscal year. This 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 to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and combining statements in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

- **Governmental Activities** - Functions of the City that are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, Police, Fire, Streets, 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 16-18 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the 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 70) 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 19-22 of this report.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers—either outside customers (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 23-28 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 32-68 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning: Major Funds – Budget vs. Actual (page 70), the City’s progress in funding its obligation to provide pension benefits to qualifying employees (page 69).

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 \$270.5 million for the year ended September 30, 2006.

Net Assets
September 30, 2006
(in millions of dollars)

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change	Total Activities		Percent Change
	2006	2005		2006	2005		2006	2005	
Assets									
Current and other assets	72.0	53.3	35.1%	60.2	57.9	4.0%	132.2	111.2	18.9%
Capital Assets	103.2	95.8	7.7%	199.3	162.8	22.4%	302.5	258.6	17.0%
Total Assets	<u>175.2</u>	<u>149.1</u>	17.5%	<u>259.5</u>	<u>220.7</u>	17.6%	<u>434.7</u>	<u>369.8</u>	17.6%
Liabilities									
Current Portion of Long-term liabilities outstanding	5.0	3.1	61.3%	3.7	3.1	19.4%	8.7	6.2	40.3%
Long-term liabilities outstanding	75.2	54.3	38.5%	68.6	55.6	23.4%	143.8	109.9	30.8%
Other liabilities	6.0	10.3	-41.7%	5.7	7.8	-26.9%	11.7	18.1	-35.4%
Total Liabilities	<u>86.2</u>	<u>67.7</u>	27.3%	<u>78.0</u>	<u>66.5</u>	17.3%	<u>164.2</u>	<u>134.2</u>	22.4%
Net Assets									
Invested in capital assets, net of related debt	66.7	72.1	-7.5%	146.4	123.0	19.0%	213.1	195.1	9.2%
Restricted	5.2	3.9	33.3%	12.1	15.2	-20.4%	17.3	19.1	-9.4%
Unrestricted	17.1	5.4	216.7%	23.0	16.0	43.8%	40.1	21.4	87.4%
Total Net Assets	<u>89.0</u>	<u>81.4</u>	9.3%	<u>181.5</u>	<u>154.2</u>	17.7%	<u>270.5</u>	<u>235.6</u>	14.8%
Total Liabilities and Net Assets	<u>175.2</u>	<u>149.1</u>	17.5%	<u>259.5</u>	<u>220.7</u>	17.6%	<u>434.7</u>	<u>369.8</u>	17.6%

The largest portion of the City’s net assets, \$213.1 million or 78.8 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment and systems), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net assets, \$17.3 million or 6.4 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, \$40.1 million or 14.8 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 Changes in Net Assets

The City's net assets overall increased by \$34.9 million during the current fiscal year. These increases are explained in the governmental and business-type activities discussion in the following table.

Changes in Net Assets
For the Year Ended September 30, 2006
(in millions of dollars)

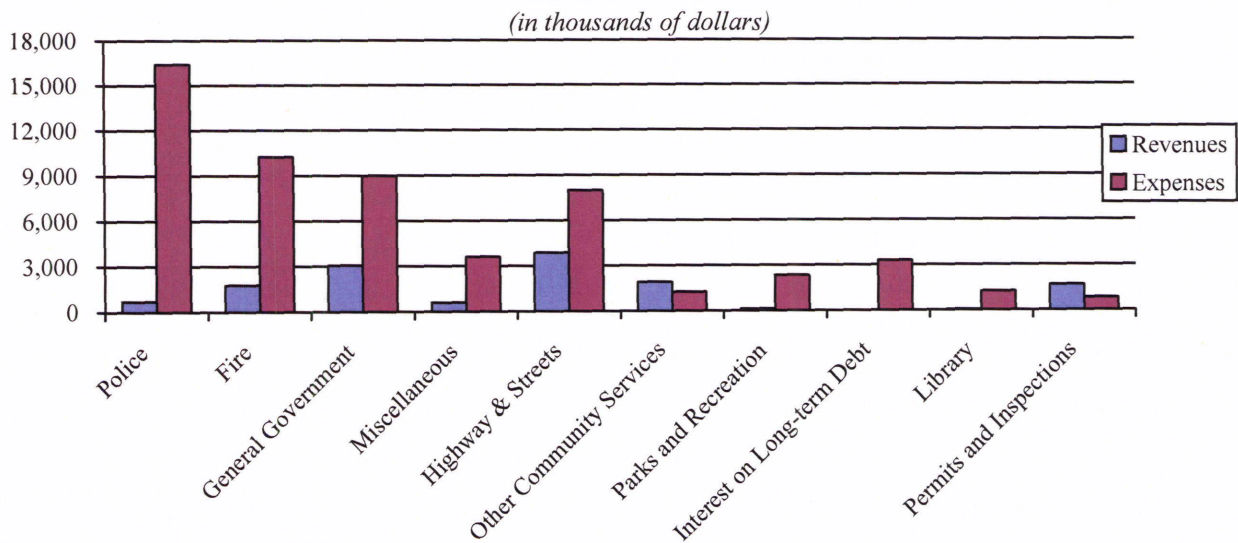
	Governmental Activities		Percent Change	Business-Type Activities		Percent Change	Total Activities		Percent Change
	2006	2005		2006	2005		2006	2005	
Revenues									
<i>Program revenues:</i>									
Charges for services	6.76	5.67	19.2%	44.33	46.65	-5.0%	51.09	52.32	-2.4%
Operating grants and contributions	1.74	2.43	-28.4%	0.01	-	100.0%	1.75	2.43	-28.0%
Capital grants and contributions	5.23	0.15	3386.7%	19.45	7.36	164.3%	24.68	7.51	228.6%
<i>General revenues:</i>									
Property taxes	20.60	18.41	11.9%	-	-	-	20.60	18.41	11.9%
Business taxes	5.13	4.57	12.3%	-	-	-	5.13	4.57	12.3%
Sales taxes	18.45	17.40	6.0%	-	-	-	18.45	17.40	6.0%
Interest and investment income	3.35	1.48	126.4%	2.57	1.37	87.6%	5.92	2.85	107.7%
Other	0.02	0.00	100.0%	0.05	0.01	400.0%	0.07	0.01	600.0%
Total Revenues	61.28	50.11	22.3%	66.41	55.39	19.9%	127.69	105.50	21.0%
Expenses									
General	9.00	10.68	-15.7%	-	-	-	9.00	10.68	-15.7%
Police	16.41	13.83	18.7%	-	-	-	16.41	13.83	18.7%
Fire	10.24	8.82	16.1%	-	-	-	10.24	8.82	16.1%
Highway & Streets	7.98	8.19	-2.6%	-	-	-	7.98	8.19	-2.6%
Library	1.25	1.19	5.0%	-	-	-	1.25	1.19	5.0%
Parks and Recreation	2.34	2.28	2.6%	-	-	-	2.34	2.28	2.6%
Permits and Inspections	0.83	0.66	25.8%	-	-	-	0.83	0.66	25.8%
Other Community Services	1.25	1.98	-36.9%	-	-	-	1.25	1.98	-36.9%
Miscellaneous	3.61	4.24	-14.9%	-	-	-	3.61	4.24	-14.9%
Interest on Long-term Debt	3.29	2.54	29.5%	-	-	-	3.29	2.54	29.5%
Airport Operations	-	-	-	5.43	4.88	11.3%	5.43	4.88	11.3%
Golf Course	-	-	-	1.30	1.22	6.6%	1.30	1.22	6.6%
Solid Waste	-	-	-	9.24	7.49	23.4%	9.24	7.49	23.4%
Water and Sewer	-	-	-	20.05	17.98	11.5%	20.05	17.98	11.5%
Drainage Utility	-	-	-	0.53	0.43	23.3%	0.53	0.43	23.3%
Total Expenses	56.20	54.41	3.3%	36.55	32.00	14.2%	92.75	86.41	7.3%
Change in net assets before transfers	5.08	-4.30	-218.1%	29.86	23.39	27.7%	34.94	19.09	83.0%
Transfers	2.54	1.29	96.9%	-2.54	-1.29	96.9%	-	-	-
Change in net assets	7.62	-3.01	-353.2%	27.32	22.10	23.6%	34.94	19.09	83.0%
Net assets at beginning of year	81.37	11.66	597.9%	154.21	132.11	16.7%	235.58	143.77	63.9%
Prior period adjustment	-	72.72	-100.0%	-	-	-	0.00	72.72	-100.0%
Net assets at end of year	88.99	81.37	9.4%	181.53	154.21	17.7%	270.52	235.58	14.8%

Governmental Activities

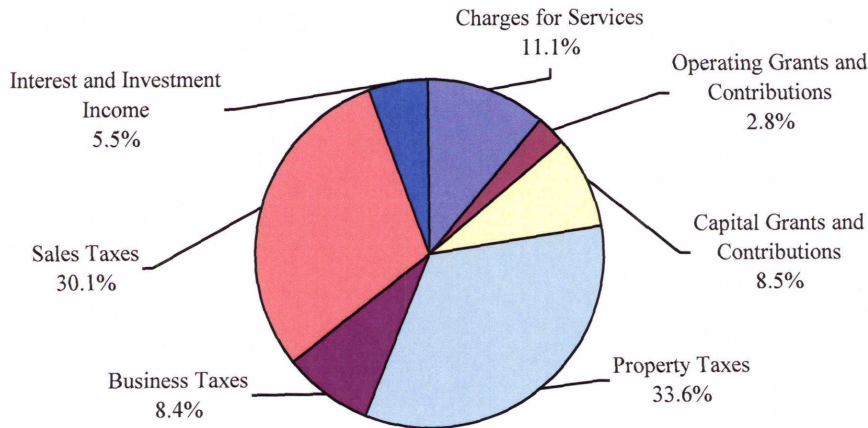
Governmental activities increased the City's net assets by \$7.6 million, thereby accounting for 22 percent of the total growth in the net assets of the City. Key factors of this increase are as follows:

The charts below illustrate the City's governmental expenses and revenues by function. As shown, police is the largest function in expense (29.2 percent), followed by fire (18.2 percent) and general government (16.0 percent). General revenues such as sales, property, and business taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, property taxes are the largest single source of funds (33.6 percent), followed by sales taxes (30.1 percent) and charges for services (11.1 percent). Property tax revenue increased by 11.9 percent, \$2.2 million, sales tax is up 6.0 percent, \$1.1 million, and charges for services is up 19.2 percent, \$1.1 million from the previous fiscal year.

Program Revenues and Expenditures - Governmental Activities
Fiscal Year 2005-06



Revenue by Source - Governmental Activities
Fiscal Year 2005-06



Business-type Activities

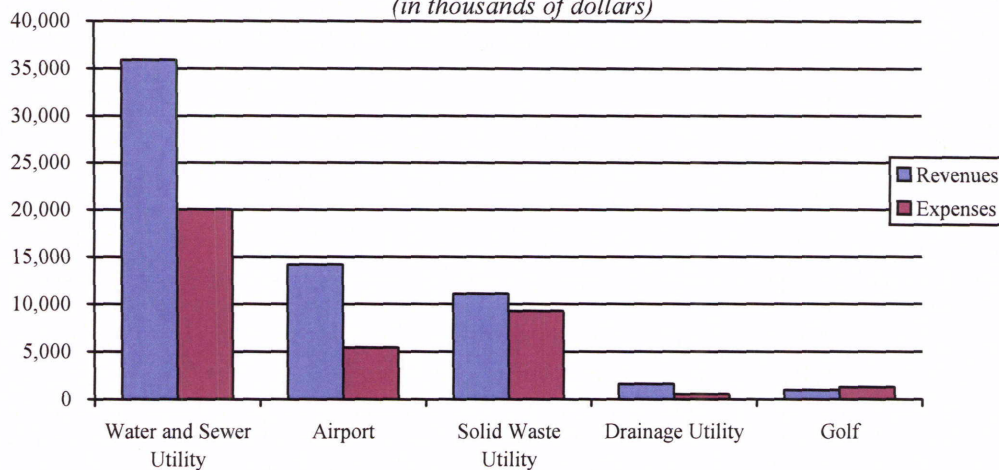
Business-type activities increased the City's net assets by \$27.3 million, accounting for 78 percent of the total growth in the City's net assets. Key factors of this increase are as follows:

The charts below illustrate the City's business-type expenses and revenues by fund. The largest of the City's business-type activities, Water & Sewer utilities, had expenses of \$20.1 million in fiscal year 2006, followed by Solid Waste with expenses of approximately \$9.2 million. For the fiscal year, revenues exceeded expenses in all areas of business activity except for Golf. Charges for services provided the largest share of revenues (66.7 percent) followed by capital grants and contributions (29.3 percent) for all business type activities. Charges for services revenue decreased by \$2.3 million (5.0 percent,) as a result of the developer contributions of \$8.9 million being reported in capital contributions line item this fiscal year. This is a change in reporting from the prior fiscal year when \$6.7 million was reported in the charges for services revenue line item for the developer contributions. Also as a result of this change, grants and contributions are up 164.1 percent, \$12.1 million from the previous fiscal year.

Program Revenues and Expenses - Business Type Activities

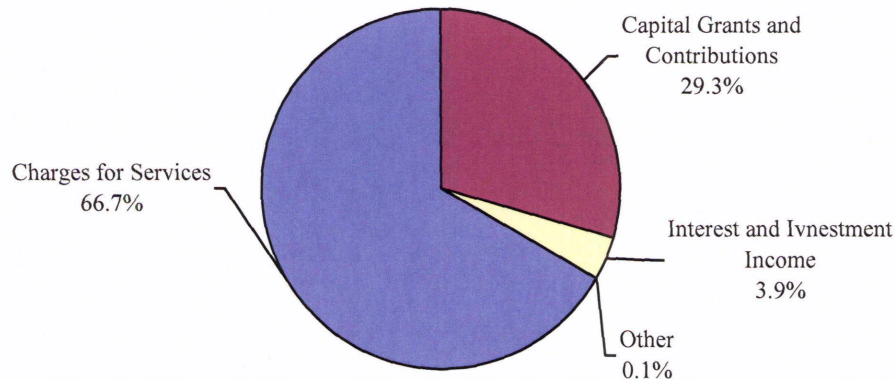
Fiscal Year 2005-06

(in thousands of dollars)



Revenues by Source - Business Type Activities

Fiscal Year 2005-06



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 \$64.8 million, an increase of \$18.7 million in comparison with the prior year. The increase is primarily due to proceeds of bonds issued in the current year in the Capital Projects fund. Approximately \$19.7 million (30 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 \$56.5 million in the fiscal year ended September 30, 2006, which represents a \$6.3 million increase from the prior fiscal year. Expenditures for governmental functions, totaling \$66.7 million, increased by approximately 26.7 percent (\$14.0 million) from the prior fiscal year. In the fiscal year ended September 30, 2006, expenditures for governmental functions exceeded revenues by approximately \$10.2 million, or slightly more than 18 percent.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved / undesignated fund balance of the general fund was \$17.9 million, while total fund balance was \$20.6 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 35.0 percent of total general fund expenditures, while total fund balance represents 40.3 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. 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.

- \$210 thousand increase in general government expenditures
- \$198 thousand increase in public safety expenditures
- \$226 thousand increase in public works expenditures
- \$48 thousand increase in community services expenditures
- \$254 thousand increase in capital outlay related expenditures

Proprietary Funds

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

At the end of the fiscal year, the unrestricted net assets for the Airport Fund were \$1.6 million, the Solid Waste Fund had \$2.6 million, the Water and Sewer Fund had \$18.2 million, the Drainage Utility Fund had \$.8 million and the Golf fund ended with (\$128,613) in unrestricted net assets. The total growth in net assets for the enterprise funds was \$27.3 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 fiscal year 2005-06, the net assets of the Firemen's Pension Trust Fund totaled \$16.3 million, representing an increase of \$1.5 million in total net assets since September 30, 2005. The change is primarily related to appreciation of the fair value of the plan's investments and an increase in the City's contribution rate from 12 percent to 13 percent effective October 1, 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2006, amount to \$302.5 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 17.0 percent (a 7.7 percent increase for governmental activities and a 22.4 percent increase for business-type activities) as shown in the table below.

	Governmental Activities			Business-type Activities			Total		
	2006	2005	Percent Change	2006	2005	Percent Change	2006	2005	Percent Change
Land	1.1	1.1	0.0%	1.6	1.6	0.0%	2.7	2.7	0.0%
Buildings and Land Improvements	19.5	20.2	-3.5%	116.4	109.8	6.0%	135.9	130.0	4.5%
Improvements Other	-	-	-	37.7	31.4	20.1%	37.7	31.4	20.1%
Vehicles	3.7	2.5	48.0%	3.4	2.2	54.5%	7.1	4.7	51.1%
Furniture, Fixtures, Office Equipment	3.6	3.6	0.0%	2.2	1.6	37.5%	5.8	5.2	11.5%
Construction in Progress	4.7	0.3	1466.7%	38.0	16.2	134.6%	42.7	16.5	158.8%
Infrastructure Assets	70.6	68.1	3.7%	-	-	-	70.6	68.1	3.7%
Total	103.2	95.8	7.7%	199.3	162.8	22.4%	302.5	258.6	17.0%

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

- Governmental activities' construction in progress increased by \$4.4 million due to major street, roadway, and traffic improvement projects.
- Business-type activities' construction in progress increased by \$21.8 million due to major airport projects, the new solid waste transfer station facility, and several water and sewer infrastructure projects.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Section IV, Note D, 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 \$139.5 million. Of this amount, \$41.1 million is general obligation bonds backed by the full faith and credit of the City and \$65.0 million is revenue bonds, certificates of obligation or other obligations of the City's

business enterprises. The remainder includes revenue bonds, certificates of participation, and other obligations of \$33.4 million of governmental activities.

During fiscal year 2006, the City's total bonded debt increased by approximately \$29.4 million. The increase relates to the following new bond issues:

- \$10 million of General Obligation Bonds for the new Recreation and Senior Center Complex.
- \$11.5 million of Certificates of Obligation for a building purchase, street and roadway projects, City's share of Texas Department of Transportation projects, heavy equipment, and ambulances for the Fire Department.
- 9.1 million of Solid Waste Certificates of Obligation for the Transfer Station and Administrative Building.
- \$8 million of Drainage Utility Certificates of Obligation for major drainage projects.

Outstanding Debt
September 30, 2005
(in millions of dollars)

	Governmental Activities			Business-type Activities			Total Activities		Percent Change
	2006	2005	Percent Change	2006	2005	Percent Change	2006	2005	
General obligation bonds	34.7	25.8	34.6%	6.4	7.9	-19.1%	41.1	33.7	22.0%
Revenue bonds (less deferred)	-	-	-	45.3	46.7	-2.9%	45.3	46.7	-2.9%
Certificates of obligation	39.8	29.7	33.9%	19.7	3.4	477.7%	59.5	33.1	79.6%
Limited tax notes	0.5	1.1	-54.5%	-	-	-	0.5	1.1	-54.5%
Less unamortized bond issue costs	-0.5	-0.3	66.7%	-0.7	-0.3	133.3%	-1.2	-0.6	100.0%
Plus unamortized bond premium / (discounts)	0.4	0.6	-31.0%	1.2	0.9	33.3%	1.6	1.5	8.1%
Less current portion of bonds payable	-4.4	-2.8	55.5%	-3.2	-3.1	2.2%	-7.6	-6.0	27.5%
Total bonds payable	70.5	54.1	30.4%	68.7	55.5	23.9%	139.2	109.5	27.1%
Long-term portion of notes payable	0.3	0.6	-50.0%	-	-	-	0.3	0.6	-50.0%
Total Long-Term Debt	70.8	54.7	29.6%	68.7	55.5	23.9%	139.5	110.1	26.7%

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

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

City of Killeen Bonded Debt Ratings
September 30, 2006

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

The state limits the legal amount of general obligation debt a governmental entity to \$1.25 per \$100 valuation. The City's 2006 debt levy equaled \$0.1948 per \$100 assessed valuation, or 15.6 percent of the maximum allowed.

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

Economic Factors and Next Years' Budget and Rates

At the time this MD&A was written, leading indicators such as the stock market, money supply, housing market, and the unemployment rates showed signs of future economic growth. One consensus among economists is that the dramatic decrease in energy prices is very likely to have a positive impact on economic growth. The Federal Open Market Committee's (FOMC) actions at its October 24, 2006 meeting, supports the theory of a slowing economy brought on by a gradual cooling of the housing market and higher core inflation. The federal funds rate currently at 5.25 percent is also expected to boost economic growth. At a national level, residential construction activity remained weak. In fact, single-family starts picked up in September, but new permit issuance slid further to its lowest level in nearly five years. Still, the City of Killeen continues to defy national trends, showing 8.8 percent, 200 percent, and 250 percent increases in single family, duplex, and multifamily permits respectively. In addition, the Nation's unemployment rate fell dramatically to a 4.4 percent low in October, compared to a local unemployment rate of 5.8 percent during the same period. From a less-optimistic perspective, the cost for infrastructure needs is continuing to rise. The significant increases in materials and fuel are requiring additional funding to supplement the 2002 general obligation bond 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 a 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. At the time this MD&A was written, the City had recently announced a new carrier offering direct flights to Atlanta. The addition of these flights supplement the current two major commercial airlines already committed to KFHRA. The future economic development opportunities to be derived from the opening of the KFHRA are unlimited.

Tourism is one of Killeen's major industries and is a significant contributor to the City's economy. Many local hotels, motels and restaurants complement the city's 63,000 square feet Civic and Conference Center. The Center boasts a 23,400 square feet ballroom, 3,000 square feet special events room, six large meeting rooms and two small meeting rooms in addition to full-featured kitchen facilities. Hotel Occupancy tax revenues through the fiscal year ended September 30, 2006 have grown by 63% 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 2006-07, 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 2006-07 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, Acting 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>

CITY OF KILLEEN
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 46,422,643	\$ 13,591,305	\$ 60,013,948
Investments	21,208,507	15,107,038	36,315,545
Accrued Interest	--	30,457	30,457
Receivables (net of allowances for uncollectibles):			
Grants	178,754	655,877	834,631
Taxes	564,316	--	564,316
Accounts	1,565,585	6,354,535	7,920,120
Notes Receivable	82,729	--	82,729
Internal Balances	1,095,394	(1,095,394)	--
Inventories	282,285	526,945	809,230
Prepaid Items	--	483,625	483,625
Restricted Assets:			
Cash and Cash Equivalents	33,367	18,669,267	18,702,634
Investments	--	5,000,000	5,000,000
Accrued Interest	--	186,133	186,133
Cash with Fiscal Agent	--	775	775
Deferred Charges	527,003	713,076	1,240,079
Capital Assets:			
Non-Depreciable	5,846,072	44,122,813	49,968,885
Depreciable (Net)	97,345,793	155,215,500	252,561,293
Total Assets	\$ 175,152,448	\$ 259,561,952	\$ 434,714,400
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts Payable	\$ 3,720,235	\$ 3,658,872	\$ 7,379,107
Escrow Payable	--	21,946	21,946
Due to State Agencies	387,674	--	387,674
Customer Deposits	802,915	1,538,067	2,340,982
Current Portion of Vacation and Sick Leave Payable	227,024	473,937	700,961
Current Portion of Note Payable	302,194	--	302,194
Current Portion of General Obligation Bonds Payable	2,695,400	2,579,600	5,275,000
Current Portion of Certificate of Obligation Bonds Payable	1,206,107	668,893	1,875,000
Current Portion of Tax Notes Payable	545,000	--	545,000
Accrued Interest Payable	460,317	451,657	911,974
Deferred Revenue	504,507	--	504,507
Unearned Revenue	95,160	--	95,160
General Obligation Bonds Payable - Long Term	31,963,701	49,156,299	81,120,000
Certificate of Obligation Bonds Payable - Long Term	38,591,136	19,033,864	57,625,000
Deferred Amount on Refunding Bonds	(316,906)	(731,587)	(1,048,493)
Unamortized Bond Premium	380,088	1,189,991	1,570,079
Long Term Portion of Note Payable	12,039	--	12,039
Long Term Portion of Vacation and Sick Leave Payable	4,579,581	--	4,579,581
Total Liabilities	86,156,172	78,041,539	164,197,711
NET ASSETS			
Investment in Capital Assets (net of related debt)	66,757,690	146,389,308	213,146,998
Restricted For:			
Debt Service	2,294,404	8,246,358	10,540,762
Capital Projects	2,848,184	3,836,414	6,684,598
Unrestricted	17,095,998	23,048,333	40,144,331
	\$ 88,996,276	\$ 181,520,413	\$ 270,516,689

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities				
General Government	\$ 8,999,154	\$ 1,449,310	\$ 324,965	\$ 1,288,188
Police	16,409,733	615,623	--	78,159
Fire	10,237,310	1,703,377	54,489	--
Highway & Streets	7,981,922	--	--	3,864,565
Library	1,251,417	51,355	--	--
Parks and Recreation	2,343,001	130,891	--	--
Permits and Inspections	831,036	1,673,018	--	--
Other Community Services	1,249,783	541,789	1,363,890	--
Miscellaneous	3,613,371	596,207	--	--
Interest on Long-term Debt	3,294,913	--	--	--
Total Governmental Activities	56,211,640	6,761,570	1,743,344	5,230,912
Business-type Activities:				
Airport Operations	5,433,754	3,621,665	5,265	10,566,131
Golf	1,300,493	981,774	--	--
Solid Waste	9,235,406	11,076,247	--	--
Water and Sewer	20,050,177	27,036,300	--	8,881,456
Drainage Utility	526,775	1,608,920	6,592	--
Total Business-type Activities	36,546,605	44,324,906	11,857	19,447,587
Total Primary Government	\$ 92,758,245	\$ 51,086,476	\$ 1,755,201	\$ 24,678,499

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (5,936,691)		\$ (5,936,691)
(15,715,951)		(15,715,951)
(8,479,444)		(8,479,444)
(4,117,357)		(4,117,357)
(1,200,062)		(1,200,062)
(2,212,110)		(2,212,110)
841,982		841,982
655,896		655,896
(3,017,164)		(3,017,164)
(3,294,913)		(3,294,913)
(42,475,814)		(42,475,814)
--	\$ 8,759,307	8,759,307
--	(318,719)	(318,719)
--	1,840,841	1,840,841
--	15,867,579	15,867,579
--	1,088,737	1,088,737
--	27,237,745	27,237,745
(42,475,814)	27,237,745	(15,238,069)
20,427,442	--	20,427,442
172,446	--	172,446
188,977	--	188,977
4,739,736	--	4,739,736
18,452,935	--	18,452,935
199,000	--	199,000
3,354,918	2,568,478	5,923,396
18,668	48,222	66,890
2,541,985	(2,541,985)	--
50,096,107	74,715	50,170,822
7,620,293	27,312,460	34,932,753
81,375,983	154,207,953	235,583,936
\$ 88,996,276	\$ 181,520,413	\$ 270,516,689

CITY OF KILLEEN

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	General Fund	2004 G.O.	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and Cash Equivalents	\$ 7,129,991	\$ 9,241,186	\$ 30,051,466	\$ 46,422,643
Investments	16,208,507	5,000,000	--	21,208,507
Receivables (net of allowances for uncollectibles):				
Grants	19,832	--	158,922	178,754
Taxes	467,355	--	96,961	564,316
Accounts	1,467,236	55,171	43,178	1,565,585
Notes Receivable	82,729	--	--	82,729
Due from Other Funds	224,574	--	1,120,290	1,344,864
Inventories	282,285	--	--	282,285
Restricted Assets:				
Cash and Cash Equivalents	--	--	33,367	33,367
Total Assets	\$ 25,882,509	\$ 14,296,357	\$ 31,504,184	\$ 71,683,050
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 2,550,914	\$ 664,598	\$ 504,723	\$ 3,720,235
Due to State Agencies	387,674	--	--	387,674
Due to Other Funds	--	--	249,470	249,470
Customer Deposits	782,015	--	20,900	802,915
Vacation and Sick Leave Payable	25,381	--	--	25,381
Deferred Revenue	1,501,593	--	105,289	1,606,882
Unearned Revenue	--	--	95,160	95,160
Total Liabilities	5,247,577	664,598	975,542	6,887,717
Fund Balances:				
Reserved:				
Encumbrances	930,956	--	133,860	1,064,816
Inventories	282,285	--	--	282,285
Debt Service	--	--	2,294,404	2,294,404
Capital Projects	--	13,631,759	26,346,966	39,978,725
Unreserved:				
Designated (Note F)	1,525,000	--	--	1,525,000
Undesignated - General Fund	17,896,691	--	--	17,896,691
Undesignated - Special Revenue Funds	--	--	1,753,412	1,753,412
Total Fund Balances	20,634,932	13,631,759	30,528,642	64,795,333
Total Liabilities and Fund Balances	\$ 25,882,509	\$ 14,296,357	\$ 31,504,184	\$ 71,683,050

CITY OF KILLEENRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

Total fund balances - governmental funds balance sheet	\$ 64,795,333
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental fund are not financial resources and, therefore, are not reported in the funds.	103,191,865
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(79,891,654)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	900,732
Net assets of governmental activities - statement of net assets	<u>\$ 88,996,276</u>

The accompanying notes are an integral part of this statement.

CITY OF KILLEENSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund	2004 G.O.	Other Governmental Funds	Total Governmental Funds
Revenue:				
Taxes	\$ 37,285,113	\$ --	\$ 6,924,713	\$ 44,209,826
Licenses and Permits	1,673,018	--	--	1,673,018
Intergovernmental	324,965	--	1,483,461	1,808,426
Charges for Services	2,866,292	--	30,502	2,896,794
Fines	1,236,557	--	110,000	1,346,557
Miscellaneous	1,813,686	705,739	2,054,312	4,573,737
Total Revenues	45,199,631	705,739	10,602,988	56,508,358
Expenditures:				
Current:				
General Government	6,305,657	--	1,262,626	7,568,283
Public Safety	25,346,243	--	--	25,346,243
Public Works	4,240,741	62,777	--	4,303,518
Community Services	4,572,333	--	132,388	4,704,721
Miscellaneous	3,416,370	--	1,434,832	4,851,202
Capital Outlay	7,311,072	2,748,033	3,604,939	13,664,044
Debt service:				
Principal	--	--	3,066,407	3,066,407
Interest	--	--	3,167,191	3,167,191
Fiscal Charges	--	--	19,089	19,089
Total Expenditures	51,192,416	2,810,810	12,687,472	66,690,698
Excess (Deficiency) of Revenues (Under) Expenditures	(5,992,785)	(2,105,071)	(2,084,484)	(10,182,340)
Other Financing Sources (Uses):				
Issuance of Debt	--	--	21,623,647	21,623,647
Premiums and (Discounts) on Issuance of Debt	--	--	(164,509)	(164,509)
Bond Issuance Costs	--	--	(263,353)	(263,353)
Proceeds from Fixed Asset Dispositions	18,668	--	--	18,668
Developers' Contributions	5,152,753	--	--	5,152,753
Transfers In	4,495,868	--	2,215,637	6,711,505
Transfers Out	(930,547)	--	(3,238,973)	(4,169,520)
Total Other Financing Sources (Uses)	8,736,742	--	20,172,449	28,909,191
Net Change in Fund Balance	2,743,957	(2,105,071)	18,087,965	18,726,851
Fund Balances, October 1	17,890,975	15,736,830	12,440,677	46,068,482
Fund Balances, September 30	\$ 20,634,932	\$ 13,631,759	\$ 30,528,642	\$ 64,795,333

CITY OF KILLEEN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - total governmental funds	\$ 18,726,851
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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 outlay exceeded depreciation in the current period.</p>	7,401,871
<p>The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items.</p>	(17,704,932)
<p>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.</p>	(513,666)
<p>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.</p>	(289,831)
Change in net assets of governmental activities - statement of activities	\$ 7,620,293

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2006

	Enterprise Fund Airport Enterprise Fund	Enterprise Fund Solid Waste Enterprise Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,610,283	\$ 1,896,792
Investments	--	3,001,550
Accrued Interest	--	30,457
Receivables (net of allowances for uncollectibles):		
Grants	655,877	--
Accounts	--	1,952,127
Due from Other Funds	--	43,564
Inventories	51,483	--
Prepaid Items	--	--
Restricted Assets:		
Cash and Cash Equivalents	5,638	4,911,889
Investments	--	--
Accrued Interest	--	--
Cash with Fiscal Agent	--	--
Deferred Charges	--	58,259
Total Current Assets	<u>2,323,281</u>	<u>11,894,638</u>
Property and Equipment:		
Land	1,319,003	72,165
Buildings and Improvements	2,125,569	2,063,349
Improvements Other Than Buildings	62,464,563	--
Furniture and Fixtures	516,985	3,010,367
Equipment	443,166	7,360,626
Construction in Progress	16,775,351	4,808,148
Less Accumulated Depreciation	(12,044,210)	(8,001,848)
Net Property and Equipment - Total Non-Current Assets	<u>71,600,427</u>	<u>9,312,807</u>
Total Assets	<u>\$ 73,923,708</u>	<u>\$ 21,207,445</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	\$ 611,652	\$ 1,324,657
Escrow Payable	21,946	--
Due to Other Funds	1,120,290	18,668
Customer Deposits	--	--
Vacation and Sick Leave Payable	118,176	155,969
Current Portion of General Obligation Bonds Payable	--	--
Current Portion of Certificate of Obligation Bonds Payable	--	211,393
Restricted Accrued Interest Payable	--	--
Total Current Liabilities	<u>1,872,064</u>	<u>1,710,687</u>
General Obligation Bonds Payable - Long Term	--	--
Certificate of Obligation Bonds Payable - Long Term	--	9,048,864
Deferred Amount on Refunding Bonds	--	--
Unamortized Bond Premium	--	(67,177)
Total Non-Current Liabilities	<u>--</u>	<u>8,981,687</u>
Total Liabilities	<u>1,872,064</u>	<u>10,692,374</u>
Net Assets:		
Investment in Capital Assets (net of related debt)	70,480,137	4,660,366
Restricted:		
Debt Service	--	708,905
Capital Projects	--	2,571,234
Unrestricted	1,571,507	2,574,566
Total Net Assets	<u>72,051,644</u>	<u>10,515,071</u>
Total Liabilities and Net Assets	<u>\$ 73,923,708</u>	<u>\$ 21,207,445</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-7

Enterprise Fund Water and Sewer Enterprise Fund	Enterprise Fund Drainage Utility Enterprise Fund	Enterprise Fund Golf Enterprise Fund	Total Enterprise Funds
\$ 8,589,539	\$ 1,405,338	\$ 89,353	\$ 13,591,305
12,105,488	--	--	15,107,038
--	--	--	30,457
--	--	--	655,877
4,206,168	196,240	--	6,354,535
--	--	--	43,564
360,537	--	114,925	526,945
483,625	--	--	483,625
5,814,841	7,936,899	--	18,669,267
5,000,000	--	--	5,000,000
186,133	--	--	186,133
775	--	--	775
507,822	120,762	26,233	713,076
37,254,928	9,659,239	230,511	61,362,597
168,147	--	4,583,662	6,142,977
76,687,781	--	841,980	81,718,679
39,388,540	278,539	--	102,131,642
3,233,963	--	725,676	7,486,991
2,750,080	459,050	229,518	11,242,440
16,084,555	311,782	--	37,979,836
(26,141,175)	(92,209)	(1,084,810)	(47,364,252)
112,171,891	957,162	5,296,026	199,338,313
\$ 149,426,819	\$ 10,616,401	\$ 5,526,537	\$ 260,700,910
\$ 1,419,334	\$ 266,156	\$ 37,073	\$ 3,658,872
--	--	--	21,946
--	--	--	1,138,958
1,535,165	--	2,902	1,538,067
198,095	1,697	--	473,937
2,579,600	--	--	2,579,600
--	250,000	207,500	668,893
396,464	55,193	--	451,657
6,128,658	573,046	247,475	10,531,930
49,156,299	--	--	49,156,299
--	7,280,000	2,705,000	19,033,864
(731,587)	--	--	(731,587)
1,340,999	(71,435)	(12,396)	1,189,991
49,765,711	7,208,565	2,692,604	68,648,567
55,894,369	7,781,611	2,940,079	79,180,497
67,895,721	957,162	2,395,922	146,389,308
6,637,146	581,158	319,149	8,246,358
780,379	484,801	--	3,836,414
18,219,204	811,669	(128,613)	23,048,333
93,532,450	2,834,790	2,586,458	181,520,413
\$ 149,426,819	\$ 10,616,401	\$ 5,526,537	\$ 260,700,910

CITY OF KILLEEN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Fund Airport Enterprise Fund	Enterprise Fund Solid Waste Enterprise Fund
OPERATING REVENUES:		
Charges for Services	\$ 3,621,665	\$ 11,076,247
Total Operating Revenues	3,621,665	11,076,247
OPERATING EXPENSES:		
Purchase of Water	--	--
Sewage Treatment	--	--
Salaries	1,240,118	2,454,128
Employee Benefits	394,767	716,526
Repairs and Maintenance	133,438	864,631
Supplies	89,952	554,721
Depreciation	2,228,072	1,071,092
Miscellaneous Services and Charges	1,347,407	533,688
Refuse Disposal Costs	--	2,651,182
Total Operating Expenses	5,433,754	8,845,968
Operating Income (Loss)	(1,812,089)	2,230,279
NON-OPERATING REVENUES (EXPENSES):		
Grants - Non-Federal	5,265	--
Investment Revenue	83,309	569,262
Proceeds of General Fixed Assets Dispositions	--	48,947
Industrial Development	--	--
Interest Expense	--	(389,438)
Total Non-Operating Revenues (Expenses)	88,574	228,771
Capital Contributions	10,566,131	--
Net Income (Loss) Before Transfers	8,842,616	2,459,050
TRANSFERS:		
Transfers In	1,617,274	--
Transfers Out	(487,484)	(1,825,580)
Change in Net Assets	9,972,406	633,470
Beginning Net Assets, October 1	62,079,238	9,881,601
Ending Net Assets, September 30	\$ 72,051,644	\$ 10,515,071

Enterprise Fund Water and Sewer Enterprise Fund	Enterprise Fund Drainage Utility Enterprise Fund	Nonmajor Enterprise Fund Golf Enterprise Fund	Total Enterprise Funds
\$ 27,036,300	\$ 1,608,920	\$ 981,774	\$ 44,324,906
27,036,300	1,608,920	981,774	44,324,906
4,373,883	--	--	4,373,883
4,602,504	--	--	4,602,504
3,000,093	127,996	458,646	7,280,981
904,661	30,735	128,788	2,175,477
714,921	22,855	20,515	1,756,360
529,321	15,300	133,122	1,322,416
2,858,702	43,765	160,297	6,361,928
1,406,306	276,514	397,445	3,961,360
--	--	--	2,651,182
18,390,391	517,165	1,298,813	34,486,091
8,645,909	1,091,755	(317,039)	9,838,815
--	6,592	--	11,857
1,686,252	223,663	5,992	2,568,478
(725)	--	--	48,222
(470,709)	--	--	(470,709)
(1,189,077)	(9,610)	(1,680)	(1,589,805)
25,741	220,645	4,312	568,043
8,881,456	--	--	19,447,587
17,553,106	1,312,400	(312,727)	29,854,445
--	--	395,042	2,012,316
(2,149,599)	(17,213)	(74,425)	(4,554,301)
15,403,507	1,295,187	7,890	27,312,460
78,128,943	1,539,603	2,578,568	154,207,953
\$ 93,532,450	\$ 2,834,790	\$ 2,586,458	\$ 181,520,413

CITY OF KILLEEN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities		
	Enterprise Funds		
	AIRPORT	SOLID WASTE	WATER AND SEWER
Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$3,946,598	\$10,849,921	\$35,139,333
Receipts from Interfund Services Provided	-	-	-
Payments to Suppliers	(1,932,291)	(3,846,247)	(13,155,396)
Payments to Employees	(1,619,112)	(3,173,359)	(3,879,206)
Payments for Interfund Services Used	(350,213)	(24,896)	(9,500)
Net Cash Provided (Used) by Operating Activities	<u>44,982</u>	<u>3,805,419</u>	<u>18,095,231</u>
Cash Flows from Non-capital Financing Activities:			
Industrial Development	-	-	(470,709)
Transfers In from Other Funds	1,617,274	-	-
Transfers Out to Other Funds	(487,484)	(1,825,580)	(2,149,599)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>1,129,790</u>	<u>(1,825,580)</u>	<u>(2,620,308)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	10,566,131	-	-
Issuance of Debt	-	9,044,468	10,334,797
Purchase and Construction of Capital Assets	(11,969,097)	(6,683,480)	(16,925,833)
Proceeds from Sale of Capital Assets	-	48,947	(725)
Principal Paid on Long Term Debt	-	(293,743)	(19,709,850)
Interest and Fees Paid on Long Term Debt	-	(389,438)	(1,191,668)
Bond Issuance Cost	-	-	-
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,402,966)</u>	<u>1,726,754</u>	<u>(27,493,279)</u>
Cash Flows from Investing Activities:			
Purchase of Investment Securities	-	(1,996,250)	(7,992,439)
Interest and Dividends on Investments	83,309	569,262	1,686,252
Net Cash Provided (Used) for Investing Activities	<u>83,309</u>	<u>(1,426,988)</u>	<u>(6,306,187)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(144,885)	2,279,605	(18,324,543)
Cash and Cash Equivalents at Beginning of Year	1,760,806	4,529,076	32,729,698
Cash and Cash Equivalents at End of Year	<u>\$1,615,921</u>	<u>\$6,808,681</u>	<u>\$14,405,155</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$1,812,089)	\$2,230,279	\$17,527,365
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	2,228,072	1,071,092	2,858,702
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	234,933	(226,326)	(863,571)
Decrease (Increase) in Due From Other Funds	-	(43,564)	-
Decrease (Increase) in Inventories	18,793	-	148,530
Decrease (Increase) in Other Assets	-	(58,259)	(647,626)
Increase (Decrease) in Payable	(342,237)	816,234	(1,029,365)
Increase (Decrease) in Due to Other Funds	(298,263)	18,668	(9,500)
Increase (Decrease) in Customer Deposits	-	-	85,148
Increase (Decrease) in Vacation and Sick Leave Payable	15,773	(2,705)	25,548
Total Adjustments	<u>1,857,071</u>	<u>1,575,140</u>	<u>567,866</u>
Net Cash Provided (Used) by Operating Activities	<u>\$44,982</u>	<u>\$3,805,419</u>	<u>\$18,095,231</u>
Noncash Investing, Capital and Financing Activities:			
Developer Donated Water and Sewer Lines	-	-	8,881,456
Net Decrease (Increase) in Fair Value of Investments	-	1,550	4,020
Temporary Investments	-	1,550	(4,020)
Deferred Amount on Refunding Bonds	-	-	(88,749)
Amortization of Deferred Amount on Refunding Bonds	-	-	88,749
Bond Issuance Costs	-	-	(47,390)
Amortization of Bond Issuance Costs	-	-	47,390

The accompanying notes are an integral part of this statement.

DRAINAGE UTILITY	(Non-Major) GOLF	Totals
\$1,509,398	\$981,392	\$52,426,642
-	-	-
(235,550)	(583,636)	(19,753,120)
(158,151)	(608,231)	(9,438,059)
-	-	(384,609)
<u>1,115,697</u>	<u>(210,475)</u>	<u>22,850,854</u>
-	-	(470,709)
-	395,042	2,012,316
(17,213)	(74,425)	(4,554,301)
<u>(17,213)</u>	<u>320,617</u>	<u>(3,012,694)</u>
-	-	10,566,131
8,061,957	-	27,441,222
(713,670)	(148,918)	(36,440,998)
-	-	48,222
(470,000)	(39,461)	(20,513,054)
(9,610)	(1,680)	(1,592,396)
(126,800)	-	(126,800)
<u>6,741,877</u>	<u>(190,059)</u>	<u>(31,183,804)</u>
-	-	(9,988,689)
223,663	5,992	2,568,478
<u>223,663</u>	<u>5,992</u>	<u>(7,420,211)</u>
8,064,024	(73,925)	(8,199,724)
1,278,213	163,278	40,461,071
<u>\$9,342,237</u>	<u>\$89,353</u>	<u>\$32,261,347</u>
\$1,091,755	(\$317,039)	\$18,720,271
43,765	160,297	6,361,928
(106,114)	-	(961,078)
-	-	(43,564)
-	1,681	169,004
(113,175)	1,141	(817,919)
200,045	(35,376)	(390,699)
-	-	(289,095)
-	(382)	84,766
(579)	(20,797)	17,240
<u>23,942</u>	<u>106,564</u>	<u>4,130,583</u>
<u>\$1,115,697</u>	<u>(\$210,475)</u>	<u>\$22,850,854</u>
-	-	8,881,456
-	-	5,570
-	-	(2,470)
-	-	(88,749)
-	-	88,749
-	-	(47,390)
-	-	47,390

CITY OF KILLEEN

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

SEPTEMBER 30, 2006

	Firemen's Pension Trust Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 134,567
Temporary Investments:	
Fixed Income Securities	5,823,746
Equities	8,165,596
Partnership Ownership	2,169,814
Total Assets	<u>\$ 16,293,723</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	\$ --
Total Liabilities	<u>--</u>
Net Assets:	
Net Assets Held in Trust for Pension Benefits	<u>16,293,723</u>
Total Liabilities and Net Assets	<u>\$ 16,293,723</u>

The accompanying notes are an integral part of this statement.

CITY OF KILLEENSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Firemen's Pension Trust Fund
Additions:	
Contributions:	
Employee Contributions	\$ 629,341
Employer Contributions	881,695
Total Contributions	1,511,036
Net Investment Income:	
Interest and Dividends	545,259
Net Appreciation (Depreciation) in the Fair Value of Plan Investments	505,518
Investment Expenses	
Total Net Investment Income	1,050,777
Total Additions	2,561,813
Deductions:	
Benefit Payments	983,643
Administrative Expenses	38,253
Refund of Contributions	70,018
Total Deductions	1,091,914
Net Increase (Decrease)	1,469,899
Net Assets-Beginning of the Year	14,823,824
Net Assets-End of the Year	\$ 16,293,723

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments" (Statement No. 34). This Statement provides for the most significant change in governmental financial reporting in over twenty years and 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.

Fund Financial Statements: Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual

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

enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures /expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

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

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

The government-wide financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and activities of its discretely presented component units (which the City does not have) on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's fixed assets. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unbilled utility receivables are estimated, based on the number of days included in the period. Tap fees approximate cost, therefore, they are recorded as revenue.

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

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

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, golf and airport funds are charges to customers for sales and services. Operating expenses for the Proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expense.

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

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

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

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

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

The City reports the following major governmental funds:

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

2004 General Obligation Bond Fund – The 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 – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those listed below) that are legally restricted to expenditures for specified purposes.

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

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

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following proprietary fund:

Golf Fund – The Golf Fund is used to account for the provision of golf course facilities. All activities necessary to provide such services are accounted for in this fund.

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

The City reports the following fiduciary fund:

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

- (1) Obligations of the United States or its agencies and instrumentalities, which have a stated maturity on the date of purchase of two years or less.
- (2) Direct obligations of the State of Texas or its agencies and instrumentalities.
- (3) Certificates of deposit if issued by a state or national bank domiciled in the State of Texas or a savings and loan association domiciled in the State of Texas.
- (4) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed with the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities.
- (5) Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and have received a rating of not less than A or its equivalent.
- (6) Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act.
- (7) Eligible investment pools in accordance with the Public Funds Investment Act. Sec. 2256.016-2256.019.
- (8) Any other securities which may be added by the State of Texas as permissible investments for municipal governments which are in compliance with the Public Funds Investment Act.

2. Interfund Transactions and Receivables and Payables

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

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

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 revenues funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute GAAP basis expenditures or liabilities, since the commitments will be honored during the subsequent year.

4. Cash and Investments

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

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

5. Inventories and Prepaid Items

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

6. Restricted Assets

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

7. Capital Assets

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

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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

<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
Leashold improvements	\$25,000

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15 - 30
Improvements - Other	10 - 20
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 pay 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.

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

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.

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.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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

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.

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:

	<u>Fund</u>			Total Governmental Funds
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Property taxes receivable	\$ 467,355	\$ -	\$ 96,961	\$ 564,316
Miscellaneous	73,771	95,160	-	168,931
Ambulance fees receivable	539,840	-	-	539,840
Municipal court receivable	337,898	8,328	-	346,226
Notes receivable	82,729	-	-	82,729
Total deferred revenue	<u>\$ 1,501,593</u>	<u>\$ 103,488</u>	<u>\$ 96,961</u>	<u>\$ 1,702,042</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$79,891,654 difference are as follows:

General obligation bonds payable	\$ (34,659,101)
Certificates of obligation bonds payable	(39,797,243)
Tax anticipation notes	(545,000)
Less: Unamortized bond issuance costs - deferred charges	527,003
Less: Deferred Amount on Refunding	316,906
Plus: Unamortized Premium	(380,088)
Notes payable	(314,233)
Accrued interest payable	(460,317)
Vacation and sick leave payable (in excess fund financial statement liability)	<u>(4,579,581)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (79,891,654)</u>

CITY OF KILLEEN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (continued)
 SEPTEMBER 30, 2006

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$7,401,871 difference are as follows:

Capital outlay	\$ 15,071,769
Depreciation expense	<u>(7,669,898)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 7,401,871</u>

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 \$17,704,932 difference are as follows:

Debt Issuance:	
General obligation debt	\$ (10,000,000)
Certificate of obligation debt	(11,500,000)
Bond issuance costs	263,353
Premium	164,509
Principal repayments:	
Notes payable	300,799
General obligation debt	1,125,150
Certificate of obligation debt	1,421,257
Tax anticipation debt	<u>520,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (17,704,932)</u>

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

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 \$312,023 difference are as follows:

Vacation and Sick Leave	\$ (394,570)
Accrued Interest	(108,633)
Amortization of Bond Premium	31,591
Amortization of Bond Issuance Costs	(28,275)
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>\$ (513,666)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

1. Prior to August 1, the City Manager submits a proposed operating budget to the City Council for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. On or before September 20, the budget is legally adopted by the City Council.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

A. Budgetary Information (continued)

3. Subsequent to enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget which may result in a change in total appropriations as long as total estimated expenditures do not exceed total estimated resources. The legal level of control (the level at which expenditures may not legally exceed appropriations) is the department. Each special revenue fund represents a single department. The City Manager may reallocate expenditures within a department without prior City Council approval.
4. Formal budgetary integration is employed as a management control device by expenditure category for the following funds, which have legally adopted annual budgets: General Fund, Special Revenue funds, and Enterprise funds. Formal annual budgetary integration is not employed for Debt Service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Annual budgetary integration is not employed for the Capital Projects funds because the small number of contracts and projects in these funds provides effective project length budgetary control.
5. Budgets for the General Fund, the Special Revenue Funds, and Enterprise funds are adopted on a basis specified by the charter of the City of Killeen. For the General and Special Revenue Funds, this basis is consistent with the modified accrual basis of accounting, except that encumbrances are charged as expenditures. The budgetary comparison presented in this report is on the budgetary basis, which differs with generally accepted accounting principles.
6. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods 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, 2006, the City's actual expenditures and transfers by function were below the respective authorized budgeted amounts.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

All of the City's demand depository accounts are held in a local banking institution under the terms of a written depository contract. 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, 2006, the carrying amount of the City's demand deposits (excluding the Pension Trust Fund) was (\$1,041,153) and the bank balance was \$1,714,410. 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 \$134,567. \$108,459 of the bank balance on October 3, 2005 was not covered by federal depository insurance or by U.S. Government Securities held as collateral by the City's agent in the City's name, which was subsequently corrected the following day. The carrying amount of money market accounts for the City's Pension Trust Fund was \$12.

As of September 30, 2006 the City had negative cash in concentration balances for the following funds:

General Fund:	\$	565,625
Special Revenue:		
Cablesystem Improvements	\$	76,402
Debt Service:		
Tax Interest & Sinking 1993	\$	9,316
Tax Interest & Sinking 1995	\$	34,099
Certificates of Obligation 1996	\$	13
Capital Projects:		
2002 C.O. Bonds	\$	4,322
2004 C.O. Fire Bonds	\$	292,451
2004 G.O. Bonds	\$	94,692
2005 C.O. Bonds	\$	5,014
Proprietary:		
Airport	\$	276,058
Solid Waste	\$	241,347
Water & Sewer	\$	1,295,130
Golf	\$	2,016

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. Deposits and Investments (continued)

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

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

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

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

The City's deposit and investment policy addresses 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. As noted above, with the exception of October 3, 2005, 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.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

A. Deposits and Investments (continued)

Interest Rate Risk – Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for 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):

	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
TexPool (considered cash & cash equivalents due to liquidity)	\$ 79,744,564	0.07
TexStar	3,304,405	0.08
TexasTerm	14,000,000	0.10
U.S. Agency Securities	24,011,140	0.92
Total fair value	<u>\$ 121,060,109</u>	
Portfolio weighted average maturity		0.29

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

Investment in Firemen's Pension Trust Mutual Funds	\$ 16,159,156
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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.

A. Deposits and Investments (continued)

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.

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 & Poor's 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.

TexasTERM

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 AAAs by Standard and Poor's Corporation. Participants may lock in a fixed rate for a term of 60 to 365 days.

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

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

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

A. Deposits and Investments (continued)

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

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

B. Property Taxes

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessed value for the roll of January 1, 2005, upon which the 2006 fiscal year levy was based, was \$3,024,014,497.

The tax assessment of October 1, 2005 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, 2006, for the fiscal 2006 tax levy, were 96.01 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, 2006, delinquent property taxes receivable were \$564,316, net of an allowance for uncollectibles of \$184,204.

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.

C. Receivables

Receivables at September 30, 2006 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:

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

C. Receivables (continued)

Receivables:	General	2004 G.O.	Other		Solid Waste	Water & Sewer	Drainage Utility	Total
			Governmental Funds	Airport				
Grants	\$ 19,832	\$ -	\$ 158,922	\$ 655,877	\$ -	\$ -	\$ -	\$ 834,631
Taxes	467,355	-	96,961	-	-	-	-	564,316
Accounts	1,467,236	55,171	43,178	-	1,952,127	4,206,168	196,240	7,920,120
Notes Receivable	82,729	-	-	-	-	-	-	82,729
Total Net Receivables	<u>\$ 2,037,152</u>	<u>\$ 55,171</u>	<u>\$ 299,061</u>	<u>\$ 655,877</u>	<u>\$ 1,952,127</u>	<u>\$ 4,206,168</u>	<u>\$ 196,240</u>	<u>\$ 9,401,796</u>

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2006.

D. Capital Assets

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

Capital asset activity for the year ended September 30, 2006 was as follows:

Primary Government

	Balance 09/30/05	Additions	Deletions	Balance 9/30/2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,092,850	\$ -	\$ -	\$ 1,092,850
Construction in progress	319,269	4,433,953	-	4,753,222
Total capital assets, not being depreciated	<u>1,412,119</u>	<u>4,433,953</u>	<u>-</u>	<u>5,846,072</u>
Capital assets, being depreciated:				
Buildings / Improvements	30,823,436	245,395	-	31,068,831
Vehicles	11,700,976	2,255,249	186,128	13,770,097
Furniture, Fixtures, and Equipment	14,667,371	1,144,974	387	15,811,958
Infrastructure Assets	142,141,581	6,992,198	-	149,133,779
Total capital assets being depreciated	<u>199,333,364</u>	<u>10,637,816</u>	<u>186,515</u>	<u>209,784,665</u>
Less accumulated depreciation for:				
Buildings / Improvements	10,637,515	899,703	-	11,537,218
Vehicles	9,168,179	1,106,061	186,128	10,088,112
Furniture, Fixtures, and Equipment	11,091,682	1,164,211	387	12,255,506
Infrastructure Assets	74,058,113	4,499,923	-	78,558,036
Total accumulated depreciation	<u>104,955,489</u>	<u>7,669,898</u>	<u>186,515</u>	<u>112,438,872</u>
Total capital assets, being depreciated, net	<u>94,377,875</u>	<u>2,967,918</u>	<u>-</u>	<u>97,345,793</u>
Governmental activities capital assets, net	<u>\$ 95,789,994</u>	<u>\$ 7,401,871</u>	<u>\$ -</u>	<u>\$ 103,191,865</u>

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

D. Capital Assets (continued)

	Balance 09/30/05	Additions	Deletions	Balance 9/30/2006
Airport activities:				
Capital assets, not being depreciated:				
Land	\$ 1,319,003	\$ -	\$ -	\$ 1,319,003
Construction in progress	5,321,617	11,453,734	-	16,775,351
Total capital assets, not being depreciated	6,640,620	11,453,734	-	18,094,354
Capital assets, being depreciated:				
Buildings / Improvements	61,845,906	488,911	14,018	62,320,799
Improvements - other	2,269,333	-	-	2,269,333
Furniture, Fixtures, and Equipment	502,264	15,079	358	516,985
Vehicles	412,152	31,014	-	443,166
Total capital assets being depreciated	65,029,655	535,004	14,376	65,550,283
Less accumulated depreciation for:				
Buildings / Improvements	8,219,296	1,973,425	-	10,192,721
Improvements other	923,172	166,429	-	1,089,601
Furniture, Fixtures, and Equipment	370,293	44,443	-	414,736
Vehicles	303,377	43,775	-	347,152
Total accumulated depreciation	9,816,138	2,228,072	-	12,044,210
Total capital assets, being depreciated, net	55,213,517	(1,693,068)	14,376	53,506,073
Aviation activities capital assets, net	\$ 61,854,137	\$ 9,760,666	\$ 14,376	\$ 71,600,427
	Balance 09/30/05	Additions	Deletions	Balance 9/30/2006
Solid Waste activities:				
Capital assets, not being depreciated:				
Land	\$ 72,165	\$ -	\$ -	\$ 72,165
Construction in progress	296,995	4,511,153	-	4,808,148
Total capital assets, not being depreciated	369,160	4,511,153	-	4,880,313
Capital assets, being depreciated:				
Buildings / Improvements	2,058,349	5,000	-	2,063,349
Furniture, Fixtures and Equipment	2,555,231	455,136	-	3,010,367
Vehicles	5,912,113	1,712,190	263,677	7,360,626
Total capital assets being depreciated	10,525,693	2,172,326	263,677	12,434,342
Less accumulated depreciation for:				
Buildings / Improvements	892,840	102,660	-	995,500
Furniture, Fixtures and Equipment	2,083,208	170,230	-	2,253,438
Vehicles	4,218,385	798,202	263,677	4,752,910
Total accumulated depreciation	7,194,433	1,071,092	263,677	8,001,848
Total capital assets, being depreciated, net	3,331,260	1,101,234	-	4,432,494
Solid waste activities capital assets, net	\$ 3,700,420	\$ 5,612,387	\$ -	\$ 9,312,807

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

D. Capital Assets (continued)

	Balance 09/30/05	Additions	Deletions	Balance 9/30/2006
Water and Sewer activities				
Capital assets, not being depreciated:				
Land	\$ 168,147	\$ -	\$ -	\$ 168,147
Construction in progress	10,592,599	13,081,203	7,589,247	16,084,555
Total capital assets, not being depreciated	<u>10,760,746</u>	<u>13,081,203</u>	<u>7,589,247</u>	<u>16,252,702</u>
Capital assets, being depreciated:				
Buildings / Improvements	67,080,825	9,606,956	-	76,687,781
Improvements - other	31,769,393	7,619,147	-	39,388,540
Furniture Fixtures, and Equipment	2,975,063	259,300	400	3,233,963
Vehicles	2,389,991	422,960	62,871	2,750,080
Total capital assets being depreciated	<u>104,215,272</u>	<u>17,908,363</u>	<u>63,271</u>	<u>122,060,364</u>
Less accumulated depreciation for:				
Buildings / Improvements	17,122,837	1,313,665	-	18,436,502
Improvements - other	1,961,957	1,112,167	-	3,074,124
Furniture, Fixtures, and Equipment	2,227,684	266,541	-	2,494,225
Vehicles	2,032,540	166,329	62,545	2,136,324
Total accumulated depreciation	<u>23,345,018</u>	<u>2,858,702</u>	<u>62,545</u>	<u>26,141,175</u>
Total capital assets, being depreciated, net	<u>80,870,254</u>	<u>15,049,661</u>	<u>726</u>	<u>95,919,189</u>
Water / Sewer activities capital assets, net	<u>\$ 91,631,000</u>	<u>\$ 28,130,864</u>	<u>\$ 7,589,973</u>	<u>\$ 112,171,891</u>
	Balance 09/30/05	Additions	Deletions	Balance 9/30/2006
Drainage Utility activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 479,565	\$ 167,783	\$ 311,782
Total capital assets, not being depreciated	<u>-</u>	<u>479,565</u>	<u>167,783</u>	<u>311,782</u>
Capital assets, being depreciated:				
Improvements - other	257,039	21,500	-	278,539
Furniture Fixtures, and Equipment	57,293	327,133	-	384,426
Vehicles	21,369	53,255	-	74,624
Total capital assets being depreciated	<u>335,701</u>	<u>401,888</u>	<u>-</u>	<u>737,589</u>
Less accumulated depreciation for:				
Improvements - other	12,051	12,941	-	24,992
Furniture, Fixtures, and Equipment	29,629	24,855	-	54,484
Vehicles	6,764	5,969	-	12,733
Total accumulated depreciation	<u>48,444</u>	<u>43,765</u>	<u>-</u>	<u>92,209</u>
Total capital assets, being depreciated, net	<u>287,257</u>	<u>358,123</u>	<u>-</u>	<u>645,380</u>
Drainage Utility activities capital assets, net	<u>\$ 287,257</u>	<u>\$ 837,688</u>	<u>\$ 167,783</u>	<u>\$ 957,162</u>

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

D. Capital Assets (continued)

	Balance 09/30/05	Additions	Deletions	Balance 9/30/2006
Golf Course activities:				
Capital assets, not being depreciated:				
Land / Improvements	\$ 4,583,662	\$ -	\$ -	\$ 4,583,662
Total capital assets, not being depreciated	4,583,662	-	-	4,583,662
Capital assets, being depreciated:				
Buildings / Improvements	841,980	-	-	841,980
Furniture Fixtures, and Equipment	600,735	126,367	1,426	725,676
Vehicles	255,780	22,551	48,813	229,518
Total capital assets being depreciated	1,698,495	148,918	50,239	1,797,174
Less accumulated depreciation for:				
Buildings / Improvements	332,456	98,430	-	430,886
Furniture, Fixtures, and Equipment	396,763	52,148	1,426	447,485
Vehicles	245,533	9,719	48,813	206,439
Total accumulated depreciation	974,752	160,297	50,239	1,084,810
Total capital assets, being depreciated, net	723,743	(11,379)	-	712,364
Golf Course activities capital assets, net	\$ 5,307,405	\$ (11,379)	\$ -	\$ 5,296,026
	Balance 09/30/05	Additions	Deletions	Balance 9/30/2006
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,559,315	\$ -	\$ -	\$ 1,559,315
Land / Improvements	4,583,662	-	-	4,583,662
Construction in progress	16,211,211	29,525,655	7,757,030	37,979,836
Total capital assets, not being depreciated	22,354,188	\$ 29,525,655	7,757,030	44,122,813
Capital assets, being depreciated:				
Buildings / Improvements	131,827,061	10,100,867	14,019	141,913,909
Improvements - other	34,295,765	7,640,647	-	41,936,412
Furniture, Fixtures, and Equipment	6,690,586	1,183,015	2,184	7,871,417
Vehicles	8,991,404	2,241,970	375,360	10,858,014
Total capital assets being depreciated	181,804,816	21,166,499	391,563	202,579,752
Less accumulated depreciation for:				
Buildings / Improvements	26,567,429	3,488,180	-	30,055,609
Improvements - other	2,891,893	1,296,824	-	4,188,717
Furniture, Fixtures, and Equipment	5,107,577	558,217	1,426	5,664,368
Vehicles	6,811,886	1,018,707	375,035	7,455,558
Total accumulated depreciation	41,378,785	6,361,928	376,461	47,364,252
Total capital assets, being depreciated, net	140,426,031	14,804,571	15,102	155,215,500
Business-type activities capital assets, net	\$ 162,780,219	\$ 44,330,226	\$ 7,772,132	\$ 199,338,313

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

D. Capital Assets (continued)

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

Governmental activities:	
General Government	\$ 1,840,571
Public Safety	1,210,715
Highways and Streets	3,657,625
Community Services	<u>960,987</u>
Total depreciation expense-governmental activities	<u><u>\$ 7,669,898</u></u>
Business-type activities:	
Airport	\$ 2,228,072
Solid Waste	1,071,092
Water and Sewer	2,858,702
Drainage Utility	43,765
Golf Course	<u>160,297</u>
	<u><u>\$ 6,361,928</u></u>

Construction Commitments

The City has active Water and Sewer and Drainage Utility construction projects as of September 30, 2006. At year-end the City's commitments with contractors are as follows:

	<u>Contract Amount</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water and Sewer	\$ 12,745,592	\$ 11,965,213	\$ 780,379
Drainage Utility	1,289,792	804,991	484,801
Solid Waste	6,999,000	4,427,766	2,571,234
Aviation	17,143,116	13,973,071	3,170,045
Governmental Funds	<u>4,655,261</u>	<u>1,807,077</u>	<u>2,848,184</u>
Total	<u><u>\$ 42,832,761</u></u>	<u><u>\$ 32,978,118</u></u>	<u><u>\$ 9,854,643</u></u>

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

E. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2006 is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 224,574	\$ -
Other Governmental Funds		
Special Revenue:		
Community Development Block Grant	-	205,906
Debt Service:		
2005 C.O.	-	43,564
Capital Projects:		
2003 C.O.	1,120,290	-
Total Other Governmental Funds	<u>1,120,290</u>	<u>249,470</u>
Aviation	-	1,120,290
Solid Waste	43,564	18,668
Totals	<u>\$ 1,388,428</u>	<u>\$ 1,388,428</u>

Transfers during the year ended September 30, 2006 were:

<u>Fund</u>	<u>In</u>	<u>Out</u>
General	\$ 4,495,868	\$ 930,547
Other Governmental Funds		
Special Revenue:		
Hotel Occupancy Tax	600,000	692,292
Emergency Management	-	23,180
Community Development	31,115	-
CDBG Home	105	-
Debt Service:		
Tax Interest and Sinking 1993	-	40,401
Refunding Bond 1993	-	77,003
Tax Interest and Sinking 1995	-	122,707
Certificates of Obligation 2000	692,292	-
Tax Interest and Sinking 1999	12,267	-
Refunding Bond 1999	-	622,435
Tax Interest and Sinking 2004	163,108	-
Tax Interest and Sinking 2005	229,266	-
Capital Projects:		
2001 C.O.	243,742	239,510
2002 C.O.	-	21,290
2003 C.O.	243,742	1,377,764
1999 C.O.	-	22,391
Total Other Governmental Funds	<u>2,215,637</u>	<u>3,238,973</u>
Enterprise:		
Water & Sewer	-	2,149,599
Airport	1,617,274	487,484
Solid Waste	-	1,825,580
Drainage	-	17,213
Golf Course	585,042	264,425
	<u>\$ 8,913,821</u>	<u>\$ 8,913,821</u>

F. Fund Equity

Reserves:

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

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

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

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

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

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

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.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

F. Fund Equity (continued)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Proprietary Enterprise</u>	<u>Fiduciary Pension Trust</u>
<u>Reserve</u>						
Encumbrances	\$ 930,956	\$ 133,860	\$ -	\$ -	\$ -	\$ -
Reserve for Non-Current						
Portion of Note Receivable	-	-	-	-	-	-
Reserve for Inventories	282,285	-	-	-	-	-
Debt Service	-	-	2,294,404	-	8,246,358	-
Capital Projects	-	-	-	39,978,725	3,836,414	-
Employee Pension Benefits	-	-	-	-	-	16,293,723
<u>Designations</u>						
Designated for						
Emergencies	1,525,000	-	-	-	2,902,000	-
	<u>\$ 2,738,241</u>	<u>\$ 133,860</u>	<u>\$ 2,294,404</u>	<u>\$ 39,978,725</u>	<u>\$ 14,984,772</u>	<u>\$ 16,293,723</u>

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

G. Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2006 is as follows:

	Balance 09/30/05	Additions	Deletions	Balance 09/30/06	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 25,784,251	\$ 10,000,000	\$ 1,125,150	\$ 34,659,101	\$ 2,695,400
Certificates of obligation	29,718,500	11,500,000	1,421,257	39,797,243	1,206,107
Limited tax notes	1,065,000	-	520,000	545,000	545,000
Unamortized bond issue costs	(291,925)	(263,353)	28,275	(527,003)	-
Unamortized bond premiums/(discounts)	576,188	(164,509)	(31,591)	380,088	-
Deferred amount on refunding	(330,685)	-	13,779	(316,906)	-
Total bonds payable	56,521,329	21,072,138	3,076,870	74,537,523	4,446,507
Compensated absences	4,610,162	709,938	522,051	4,798,049	227,024
Note payable	615,032	-	300,799	314,233	302,194
Governmental activity long-term debt	<u>\$ 61,746,523</u>	<u>\$ 21,782,076</u>	<u>\$ 3,899,720</u>	<u>\$ 79,649,805</u>	<u>\$ 4,975,725</u>
Business Type Activities:					
<u>Water and Sewer Debt:</u>					
Revenue bonds	\$ 46,665,000	\$ 16,875,000	\$ 18,220,000	\$ 45,320,000	\$ 1,650,000
Certificates of obligation	-	-	-	-	-
General obligation bonds	7,905,749	-	1,489,850	6,415,899	929,600
Unamortized bond issue costs	(314,134)	(241,078)	47,390	(507,822)	-
Unamortized bond premium	914,884	510,749	(84,634)	1,340,999	-
Deferred amount on refunding	(185,665)	(634,671)	88,749	(731,587)	-
Total Water and Sewer long-term debt	54,985,834	16,510,000	19,761,355	51,837,489	2,579,600
<u>Solid Waste Debt:</u>					
Certificates of obligation	454,000	9,100,000	293,743	9,260,257	211,393
Unamortized bond issue costs	-	(60,907)	2,648	(58,259)	-
Unamortized bond discount	-	(70,231)	3,054	(67,177)	-
Total Solid Waste long-term debt	454,000	8,968,862	299,445	9,134,821	211,393
<u>Golf Course Debt:</u>					
Certificates of obligation	2,952,500	-	40,000	2,912,500	207,500
Unamortized bond issue costs	(27,374)	-	1,141	(26,233)	-
Unamortized bond discount	(12,935)	-	539	(12,396)	-
Total Golf Course long-term debt	2,912,191	-	41,680	2,873,871	207,500
<u>Drainage Utility:</u>					
Certificates of obligation	-	8,000,000	470,000	7,530,000	250,000
Unamortized bond issue costs	-	(126,800)	6,038	(120,762)	-
Unamortized bond discount	-	(75,007)	3,572	(71,435)	-
Total Drainage Utility long-term debt	-	7,798,193	479,610	7,337,803	250,000
Business-type activity long-term debt	<u>\$ 58,352,025</u>	<u>\$ 33,277,055</u>	<u>\$ 20,582,090</u>	<u>\$ 71,183,984</u>	<u>\$ 3,248,493</u>

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

G. Long-Term Debt (continued)

Long-term debt at September 30, 2006 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	\$ 715,699	\$ 1,314,101
2004 Refunding	2.00 – 5.00	10-01-04	08-01-29	24,325,000	940,000	23,385,000
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:						
1996 Various purpose	5.25 – 7.00	05-01-96	08-15-10	3,650,000	3,650,000	-
1999 Various purpose	4.00 – 4.30	04-01-99	08-01-99	1,500,000	978,000	522,000
2000 Hotel Occ. & Civic Center	4.50 – 5.50	12-15-00	08-01-30	10,500,000	1,220,000	9,280,000
2001 Various purpose	4.60 – 6.10	06-15-01	08-01-26	6,000,000	455,000	5,545,000
2002 Golf Course	2.70 – 4.50	12-01-02	08-01-12	2,000,000	600,000	1,400,000
2003 Various purpose	3.25 – 5.00	06-15-03	02-01-23	9,000,000	125,000	8,875,000
2004 Various purpose	2.00 – 4.75	10-01-04	08-01-29	3,000,000	87,500	2,912,500
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	2,455,000	545,000
Total				<u>\$86,504,800</u>	<u>\$11,503,456</u>	<u>\$75,001,344</u>
Proprietary Funds						
Revenue Bonds:						
1996 Various purpose	5.50 – 6.875	05-01-96	08-15-12	\$ 4,530,000	\$ 4,530,000	\$ -
1997 Various purpose	3.80 – 5.30	10-15-97	08-15-17	8,860,000	8,685,000	175,000
1999 Various purpose	5.00 – 7.00	10-15-99	08-15-19	9,000,000	8,200,000	800,000
2001 Various purpose	4.75 – 5.75	06-15-01	08-15-21	8,700,000	790,000	7,910,000
2004 Various purpose	2.25 – 5.00	10-01-04	08-15-24	20,200,000	420,000	19,780,000
2005 Refunding	3.25 – 4.50	09-15-05	08-15-19	16,875,000	220,000	16,655,000
General Obligation Bonds:						
1999 Refunding	3.10 – 4.70	04-01-99	08-01-13	9,910,200	3,494,301	6,415,899
Tax/Revenue Certificates of Obligation:						
1999 Various purpose	4.00 – 4.30	04-01-99	08-01-09	1,000,000	652,000	348,000
2004 Golf Course	2.00 – 4.75	10-01-04	08-01-29	3,000,000	87,500	2,912,500
2005 Various purpose	3.25 – 4.50	09-15-05	08-01-30	9,100,000	187,743	8,912,257
2006 Various purpose	4.00 – 4.70	05-01-06	08-01-26	8,000,000	470,000	7,530,000
Total				<u>\$99,175,200</u>	<u>\$27,736,544</u>	<u>\$71,438,656</u>

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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
2007	2,695,400	1,562,342	929,600	283,424
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 - 2029	24,515,400	10,881,751	2,589,599	228,561
Total	<u>\$ 34,659,100</u>	<u>\$ 16,310,746</u>	<u>\$ 6,415,899</u>	<u>\$ 1,123,890</u>

Note Payable

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

Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	302,194	1,155	-	-
2008	12,039	66	-	-
Total	<u>\$ 314,233</u>	<u>\$ 1,221</u>	<u>\$ -</u>	<u>\$ -</u>

Revenue Bonds

The City also issues bonds where the city pledges income derived from the acquired or constructed assets to pay debt service. The original amount of Revenue bonds issued in prior years was \$57,890,000. In addition, \$16,875,000 of Revenue bonds was issued in the current year.

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Business-type Activities	
	Principal	Interest
2007	1,650,000	2,833,804
2008	1,730,000	2,391,141
2009	1,845,000	1,961,166
2010	1,970,000	1,891,491
2011 - 2015	14,650,000	8,055,181
2016 - 2020	15,860,000	3,998,506
2021 - 2024	7,615,000	927,856
Total	<u>\$ 45,320,000</u>	<u>\$ 22,059,145</u>

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

G. Long-Term Debt (continued)

Tax and Revenue Certificates of Obligation

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

<u>Year Ending</u> <u>September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	1,206,107	1,799,598	668,893	940,318
2008	1,283,393	1,751,246	711,607	925,900
2009	1,345,850	1,698,207	749,150	909,162
2010	1,669,369	1,635,282	765,631	766,892
2011 - 2015	8,387,233	7,084,681	4,067,767	3,371,482
2016 - 2020	8,951,044	5,269,925	4,033,956	2,528,714
2021 - 2025	9,685,049	3,055,021	5,014,951	1,548,610
2026 - 2030	7,269,198	1,049,649	3,690,801	457,302
Total	<u>\$ 39,797,243</u>	<u>\$ 23,343,609</u>	<u>\$ 19,702,756</u>	<u>\$11,448,380</u>

Limited Tax Notes

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

<u>Year Ending</u> <u>September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	545,000	27,250	-	-
Total	<u>\$ 545,000</u>	<u>\$ 27,250</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

G. Long-Term Debt (continued)

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, 2005, the outstanding maturities on the refunded debt were \$700,000 for the General Obligation Bonds, Series 1991, \$2,125,000 for the Water and Sewer Combination Tax and Revenue Certificates of Obligation Bonds, Series 1993, and \$6,350,000 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.

On 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.

G. Long-Term Debt (continued)

This 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.

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 debt, 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.

V. OTHER INFORMATION

A. Risk Management

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

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

B. Commitments and Contingencies

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

In 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, 2006, the total unexpended FAA awards amount to approximately \$4,680,342.

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.

B. Commitments and Contingencies (continued)

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

C. Employee Benefits

1. Plan Description

The City provides pension benefits for all of its full-time employees, except firemen, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multi-employer public employee retirement system.

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

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

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

C. Employee Benefits (continued)

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City's contribution rate. Both the City and the employee make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2004, valuation is effective for rates beginning January 2005).

The City of Killeen is one of 811 municipalities having their benefit plan administered by TMRS. Each of the 811 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/05 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report.

The City's total payroll in fiscal year 2006 was \$34,063,670 and the City's contributions were based on a payroll of \$26,976,307. Both the City and the covered employees made the required contributions, amounting to \$3,495,446 for the City and \$1,888,343 for the employees. During the preceding year and second preceding year, both the City and the covered employees made the required contributions, amounting to \$3,016,232 and \$2,773,276 respectively, for the City and \$1,686,937 and \$1,582,318 respectively, for the employees. The City's contribution amounted to 13.07% of the covered payroll for the months in calendar year 2006, 12.64% of the covered payroll for the months in calendar year 2005, 12.16% of the covered payroll for the months in calendar year 2004, and 12.57% of the covered payroll for the months in calendar year 2003. The employees contribution amounted to 7% of covered payroll. The Net Pension Obligation was zero at the end of both the current fiscal year and the prior fiscal year.

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

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

C Employee Benefits (continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/05	12/31/04	12/31/03
Actuarial Value of Assets	\$ 41,083,115	\$ 38,815,602	\$ 35,834,782
Actuarial Accrued Liability	\$ 56,366,278	\$ 52,151,216	\$ 48,701,857
Percentage Funded	72.9%	74.4%	73.6%
Unfunded (Over funded) Actuarial Accrued Liability (UAAL)	\$ 15,283,163	\$ 13,335,614	\$ 12,867,075
Annual Covered Payroll	\$ 24,375,195	\$ 22,555,152	\$ 21,701,404
UAAL as a Percentage of Covered Payroll	62.7%	59.1%	59.3%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	3,428,709	2,958,395	2,719,025
Interest on NPO	-	-	-
Adjustment to ARC	-	-	-
	<u>3,428,709</u>	<u>2,958,395</u>	<u>2,719,025</u>
Contribution Made	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>

Actuarial Assumptions

Actuarial Cost Method	Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization	25 years-open period
Asset Valuation Method	Amortized Cost (to accurately reflect the requirements of GASB statement No. 25, paragraphs 36e and 138)
Assumptions:	
Investment Rate of Return	7%
Projected Salary Increases	None
Inflation	3.50%
Cost-of-Living Adjustments	None

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.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

C. Employee Benefits (continued)

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, 2004, the date of the most recent actuarial valuation.

	<u>September 30, 2004</u>
1. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	47
2. Current employees	
a. Fully vested	24
b. Partially vested	19
c. Nonvested	<u>105</u>
3. Total	<u><u>195</u></u>

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 vest after 20 years of credited service. Paid firefighters may retire at the earlier of age 55 with 20 years of service or age 50 with 25 years of service. A partially vested benefit is provided for paid firefighters with at least 10 years of service. Volunteer firefighters may retire at age 55 with 20 years of service. The Plan effective April 1, 1999 provides a monthly benefit for paid firefighters at retirement, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 58.4% of Highest 60-Month Average Salary plus 2.20% of Highest 60 Month Average Salary for each year of service in excess of 20 years. The monthly benefit for volunteer firefighters at retirement is equal to \$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.

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, 2005 and ended September 30, 2006. 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.

C. Employee Benefits (continued)

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 1.7% per year on average as a promotion and longevity increase for a total averaging 5.7% 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 36 years as of the September 30, 2004 actuarial valuation based on the plan provisions effective April 1, 1999 and amended October 1, 1999. 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 beginning October 1, 2005. In addition, contributions by the City of \$102 per year per volunteer and a fixed amount of \$16,010 per year through December 31, 2007 are also required.

The City's total payroll in fiscal year 2006 was \$34,063,670 and the City's contributions were based on a payroll of \$6,498,282. Both the City and the covered employees made the required contributions amounting to \$649,828 (10% of covered payroll) for employees, and \$861,208 (13.0% of covered payroll plus an annual amount of \$16,010 and \$102 for each active volunteer firefighter) for the City. During the preceding fiscal year, both the City and the covered employees made the required contributions amounting to \$560,206 (10% of covered payroll) for employees and \$631,206 (10.0% of covered payroll until April 1, 2005 and 12% thereafter plus an annual amount of \$16,010 and \$102 for each active volunteer firefighter) for the City. During the second preceding fiscal year, both the City and the covered employees made the required contributions amounting to \$518,790 (10.0% of covered payroll) for employees and \$535,208 (10.0% of covered payroll plus an annual amount of \$16,010 and \$102 for each active volunteer firefighter) for the City. The Net Pension Obligation was zero at the end of the current and the two preceding fiscal years.

D. Subsequent Events

As of October 1, 2007, golf activities will be accounted for in the general fund.

CITY OF KILLEEN, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FIREMEN'S PENSION TRUST FUND
 SEPTEMBER 30, 2006

SCHEDULE OF FUNDING PROGRESS AND ACTUARIAL LIABILITIES

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll ¹	UAAL as a Percentage of Covered Payroll
1998 ^{2,3}	9/30/98	\$ 9,273,403	\$ 11,316,851	\$ 2,043,448	81.9%	\$ 3,731,750	54.8%
2000 ^{4,5}	9/30/00	11,545,699	15,569,564	4,023,865	74.2	4,467,823	90.1
2002 ^{6,7}	9/30/02	10,872,235	19,317,195	8,444,960	56.3	4,936,246	1.71
2004	9/30/04	13,458,288	22,964,558	9,506,270	58.6	5,473,090	1.74

Fiscal Year	Net Pension Obligation (NPO) Beginning	Annual Required Contribution (ARC)	Interest on NPO	Adjustment to the ARC	Contributions Made	Increase in NPO	NPO Ending
1998	\$ -	\$ 276,687	\$ -	\$ -	\$ 276,687	\$ -	\$ -
1999	-	310,364	-	-	310,364	-	-
2000	-	353,117	-	-	353,117	-	-
2001	-	416,299	-	-	416,299	-	-
2002	-	440,151	-	-	440,151	-	-
2003	-	464,924	-	-	464,924	-	-
2004	-	535,208	-	-	535,208	-	-
2005	-	631,206	-	-	631,206	-	-
2006	-	881,695	-	-	881,695	-	-

- ¹ The covered payroll is based on estimated annualized salaries used in the valuation.
- ² Prior valuations do not meet the parameter requirement of biennial valuations, and therefore have not been shown.
- ³ Reflects plan benefit provisions effective July 1, 1996
- ⁴ Economic and demographic assumptions were revised.
- ⁵ Reflects plan benefit provisions effective April 1, 1999 and is the most recent valuation for the plan.
- ⁶ Amortization period was changed.
- ⁷ Reflects plan benefit provisions effective April 1, 1999 and amended October 1, 1999. This is the most recent valuation for the plan.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended September 30 ⁶	Annual Required Contribution ⁷	Percentage of Required Contribution Contributed
1997	275,474	100%
1998	276,687	100
1999	310,364	100
2000	353,117	100
2001	416,299	100
2002	440,151	100
2003	464,924	100
2004	535,208	100
2005	631,206	100
2006	881,295	100

- ⁶ The Years 1997 - 2006 are from October 1 through September 30.
- ⁷ The annual required contribution disclosed is based on actual covered payroll as reported in the fund's annual report to the State of Texas Firefighter's Pension Commission.

CITY OF KILLEEN

EXHIBIT B-1

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 35,783,300	\$ 35,783,300	\$ 37,285,113	\$ 1,501,813
Licenses and Permits	1,087,213	1,087,213	1,673,018	585,805
Intergovernmental	272,194	272,194	324,965	52,771
Charges for Services	2,089,150	2,280,477	2,866,292	585,815
Fines	934,643	1,002,701	1,236,557	233,856
Miscellaneous	886,553	886,553	1,832,354	945,801
Total Revenues	41,053,053	41,312,438	45,218,299	3,905,861
Expenditures:				
Current:				
General Government	6,486,928	6,697,354	6,500,672	196,682
Public Safety	26,158,590	26,356,127	25,406,875	949,252
Public Works	4,752,728	4,978,938	4,473,806	505,132
Community Services	4,868,645	4,916,152	4,535,055	381,097
Miscellaneous	3,827,812	3,857,413	3,417,537	439,876
Capital Outlay	1,535,479	1,789,583	1,441,964	347,619
Total Expenditures	47,630,182	48,595,567	45,775,909	2,819,658
Excess (Deficiency) of Revenues (Under) Expenditures	(6,577,129)	(7,283,129)	(557,610)	6,725,519
Other Financing Sources (Uses):				
Transfers In	4,400,271	4,400,271	4,495,868	95,597
Transfers Out	(928,049)	(953,049)	(930,547)	22,502
Total Other Financing Sources (Uses)	3,472,222	3,447,222	3,565,321	118,099
Net Change in Fund Balance	\$ (3,104,907)	\$ (3,835,907)	3,007,711	\$ 6,843,618
Fund Balances, October 1			17,890,975	
Current Year Encumbrances			930,956	
Prior Year Encumbrances			(1,194,710)	
Adjusted Fund Balance			17,627,221	
Fund Balances, September 30			\$ 20,634,932	

**COMBINING STATEMENTS AND BUDGET COMPARISONS AS
SUPPLEMENTARY INFORMATION**

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

CITY OF KILLEEN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS				
Assets:				
Cash and Cash Equivalents	\$ 2,271,928	\$ 2,337,968	\$ 25,441,570	\$ 30,051,466
Receivables (net of allowances for uncollectibles):				
Grants	158,922	--	--	158,922
Taxes	--	96,961	--	96,961
Accounts	8,328	--	34,850	43,178
Due from Other Funds	--	--	1,120,290	1,120,290
Restricted Assets:				
Cash and Cash Equivalents	33,367	--	--	33,367
Total Assets	\$ 2,472,545	\$ 2,434,929	\$ 26,596,710	\$ 31,504,184
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 254,979	\$ --	\$ 249,744	\$ 504,723
Due to Other Funds	205,906	43,564	--	249,470
Customer Deposits	20,900	--	--	20,900
Deferred Revenue	8,328	96,961	--	105,289
Unearned Revenue	96,961	--	--	95,160
Total Liabilities	585,273	140,525	249,744	975,542
Fund Balances:				
Reserved:				
Encumbrances	133,860	--	--	133,860
Debt Service	--	2,294,404	--	2,294,404
Capital Projects	--	--	26,346,966	26,346,966
Unreserved:				
Undesignated	1,753,412	--	--	1,753,412
Total Fund Balances	1,887,272	2,294,404	26,346,966	30,528,642
Total Liabilities and Fund Balances	\$ 2,472,545	\$ 2,434,929	\$ 26,596,710	\$ 31,504,184

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:				
Taxes	\$ 1,218,648	\$ 5,706,065	\$ --	\$ 6,924,713
Intergovernmental	1,483,461	--	--	1,483,461
Charges for Services	30,502	--	--	30,502
Fines	110,000	--	--	110,000
Miscellaneous	575,856	449,063	1,029,393	2,054,312
Total Revenues	3,418,467	6,155,128	1,029,393	10,602,988
Expenditures:				
Current:				
General Government	1,262,626	--	--	1,262,626
Community Services	132,388	--	--	132,388
Miscellaneous	1,434,832	--	--	1,434,832
Capital Outlay	127,983	--	3,476,956	3,604,939
Debt service:				
Principal	--	3,066,407	--	3,066,407
Interest	--	3,167,191	--	3,167,191
Fiscal Charges	--	19,089	--	19,089
Total Expenditures	2,957,829	6,252,687	3,476,956	12,687,472
Excess (Deficiency) of Revenues (Under) Expenditures	460,638	(97,559)	(2,447,563)	(2,084,484)
Other Financing Sources (Uses):				
Issuance of Debt	--	--	21,623,647	21,623,647
Premiums and (Discounts) on Issuance of Debt	--	--	(164,509)	(164,509)
Bond Issuance Costs	--	--	(263,353)	(263,353)
Transfers In	631,220	1,096,933	487,484	2,215,637
Transfers Out	(715,472)	(862,546)	(1,660,955)	(3,238,973)
Total Other Financing Sources (Uses)	(84,252)	234,387	20,022,314	20,172,449
Net Change in Fund Balance	376,386	136,828	17,574,751	18,087,965
Fund Balances, October 1	1,510,886	2,157,576	8,772,215	12,440,677
Fund Balances, September 30	\$ 1,887,272	\$ 2,294,404	\$ 26,346,966	\$ 30,528,642

SPECIAL REVENUE FUNDS

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

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

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

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

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 requires that revenues from this tax be used for advertising and promotion of the City. This fund is also used to account for the revenues and expenditures of the Killeen Civic and Conference Center.

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

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

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

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

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

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

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

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

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

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 orders in juvenile court.

CITY OF KILLEEN
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2006

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management
ASSETS				
Assets:				
Cash and Cash Equivalents	\$ 111,979	\$ 261,479	\$ 28,791	\$ 15,579
Receivables (net of allowances for uncollectibles):				
Grants	--	--	--	10,727
Accounts	--	--	--	--
Restricted Assets:				
Cash and Cash Equivalents	--	--	--	--
Total Assets	\$ 111,979	\$ 261,479	\$ 28,791	\$ 26,306
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 5,533	\$ --	\$ --	\$ --
Due to Other Funds	--	--	--	--
Customer Deposits	20,900	--	--	--
Deferred Revenue	--	--	--	--
Unearned Revenue	85,346	--	--	--
Total Liabilities	111,779	--	--	--
Fund Balances:				
Reserved:				
Encumbrances	11,420	--	--	--
Unreserved:				
Undesignated	(11,220)	261,479	28,791	26,306
Total Fund Balances	200	261,479	28,791	26,306
Total Liabilities and Fund Balances	\$ 111,979	\$ 261,479	\$ 28,791	\$ 26,306

Hotel Occupancy Tax	Special Events Center	Cablesystem Improvements	Library Memorial	Parks
\$ 1,277,787	\$ 86,634	\$ 48,365	\$ 17,212	\$ --
--	--	--	--	--
--	--	--	--	--
21,654	--	--	--	11,713
<u>\$ 1,299,441</u>	<u>\$ 86,634</u>	<u>\$ 48,365</u>	<u>\$ 17,212</u>	<u>\$ 11,713</u>
\$ 121,701	\$ 16,415	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
130	--	--	--	--
<u>121,831</u>	<u>16,415</u>	<u>--</u>	<u>--</u>	<u>--</u>
69,922	--	2,100	--	--
1,107,688	70,219	46,265	17,212	11,713
1,177,610	70,219	48,365	17,212	11,713
<u>\$ 1,299,441</u>	<u>\$ 86,634</u>	<u>\$ 48,365</u>	<u>\$ 17,212</u>	<u>\$ 11,713</u>

CITY OF KILLEEN

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2006

	Community Development	CDBG Home Program	Lion's Club Park
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 172,196	\$ 85,020	\$ 31,351
Receivables (net of allowances for uncollectibles):			
Grants	147,625	570	--
Accounts	--	--	--
Restricted Assets:			
Cash and Cash Equivalents	--	--	--
 Total Assets	 \$ 319,821	 \$ 85,590	 \$ 31,351
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 109,915	\$ 1,415	\$ --
Due to Other Funds	205,906	--	--
Customer Deposits	--	--	--
Deferred Revenue	--	--	--
Unearned Revenue	4,000	5,684	--
Total Liabilities	319,821	7,099	--
Fund Balances:			
Reserved:			
Encumbrances	12,504	37,914	--
Unreserved:			
Undesignated	(12,504)	40,577	31,351
Total Fund Balances	--	78,491	31,351
 Total Liabilities and Fund Balances	 \$ 319,821	 \$ 85,590	 \$ 31,351

Court Technology	Court Security	Juvenile Case Manager	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 97,746	\$ 7,287	\$ 30,502	\$ 2,271,928
--	--	--	158,922
--	--	8,328	8,328
--	--	--	33,367
<u>\$ 97,746</u>	<u>\$ 7,287</u>	<u>\$ 38,830</u>	<u>\$ 2,472,545</u>
\$ --	\$ --	\$ --	\$ 254,979
--	--	--	205,906
--	--	--	20,900
--	--	8,328	8,328
--	--	--	95,160
--	--	8,328	585,273
--	--	--	133,860
97,746	7,287	30,502	1,753,412
97,746	7,287	30,502	1,887,272
<u>\$ 97,746</u>	<u>\$ 7,287</u>	<u>\$ 38,830</u>	<u>\$ 2,472,545</u>

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management
Revenue:				
Taxes	\$ --	\$ --	\$ --	\$ --
Intergovernmental	78,159	--	--	41,412
Charges for Services	--	--	--	--
Fines	--	--	--	--
Miscellaneous	221	32,667	151	13,194
Total Revenues	78,380	32,667	151	54,606
Expenditures:				
Current:				
General Government	--	--	--	53,771
Community Services	--	--	--	--
Miscellaneous	--	--	--	--
Capital Outlay	82,970	--	--	6,448
Total Expenditures	82,970	--	--	60,219
Excess (Deficiency) of Revenues (Under) Expenditures	(4,590)	32,667	151	(5,613)
Other Financing Sources (Uses):				
Transfers In	--	--	--	--
Transfers Out	--	--	--	(23,180)
Total Other Financing Sources (Uses)	--	--	--	(23,180)
Net Change in Fund Balance	(4,590)	32,667	151	(28,793)
Fund Balances, October 1	4,790	228,812	28,640	55,099
Fund Balances, September 30	\$ 200	\$ 261,479	\$ 28,791	\$ 26,306

Hotel Occupancy Tax	Special Events Center	Cablesystem Improvements	Library Memorial	Parks
\$ 1,218,648	\$ --	\$ --	\$ --	\$ --
10,257	--	50,000	--	--
--	--	--	--	--
--	--	--	--	--
475,610	3,566	2,289	9,062	429
1,704,515	3,566	52,289	9,062	429
1,208,855	--	--	--	--
101,632	--	30,737	--	--
30,915	--	--	--	--
28,586	--	--	9,899	80
1,369,988	--	30,737	9,899	80
334,527	3,566	21,552	(837)	349
600,000	--	--	--	--
(692,292)	--	--	--	--
(92,292)	--	--	--	--
242,235	3,566	21,552	(837)	349
935,375	66,653	26,813	18,049	11,364
\$ 1,177,610	\$ 70,219	\$ 48,365	\$ 17,212	\$ 11,713

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Community Development	CDBG Home Program	Lion's Club Park
Revenue:			
Taxes	\$ --	\$ --	\$ --
Intergovernmental	1,101,410	202,223	--
Charges for Services	--	--	--
Fines	--	--	--
Miscellaneous	37,289	--	1,378
Total Revenues	1,138,699	202,223	1,378
Expenditures:			
Current:			
General Government	--	--	--
Community Services	19	--	--
Miscellaneous	1,169,795	154,812	--
Capital Outlay	--	--	--
Total Expenditures	1,169,814	154,812	--
Excess (Deficiency) of Revenues (Under) Expenditures	(31,115)	47,411	1,378
Other Financing Sources (Uses):			
Transfers In	31,115	105	--
Transfers Out	--	--	--
Total Other Financing Sources (Uses)	31,115	105	--
Net Change in Fund Balance	--	47,516	1,378
Fund Balances, October 1	--	30,975	29,973
Fund Balances, September 30	\$ --	\$ 78,491	\$ 31,351

	Court Technology	Court Security	Juvenile Case Manager	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$	--	\$ --	\$ --	\$ 1,218,648
	--	--	--	1,483,461
	--	--	30,502	30,502
	40,000	70,000	--	110,000
	--	--	--	575,856
	40,000	70,000	30,502	3,418,467
	--	--	--	1,262,626
	--	--	--	132,388
	--	79,310	--	1,434,832
	--	--	--	127,983
	--	79,310	--	2,957,829
	40,000	(9,310)	30,502	460,638
	--	--	--	631,220
	--	--	--	(715,472)
	--	--	--	(84,252)
	40,000	(9,310)	30,502	376,386
	57,746	16,597	--	1,510,886
\$	\$ 97,746	\$ 7,287	\$ 30,502	\$ 1,887,272

CITY OF KILLEEN

EXHIBIT C-5

LAW ENFORCEMENT GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 47,919	\$ 91,219	\$ 78,159	\$ (13,060)
Miscellaneous	--	--	221	221
Total Revenues	47,919	91,219	78,380	(12,839)
Expenditures:				
Capital Outlay	(47,919)	96,030	94,390	1,640
Total Expenditures	(47,919)	96,030	94,390	1,640
Net Change in Fund Balance	\$ 95,838	\$ (4,811)	(16,010)	\$ (11,199)
Fund Balances, October 1			4,790	
Current Year Encumbrances			11,420	
Prior Year Encumbrances			--	
Adjusted Fund Balance			16,210	
Fund Balances, September 30			\$ 200	

CITY OF KILLEEN

EXHIBIT C-6

STATE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 20,000	\$ 20,000	\$ 32,667	\$ 12,667
Total Revenues	20,000	20,000	32,667	12,667
Expenditures:				
Capital Outlay	50,000	50,000	--	50,000
Total Expenditures	50,000	50,000	--	50,000
Net Change in Fund Balance	\$ (30,000)	\$ (30,000)	32,667	\$ 62,667
Fund Balances, October 1			228,812	
Fund Balances, September 30			\$ 261,479	

CITY OF KILLEEN

EXHIBIT C-7

FEDERAL SEIZURE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 1,000	\$ 1,000	\$ --	\$ (1,000)
Miscellaneous	--	--	151	151
Total Revenues	1,000	1,000	151	(849)
Expenditures:				
Capital Outlay	10,000	10,000	--	10,000
Total Expenditures	10,000	10,000	--	10,000
Net Change in Fund Balance	\$ (9,000)	\$ (9,000)	151	\$ 9,151
Fund Balances, October 1			28,640	
Fund Balances, September 30			\$ 28,791	

CITY OF KILLEEN

EXHIBIT C-8

HOTEL OCCUPANCY TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 1,100,000	\$ 1,150,000	\$ 1,218,648	\$ 68,648
Intergovernmental	2,000	2,000	10,257	8,257
Miscellaneous	449,500	449,500	475,610	26,110
Total Revenues	1,551,500	1,601,500	1,704,515	103,015
Expenditures:				
Current:				
General Government	1,063,036	1,304,446	1,198,830	105,616
Community Services	153,825	153,825	103,288	50,537
Miscellaneous	35,200	35,200	30,915	4,285
Capital Outlay	61,750	60,500	48,468	12,032
Total Expenditures	1,313,811	1,553,971	1,381,501	172,470
Excess (Deficiency) of Revenues (Under) Expenditures	237,689	47,529	323,014	275,485
Other Financing Sources (Uses):				
Transfers In	600,000	600,000	600,000	--
Transfers Out	(692,292)	(692,292)	(692,292)	--
Total Other Financing Sources (Uses)	(92,292)	(92,292)	(92,292)	--
Net Change in Fund Balance	\$ 145,397	\$ (44,763)	230,722	\$ 275,485
Fund Balances, October 1			935,375	
Current Year Encumbrances			69,922	
Prior Year Encumbrances			(58,409)	
Adjusted Fund Balance			946,888	
Fund Balances, September 30			\$ 1,177,610	

CITY OF KILLEEN

EXHIBIT C-9

SPECIAL EVENTS CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 3,566	\$ 2,566
Total Revenues	1,000	1,000	3,566	2,566
Expenditures:				
Total Expenditures	--	--	--	--
Net Change in Fund Balance	\$ 1,000	\$ 1,000	3,566	\$ 2,566
Fund Balances, October 1			66,653	
Fund Balances, September 30			\$ 70,219	

CITY OF KILLEEN

EXHIBIT C-10

CABLESYSTEM IMPROVEMENTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Intergovernmental	\$ --	\$ --	\$ 50,000	\$ 50,000
Miscellaneous	--	--	2,289	2,289
Total Revenues	--	--	52,289	52,289
Expenditures:				
Current:				
Community Services	35,000	35,000	32,837	2,163
Total Expenditures	35,000	35,000	32,837	2,163
Excess (Deficiency) of Revenues (Under) Expenditures	(35,000)	(35,000)	19,452	54,452
Other Financing Sources (Uses):				
Transfers In	80,778	80,778	--	(80,778)
Total Other Financing Sources (Uses)	80,778	80,778	--	80,778
Net Change in Fund Balance	\$ 45,778	\$ 45,778	19,452	\$ (26,326)
Fund Balances, October 1			26,813	
Current Year Encumbrances			2,100	
Prior Year Encumbrances			--	
Adjusted Fund Balance			28,913	
Fund Balances, September 30			\$ 48,365	

CITY OF KILLEEN

EXHIBIT C-11

COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 1,819,070	\$ 1,819,070	\$ 1,101,410	\$ (717,660)
Miscellaneous	12,000	12,000	37,289	25,289
Total Revenues	1,831,070	1,831,070	1,138,699	(692,371)
Expenditures:				
Current:				
Community Services	356	356	19	337
Miscellaneous	1,879,089	1,809,926	847,678	962,248
Total Expenditures	1,879,445	1,810,282	847,696	962,586
Excess (Deficiency) of Revenues (Under) Expenditures	(48,375)	20,788	291,003	270,215
Other Financing Sources (Uses):				
Transfers In	40,862	40,862	31,115	(9,747)
Transfers Out	(3,906)	(3,506)	--	(3,506)
Total Other Financing Sources (Uses)	36,956	37,356	31,115	6,241
Net Change in Fund Balance	\$ (11,419)	\$ 58,144	322,022	\$ 263,878
Fund Balances, October 1			--	
Current Year Encumbrances			12,504	
Prior Year Encumbrances			(334,526)	
Adjusted Fund Balance			(322,022)	
Fund Balances, September 30			\$ --	

CITY OF KILLEEN

EXHIBIT C-12

CDBG HOME PROGRAM FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 1,057,204	\$ 1,117,204	\$ 202,223	\$ (914,981)
Total Revenues	1,057,204	1,117,204	202,223	(914,981)
Expenditures:				
Current:				
Miscellaneous	925,742	890,566	120,412	770,154
Total Expenditures	925,742	890,566	120,412	770,154
Excess (Deficiency) of Revenues (Under) Expenditures	131,462	226,638	81,811	(144,827)
Other Financing Sources (Uses):				
Transfers In	12,187	12,187	105	(12,082)
Total Other Financing Sources (Uses)	12,187	12,187	105	12,082
Net Change in Fund Balance	\$ 143,649	\$ 238,825	81,916	\$ (156,909)
Fund Balances, October 1			30,975	
Current Year Encumbrances			37,914	
Prior Year Encumbrances			(72,314)	
Adjusted Fund Balance			(3,425)	
Fund Balances, September 30			\$ 78,491	

CITY OF KILLEEN

EXHIBIT C-13

COURT TECHNOLOGY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines	\$ 40,000	\$ 40,000	\$ 40,000	\$ --
Total Revenues	40,000	40,000	40,000	--
Expenditures:				
Total Expenditures	--	--	--	--
Net Change in Fund Balance	\$ 40,000	\$ 40,000	40,000	\$ --
Fund Balances, October 1			57,746	
Fund Balances, September 30			\$ 97,746	

CITY OF KILLEEN

EXHIBIT C-14

COURT SECURITY FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines	\$ 70,000	\$ 70,000	\$ 70,000	\$ --
Total Revenues	70,000	70,000	70,000	--
Expenditures:				
Current:				
Miscellaneous	80,142	80,142	79,310	832
Total Expenditures	80,142	80,142	79,310	832
Net Change in Fund Balance	\$ (10,142)	\$ (10,142)	(9,310)	\$ (10,142)
Fund Balances, October 1			16,597	
Fund Balances, September 30			\$ 7,287	

DEBT SERVICE FUNDS

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

- * Tax Interest and Sinking 1993
- * Tax Interest and Sinking 1995
- * Certificates of Obligation 2000
- * Tax Interest and Sinking 1999
- * Certificates of Obligation 1996
- * Refunding Bond 1999
- * Limited Tax Notes 2000
- * Certificates of Obligation 2001
- * Tax Interest and Sinking 2002
- * Tax Interest and Sinking 2003
- * Tax Interest and Sinking 2004
- * General Obligation Interest and Sinking 2004
- * Tax Interest and Sinking 2005
- * Tax Interest and Sinking 2006

CITY OF KILLEEN

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 SEPTEMBER 30, 2006

	Certificates of Obligation 2000	Tax Interest and Sinking 1999	Certificates of Obligation 1996	Refunding Bond 1999
ASSETS				
Assets:				
Cash and Cash Equivalents	\$ 24,302	\$ 70,089	\$ 20,978	\$ 537,884
Receivables (net of allowances for uncollectibles):				
Taxes	--	5,028	9,398	4,811
Total Assets	\$ 24,302	\$ 75,117	\$ 30,376	\$ 542,695
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to Other Funds	\$ --	\$ --	\$ --	\$ --
Deferred Revenue	--	5,028	9,398	4,811
Total Liabilities	--	5,028	9,398	4,811
Fund Balances:				
Reserved:				
Debt Service	24,302	70,089	20,978	537,884
Total Fund Balances	24,302	70,089	20,978	537,884
Total Liabilities and Fund Balances	\$ 24,302	\$ 75,117	\$ 30,376	\$ 542,695

Limited Tax Notes 2000	Certificates of Obligation 2001	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Tax Interest and Sinking 2004
\$ 118,911	\$ 77,634	\$ 47,848	\$ 87,093	\$ 165,794
14,289	10,369	5,045	8,572	2,282
<u>\$ 133,200</u>	<u>\$ 88,003</u>	<u>\$ 52,893</u>	<u>\$ 95,665</u>	<u>\$ 168,076</u>
\$ --	\$ --	\$ --	\$ --	\$ --
14,289	10,369	5,045	8,572	2,282
<u>14,289</u>	<u>10,369</u>	<u>5,045</u>	<u>8,572</u>	<u>2,282</u>
118,911	77,634	47,848	87,093	165,794
<u>118,911</u>	<u>77,634</u>	<u>47,848</u>	<u>87,093</u>	<u>165,794</u>
<u>\$ 133,200</u>	<u>\$ 88,003</u>	<u>\$ 52,893</u>	<u>\$ 95,665</u>	<u>\$ 168,076</u>

CITY OF KILLEEN
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 SEPTEMBER 30, 2006

	Tax Interest and Sinking 2004	Tax Interest and Sinking 2005	Tax Interest and Sinking 2006	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS				
Assets:				
Cash and Cash Equivalents	\$ 643,463	\$ 457,370	\$ 86,602	\$ 2,337,968
Receivables (net of allowances for uncollectibles):				
Taxes	26,914	8,256	1,997	96,961
Total Assets	\$ 670,377	\$ 465,626	\$ 88,599	\$ 2,434,929
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to Other Funds	\$ --	\$ 43,564	\$ --	\$ 43,564
Deferred Revenue	26,914	8,256	1,997	96,961
Total Liabilities	26,914	51,820	1,997	140,525
Fund Balances:				
Reserved:				
Debt Service	643,463	413,806	86,602	2,294,404
Total Fund Balances	643,463	413,806	86,602	2,294,404
Total Liabilities and Fund Balances	\$ 670,377	\$ 465,626	\$ 88,599	\$ 2,434,929

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Tax Interest and Sinking 1993	Refunding Bond 1993	Tax Interest and Sinking 1995	Certificates of Obligation 2000
Revenue:				
Taxes	\$ 98	\$ --	\$ 221	\$ --
Miscellaneous	8,893	2	27,352	11,569
Total Revenues	8,991	2	27,573	11,569
Expenditures:				
Current:				
Debt service:				
Principal	--	--	--	195,000
Interest	--	--	--	498,016
Fiscal Charges	2,000	--	2,000	2,542
Total Expenditures	2,000	--	2,000	695,558
Excess (Deficiency) of Revenues (Under) Expenditures	6,991	2	25,573	(683,989)
Other Financing Sources (Uses):				
Transfers In	--	--	--	692,292
Transfers Out	(40,401)	(77,003)	(122,707)	--
Total Other Financing Sources (Uses)	(40,401)	(77,003)	(122,707)	692,292
Net Change in Fund Balance	(33,410)	(77,001)	(97,134)	8,303
Fund Balances, October 1	33,410	77,001	97,134	15,999
Fund Balances, September 30	\$ --	\$ --	\$ --	\$ 24,302

Tax Interest and Sinking 1999	Certificates of Obligation 1996	Refunding Bond 1999	Limited Tax Notes 2000	Certificates of Obligation 2001
\$ 198,720	\$ 283,077	\$ 202,852	\$ 620,035	\$ 489,326
8,810	11,187	66,982	23,102	13,860
207,530	294,264	269,834	643,137	503,186
159,000	300,000	305,150	520,000	160,000
28,380	15,000	70,257	53,250	296,280
1,573	567	530	822	2,910
188,953	315,567	375,937	574,072	459,190
18,577	(21,303)	(106,103)	69,065	43,996
12,267	--	--	--	--
--	--	(622,435)	--	--
12,267	--	(622,435)	--	--
30,844	(21,303)	(728,538)	69,065	43,996
39,245	42,281	1,266,422	49,846	33,638
\$ 70,089	\$ 20,978	\$ 537,884	\$ 118,911	\$ 77,634

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Tax Interest and Sinking 2004
Revenue:			
Taxes	\$ 275,127	\$ 529,305	\$ 77,987
Miscellaneous	9,282	11,566	11,239
Total Revenues	284,409	540,871	89,226
Expenditures:			
Current:			
Debt service:			
Principal	205,000	125,000	40,000
Interest	55,300	363,663	112,549
Fiscal Charges	300	2,100	1,100
Total Expenditures	260,600	490,763	153,649
Excess (Deficiency) of Revenues (Under) Expenditures	23,809	50,108	(64,423)
Other Financing Sources (Uses):			
Transfers In	--	--	--
Transfers Out	--	--	--
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	23,809	50,108	(64,423)
Fund Balances, October 1	24,039	36,985	230,217
Fund Balances, September 30	\$ 47,848	\$ 87,093	\$ 165,794

Tax Interest and Sinking 2004	Tax Interest and Sinking 2005	Tax Interest and Sinking 2006	Total Nonmajor Debt Service Funds (See Exhibit C-2)
\$ 2,073,238	\$ 769,891	\$ 186,188	\$ 5,706,065
65,653	130,179	49,387	449,063
2,138,891	900,070	235,575	6,155,128
780,000	237,257	40,000	3,066,407
1,087,550	477,973	108,973	3,167,191
2,345	300	--	19,089
1,869,895	715,530	148,973	6,252,687
268,996	184,540	86,602	(97,559)
163,108	229,266	--	1,096,933
--	--	--	(862,546)
163,108	229,266	--	234,387
432,104	413,806	86,602	136,828
211,359	--	--	2,157,576
\$ 643,463	\$ 413,806	\$ 86,602	\$ 2,294,404

CITY OF KILLEEN

EXHIBIT C-17

TAX INTEREST & SINKING SERIES 1993 FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ --	\$ --	\$ 98	\$ 98
Miscellaneous	--	--	8,893	8,893
Total Revenues	--	--	8,991	8,991
Expenditures:				
Debt service:				
Fiscal Charges	4,000	4,000	2,000	2,000
Total Expenditures	4,000	4,000	2,000	2,000
Excess (Deficiency) of Revenues (Under) Expenditures	(4,000)	(4,000)	6,991	10,991
Other Financing Sources (Uses):				
Transfers Out	(28,289)	(28,289)	(40,401)	12,112
Total Other Financing Sources (Uses)	(28,289)	(28,289)	(40,401)	12,112
Net Change in Fund Balance	\$ (32,289)	\$ (32,289)	(33,410)	\$ (1,121)
Fund Balances, October 1			33,410	
Fund Balances, September 30			\$ --	

CITY OF KILLEEN

EXHIBIT C-18

REFUNDING BOND TAX INTEREST & SINKING SERIES 1993 FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 2	\$ 2
Total Revenues	--	--	2	2
Expenditures:				
Total Expenditures	--	--	--	--
Excess (Deficiency) of Revenues (Under) Expenditures	--	--	2	2
Other Financing Sources (Uses):				
Transfers Out	--	--	(77,003)	77,003
Total Other Financing Sources (Uses)	--	--	(77,003)	77,003
Net Change in Fund Balance	\$ --	\$ --	(77,001)	\$ (77,001)
Fund Balances, October 1			77,001	
Fund Balances, September 30			\$ --	

CITY OF KILLEEN

EXHIBIT C-19

TAX INTEREST & SINKING SERIES 1995 FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ --	\$ --	\$ 221	\$ 221
Miscellaneous	--	--	27,352	27,352
Total Revenues	--	--	27,573	27,573
Expenditures:				
Debt service:				
Fiscal Charges	4,000	4,000	2,000	2,000
Total Expenditures	4,000	4,000	2,000	2,000
Excess (Deficiency) of Revenues (Under) Expenditures	(4,000)	(4,000)	25,573	29,573
Other Financing Sources (Uses):				
Transfers Out	(85,169)	(85,169)	(122,707)	37,538
Total Other Financing Sources (Uses)	(85,169)	(85,169)	(122,707)	37,538
Net Change in Fund Balance	\$ (89,169)	\$ (89,169)	(97,134)	\$ (7,965)
Fund Balances, October 1			97,134	
Fund Balances, September 30			\$ --	

CITY OF KILLEEN

EXHIBIT C-20

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 7,500	\$ 7,500	\$ 11,569	\$ 4,069
Total Revenues	7,500	7,500	11,569	4,069
Expenditures:				
Current:				
Debt service:				
Principal	195,000	195,000	195,000	--
Interest	498,016	498,016	498,016	--
Fiscal Charges	4,000	4,000	2,542	1,458
Total Expenditures	697,016	697,016	695,558	1,458
Excess (Deficiency) of Revenues (Under) Expenditures	(689,516)	(689,516)	(683,989)	5,527
Other Financing Sources (Uses):				
Transfers In	692,292	692,292	692,292	--
Total Other Financing Sources (Uses)	692,292	692,292	692,292	--
Net Change in Fund Balance	\$ 2,776	\$ 2,776	8,303	\$ 5,527
Fund Balances, October 1			15,999	
Fund Balances, September 30			\$ 24,302	

CITY OF KILLEEN

EXHIBIT C-21

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 195,000	\$ 195,000	\$ 198,720	\$ 3,720
Miscellaneous	2,500	2,500	8,810	6,310
Total Revenues	197,500	197,500	207,530	10,030
Expenditures:				
Current:				
Debt service:				
Principal	265,000	265,000	159,000	106,000
Interest	47,300	47,300	28,380	18,920
Fiscal Charges	4,000	4,000	1,573	2,427
Total Expenditures	316,300	316,300	188,953	127,347
Excess (Deficiency) of Revenues (Under) Expenditures	(118,800)	(118,800)	18,577	137,377
Other Financing Sources (Uses):				
Transfers In	132,400	132,400	12,267	(120,133)
Total Other Financing Sources (Uses)	132,400	132,400	12,267	120,133
Net Change in Fund Balance	\$ 13,600	\$ 13,600	30,844	\$ 17,244
Fund Balances, October 1			39,245	
Fund Balances, September 30			\$ 70,089	

CITY OF KILLEEN

EXHIBIT C-22

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 277,500	\$ 277,500	\$ 283,077	\$ 5,577
Miscellaneous	3,000	3,000	11,187	8,187
Total Revenues	280,500	280,500	294,264	13,764
Expenditures:				
Current:				
Debt service:				
Principal	300,000	300,000	300,000	--
Interest	15,000	15,000	15,000	--
Fiscal Charges	4,000	4,000	567	3,433
Total Expenditures	319,000	319,000	315,567	3,433
Net Change in Fund Balance	\$ (38,500)	\$ (38,500)	(21,303)	\$ 17,197
Fund Balances, October 1			42,281	
Fund Balances, September 30			\$ 20,978	

CITY OF KILLEEN

EXHIBIT C-23

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ --	\$ --	\$ 202,852	\$ 202,852
Miscellaneous	30,000	30,000	66,982	36,982
Total Revenues	30,000	30,000	269,834	239,834
Expenditures:				
Current:				
Debt service:				
Principal	1,795,000	1,795,000	305,150	1,489,850
Interest	413,275	413,275	70,257	343,018
Fiscal Charges	4,000	4,000	530	3,470
Total Expenditures	2,212,275	2,212,275	375,937	1,836,338
Excess (Deficiency) of Revenues (Under) Expenditures	(2,182,275)	(2,182,275)	(106,103)	2,076,172
Other Financing Sources (Uses):				
Transfers Out	1,213,024	1,213,024	(622,435)	1,835,459
Total Other Financing Sources (Uses)	1,213,024	1,213,024	(622,435)	1,835,459
Net Change in Fund Balance	\$ (969,251)	\$ (969,251)	(728,538)	\$ 240,713
Fund Balances, October 1			1,266,422	
Fund Balances, September 30			\$ 537,884	

CITY OF KILLEEN

EXHIBIT C-24

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 609,000	\$ 609,000	\$ 620,035	\$ 11,035
Miscellaneous	9,000	9,000	23,102	14,102
Total Revenues	618,000	618,000	643,137	25,137
Expenditures:				
Current:				
Debt service:				
Principal	520,000	520,000	520,000	--
Interest	53,250	53,250	53,250	--
Fiscal Charges	4,000	4,000	822	3,178
Total Expenditures	577,250	577,250	574,072	3,178
Net Change in Fund Balance	\$ 40,750	\$ 40,750	69,065	\$ 28,315
Fund Balances, October 1			49,846	
Fund Balances, September 30			\$ 118,911	

CITY OF KILLEEN

EXHIBIT C-25

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 481,000	\$ 481,000	\$ 489,326	\$ 8,326
Miscellaneous	6,000	6,000	13,860	7,860
Total Revenues	487,000	487,000	503,186	16,186
Expenditures:				
Current:				
Debt service:				
Principal	160,000	160,000	160,000	--
Interest	296,280	296,280	296,280	--
Fiscal Charges	4,000	4,000	2,910	1,090
Total Expenditures	460,280	460,280	459,190	1,090
Net Change in Fund Balance	\$ 26,720	\$ 26,720	43,996	\$ 17,276
Fund Balances, October 1			33,638	
Fund Balances, September 30			\$ 77,634	

CITY OF KILLEEN

EXHIBIT C-26

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ --	\$ --	\$ 275,127	\$ 275,127
Miscellaneous	4,000	4,000	9,282	5,282
Total Revenues	4,000	4,000	284,409	280,409
Expenditures:				
Current:				
Debt service:				
Principal	205,000	205,000	205,000	--
Interest	55,300	55,300	55,300	--
Fiscal Charges	4,000	4,000	300	3,700
Total Expenditures	264,300	264,300	260,600	3,700
Net Change in Fund Balance	\$ (260,300)	\$ (260,300)	23,809	\$ 284,109
Fund Balances, October 1			24,039	
Fund Balances, September 30			\$ 47,848	

CITY OF KILLEEN

EXHIBIT C-27

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 522,500	\$ 522,500	\$ 529,305	\$ 6,805
Miscellaneous	4,000	4,000	11,566	7,566
Total Revenues	526,500	526,500	540,871	14,371
Expenditures:				
Current:				
Debt service:				
Principal	125,000	125,000	125,000	--
Interest	363,663	363,663	363,663	--
Fiscal Charges	4,000	4,000	2,100	1,900
Total Expenditures	492,663	492,663	490,763	1,900
Net Change in Fund Balance	\$ 33,837	\$ 33,837	50,108	\$ 16,271
Fund Balances, October 1			36,985	
Fund Balances, September 30			\$ 87,093	

CITY OF KILLEEN

EXHIBIT C-28

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 75,000	\$ 75,000	\$ 77,987	\$ 2,987
Miscellaneous	3,000	3,000	11,239	8,239
Total Revenues	78,000	78,000	89,226	11,226
Expenditures:				
Current:				
Debt service:				
Principal	40,000	40,000	40,000	--
Interest	112,549	112,549	112,549	--
Fiscal Charges	2,000	2,000	1,100	900
Total Expenditures	154,549	154,549	153,649	900
Net Change in Fund Balance	\$ (76,549)	\$ (76,549)	(64,423)	\$ 12,126
Fund Balances, October 1			230,217	
Fund Balances, September 30			\$ 165,794	

CITY OF KILLEEN

EXHIBIT C-29

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 2,052,000	\$ 2,052,000	\$ 2,073,238	\$ 21,238
Miscellaneous	10,000	10,000	65,653	55,653
Total Revenues	2,062,000	2,062,000	2,138,891	76,891
Expenditures:				
Current:				
Debt service:				
Principal	780,000	780,000	780,000	--
Interest	1,087,550	1,087,550	1,087,550	--
Fiscal Charges	4,000	4,000	2,345	1,655
Total Expenditures	1,871,550	1,871,550	1,869,895	1,655
Excess (Deficiency) of Revenues (Under) Expenditures	190,450	190,450	268,996	78,546
Other Financing Sources (Uses):				
Transfers In	113,458	113,458	163,108	49,650
Total Other Financing Sources (Uses)	113,458	113,458	163,108	(49,650)
Net Change in Fund Balance	\$ 303,908	\$ 303,908	432,104	\$ 128,196
Fund Balances, October 1			211,359	
Fund Balances, September 30			\$ 643,463	

CITY OF KILLEEN

EXHIBIT C-30

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 765,000	\$ 765,000	\$ 769,891	\$ 4,891
Miscellaneous	12,000	12,000	130,179	118,179
Total Revenues	777,000	777,000	900,070	123,070
Expenditures:				
Current:				
Debt service:				
Principal	425,213	425,213	237,257	187,956
Interest	987,236	987,236	477,973	509,263
Fiscal Charges	4,000	4,000	300	3,700
Total Expenditures	1,416,449	1,416,449	715,530	700,919
Excess (Deficiency) of Revenues (Under) Expenditures	(639,449)	(639,449)	184,540	823,989
Other Financing Sources (Uses):				
Transfers In	760,758	760,758	229,266	(531,492)
Total Other Financing Sources (Uses)	760,758	760,758	229,266	531,492
Net Change in Fund Balance	\$ 121,309	\$ 121,309	413,806	\$ 292,497
Fund Balances, October 1			--	
Fund Balances, September 30			\$ 413,806	

CITY OF KILLEEN

EXHIBIT C-31

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 185,000	\$ 185,000	\$ 186,188	\$ 1,188
Miscellaneous	1,000	1,000	49,387	48,387
Total Revenues	186,000	186,000	235,575	49,575
Expenditures:				
Current:				
Debt service:				
Principal	--	40,000	40,000	--
Interest	150,000	110,000	108,973	1,027
Fiscal Charges	4,000	4,000	--	4,000
Total Expenditures	154,000	154,000	148,973	5,027
Net Change in Fund Balance	\$ 32,000	\$ 32,000	86,602	\$ 54,602
Fund Balances, October 1			--	
Fund Balances, September 30			\$ 86,602	

CAPITAL PROJECTS FUNDS

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

Capital Projects Fund (2001 C.O.): To account for the designing and constructing of an access roadway to the new airport, including costs associated with acquiring of right of way and relocating utilities for the roadway. Financing was provided by the sale of combination tax and revenue certificates of obligation and limited tax notes.

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

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

Capital Projects Fund (2004 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 the Elms Road and Southern Loop Road projects. Financing was provided by the sale of \$2,400,000 of general obligation bonds.

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

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

CITY OF KILLEEN
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2006

	2001 C.O. Bonds	2002 C.O. Bonds	2003 C.O. Bonds
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 1,299,949	\$ 422	\$ 2,905,642
Receivables (net of allowances for uncollectibles):			
Accounts	--	--	--
Due from Other Funds	--	--	1,120,290
Total Assets	\$ 1,299,949	\$ 422	\$ 4,025,932
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 25,268	\$ --	\$ 110,052
Total Liabilities	25,268	--	110,052
Fund Balances:			
Reserved:			
Capital Projects	1,274,681	422	3,915,880
Total Fund Balances	1,274,681	422	3,915,880
Total Liabilities and Fund Balances	\$ 1,299,949	\$ 422	\$ 4,025,932

2004 G.O. Bonds	2005 C.O. Bonds	2006 G.O. Bonds	1991 G.O. Bonds
\$ 319,325	\$ 10,098,057	\$ 10,055,334	\$ 102,236
--	--	34,850	--
--	--	--	--
<u>\$ 319,325</u>	<u>\$ 10,098,057</u>	<u>\$ 10,090,184</u>	<u>\$ 102,236</u>
\$ --	\$ --	\$ 20,000	\$ 94,424
--	--	20,000	94,424
319,325	10,098,057	10,070,184	7,812
<u>319,325</u>	<u>10,098,057</u>	<u>10,070,184</u>	<u>7,812</u>
<u>\$ 319,325</u>	<u>\$ 10,098,057</u>	<u>\$ 10,090,184</u>	<u>\$ 102,236</u>

CITY OF KILLEEN
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2006

	1993 G.O. Bonds	1995 G.O. Bonds	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 114,739	\$ 545,866	\$ 25,441,570
Receivables (net of allowances for uncollectibles):			
Accounts	--	--	34,850
Due from Other Funds	--	--	1,120,290
Total Assets	\$ 114,739	\$ 545,866	\$ 26,596,710
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ --	\$ --	\$ 249,744
Total Liabilities	--	--	249,744
Fund Balances:			
Reserved:			
Capital Projects	114,739	545,866	26,346,966
Total Fund Balances	114,739	545,866	26,346,966
Total Liabilities and Fund Balances	\$ 114,739	\$ 545,866	\$ 26,596,710

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2001 C.O. Bonds	2002 C.O. Bonds	2003 C.O. Bonds
Revenue:			
Miscellaneous	\$ 53,383	\$ 422	\$ 153,470
Total Revenues	53,383	422	153,470
Expenditures:			
Capital Outlay	50,653	--	--
Total Expenditures	50,653	--	--
Excess (Deficiency) of Revenues (Under) Expenditures	2,730	422	153,470
Other Financing Sources (Uses):			
Issuance of Debt	--	--	--
Premiums and (Discounts) on Issuance of Debt	--	--	--
Bond Issuance Costs	--	--	--
Transfers In	243,742	--	243,742
Transfers Out	(239,510)	(21,290)	(1,377,764)
Total Other Financing Sources (Uses)	4,232	(21,290)	(1,134,022)
Net Change in Fund Balance	6,962	(20,868)	(980,552)
Fund Balances, October 1	1,267,719	21,290	4,896,432
Fund Balances, September 30	\$ 1,274,681	\$ 422	\$ 3,915,880

2004 G.O. Bonds	2005 C.O. Bonds	2006 G.O. Bonds	1991 G.O. Bonds	1993 G.O. Bonds
\$ 42,656	\$ 474,071	\$ 264,290	\$ 5,455	\$ 5,228
42,656	474,071	264,290	5,455	5,228
886,622	1,745,905	20,000	126,039	3,589
886,622	1,745,905	20,000	126,039	3,589
(843,966)	(1,271,834)	244,290	(120,584)	1,639
--	11,588,753	10,034,894	--	--
--	(88,753)	(75,756)	--	--
--	(130,109)	(133,244)	--	--
--	--	--	--	--
--	--	--	--	--
--	11,369,891	9,825,894	--	--
(843,966)	10,098,057	10,070,184	(120,584)	1,639
1,163,291	--	--	128,396	113,100
\$ 319,325	\$ 10,098,057	\$ 10,070,184	\$ 7,812	\$ 114,739

CITY OF KILLEEN
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	1995 G.O. Bonds	1999 C.O. Bonds	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenue:			
Miscellaneous	\$ 30,092	\$ 326	\$ 1,029,393
Total Revenues	30,092	326	1,029,393
Expenditures:			
Capital Outlay	644,148	--	3,476,956
Total Expenditures	644,148	--	3,476,956
Excess (Deficiency) of Revenues (Under) Expenditures	(614,056)	326	(2,447,563)
Other Financing Sources (Uses):			
Issuance of Debt	--	--	21,623,647
Premiums and (Discounts) on Issuance of Debt	--	--	(164,509)
Bond Issuance Costs	--	--	(263,353)
Transfers In	--	--	487,484
Transfers Out	--	(22,391)	(1,660,955)
Total Other Financing Sources (Uses)	--	(22,391)	20,022,314
Net Change in Fund Balance	(614,056)	(22,065)	17,574,751
Fund Balances, October 1	1,159,922	22,065	8,772,215
Fund Balances, September 30	\$ 545,866	\$ --	\$ 26,346,966

CITY OF KILLEEN

EXHIBIT C-34

2001 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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ --	\$ 180,428	\$ --	\$ (180,428)
Miscellaneous	15,000	15,000	53,383	38,383
Total Revenues	15,000	195,428	53,383	(142,045)
Expenditures:				
Capital Outlay	--	288,330	50,653	237,677
Total Expenditures	--	288,330	50,653	237,677
Excess (Deficiency) of Revenues (Under) Expenditures	15,000	(92,902)	2,730	95,632
Other Financing Sources (Uses):				
Transfers In	--	267,073	243,742	(23,331)
Transfers Out	--	--	(239,510)	239,510
Total Other Financing Sources (Uses)	--	267,073	4,232	262,841
Net Change in Fund Balance	\$ 15,000	\$ 174,171	6,962	\$ (167,209)
Fund Balances, October 1			1,267,719	
Fund Balances, September 30			\$ 1,274,681	

CITY OF KILLEEN

EXHIBIT C-35

2002 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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 422	\$ 422
Total Revenues	--	--	422	422
Expenditures:				
Total Expenditures	--	--	--	--
Excess (Deficiency) of Revenues (Under) Expenditures	--	--	422	422
Other Financing Sources (Uses):				
Transfers Out	(20,000)	(21,290)	(21,290)	--
Total Other Financing Sources (Uses)	(20,000)	(21,290)	(21,290)	--
Net Change in Fund Balance	\$ (20,000)	\$ (21,290)	(20,868)	\$ 422
Fund Balances, October 1			21,290	
Fund Balances, September 30			\$ 422	

CITY OF KILLEEN

EXHIBIT C-36

2003 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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 100,000	\$ 100,000	\$ 153,470	\$ 53,470
Total Revenues	100,000	100,000	153,470	53,470
Expenditures:				
Total Expenditures	--	--	--	--
Excess (Deficiency) of Revenues (Under) Expenditures	100,000	100,000	153,470	53,470
Other Financing Sources (Uses):				
Transfers In	534,147	267,074	243,742	(23,332)
Transfers Out	(950,000)	(1,334,733)	(1,377,764)	43,031
Total Other Financing Sources (Uses)	(415,853)	(1,067,659)	(1,134,022)	66,363
Net Change in Fund Balance	\$ (315,853)	\$ (967,659)	(980,552)	\$ (12,893)
Fund Balances, October 1			4,896,432	
Fund Balances, September 30			\$ 3,915,880	

CITY OF KILLEEN

EXHIBIT C-37

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 42,656	\$ 40,656
Total Revenues	2,000	2,000	42,656	40,656
Expenditures:				
Capital Outlay	--	1,506,727	886,622	620,105
Total Expenditures	--	1,506,727	886,622	620,105
Net Change in Fund Balance	\$ 2,000	\$ (1,504,727)	(843,966)	\$ 660,761
Fund Balances, October 1			1,163,291	
Fund Balances, September 30			\$ 319,325	

CITY OF KILLEEN

EXHIBIT C-38

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 200,000	\$ 200,000	\$ 474,071	\$ 274,071
Total Revenues	200,000	200,000	474,071	274,071
Expenditures:				
Capital Outlay	11,665,190	3,812,377	1,745,905	2,196,581
Total Expenditures	11,665,190	3,812,377	1,745,905	2,196,581
Excess (Deficiency) of Revenues (Under) Expenditures	(11,465,190)	(3,612,377)	(1,271,834)	2,340,543
Other Financing Sources (Uses):				
Issuance of Debt	11,500,000	11,588,753	11,588,753	--
Premiums and (Discounts) on Issuance of Debt	--	(88,753)	(88,753)	--
Bond Issuance Costs	--	(130,109)	(130,109)	--
Total Other Financing Sources (Uses)	11,500,000	11,369,891	11,369,891	--
Net Change in Fund Balance	\$ 34,810	\$ 7,757,514	10,098,057	\$ 2,340,543
Fund Balances, October 1			--	
Fund Balances, September 30			\$ 10,098,057	

CITY OF KILLEEN

EXHIBIT C-39

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 264,290	\$ 259,290
Total Revenues	5,000	5,000	264,290	259,290
Expenditures:				
Capital Outlay	4,150,000	20,000	20,000	--
Total Expenditures	4,150,000	20,000	20,000	--
Excess (Deficiency) of Revenues (Under) Expenditures	(4,145,000)	(15,000)	244,290	259,290
Other Financing Sources (Uses):				
Issuance of Debt	8,000,000	10,034,894	10,034,894	--
Premiums and (Discounts) on Issuance of Debt	--	(75,756)	(75,756)	--
Bond Issuance Costs	--	(133,244)	(133,244)	--
Total Other Financing Sources (Uses)	8,000,000	9,825,894	9,825,894	--
Net Change in Fund Balance	\$ 3,855,000	\$ 9,810,894	10,070,184	\$ 259,290
Fund Balances, October 1			--	
Fund Balances, September 30			\$ 10,070,184	

CITY OF KILLEEN**EXHIBIT C-40**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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 5,455	\$ 5,455
Total Revenues	--	--	5,455	5,455
Expenditures:				
Capital Outlay	--	31,615	126,039	(94,424)
Total Expenditures	--	31,615	126,039	(94,424)
Net Change in Fund Balance	\$ --	\$ (31,615)	(120,584)	\$ (88,969)
Fund Balances, October 1			128,396	
Fund Balances, September 30			\$ 7,812	

CITY OF KILLEEN

EXHIBIT C-41

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 5,228	\$ 5,228
Total Revenues	--	--	5,228	5,228
Expenditures:				
Capital Outlay	--	3,589	3,589	--
Total Expenditures	--	3,589	3,589	--
Net Change in Fund Balance	\$ --	\$ (3,589)	1,639	\$ 5,228
Fund Balances, October 1			113,100	
Fund Balances, September 30			\$ 114,739	

CITY OF KILLEEN

EXHIBIT C-42

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 30,092	\$ 30,092
Total Revenues	--	--	30,092	30,092
Expenditures:				
Capital Outlay	--	644,149	644,148	1
Total Expenditures	--	644,149	644,148	1
Net Change in Fund Balance	\$ --	\$ (644,149)	(614,056)	\$ 30,093
Fund Balances, October 1			1,159,922	
Fund Balances, September 30			\$ 545,866	

CITY OF KILLEEN

EXHIBIT C-43

1999 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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ --	\$ --	\$ 326	\$ 326
Total Revenues	--	--	326	326
Expenditures:				
Capital Outlay	--	--	--	--
Total Expenditures	--	--	--	--
Excess (Deficiency) of Revenues (Under) Expenditures	--	--	326	326
Other Financing Sources (Uses):				
Transfers Out	--	(19,500)	(22,391)	2,891
Total Other Financing Sources (Uses)	--	(19,500)	(22,391)	2,891
Net Change in Fund Balance	\$ --	\$ (19,500)	(22,065)	\$ (2,565)
Fund Balances, October 1			22,065	
Fund Balances, September 30			\$ --	

CITY OF KILLEEN

EXHIBIT C-44

2004 G.O. BONDS CAPITAL PROJECTS FUND - MAJOR FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Miscellaneous	\$ 320,000	\$ 320,000	\$ 705,739	\$ 385,739
Total Revenues	320,000	320,000	705,739	385,739
Expenditures:				
Current:				
Public Works	75,283	75,283	62,777	12,506
Capital Outlay	10,926,000	2,479,222	2,748,033	(268,811)
Total Expenditures	11,001,283	2,554,505	2,810,810	(256,305)
Net Change in Fund Balance	\$ (10,681,283)	\$ (2,234,505)	(2,105,071)	\$ 129,434
Fund Balances, October 1			15,736,830	
Fund Balances, September 30			\$ 13,631,759	

CITY OF KILLEEN
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C- 45

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Taxes:				
Ad Valorem	\$ 14,721,480	\$ 14,721,480	\$ 14,750,670	\$ 29,190
Penalty and Interest	178,000	178,000	172,446	(5,554)
Beverage	181,280	181,280	188,976	7,696
Franchise	4,310,835	4,310,835	4,739,736	428,901
City Sales	16,246,705	16,246,705	17,234,286	987,581
Bingo	145,000	145,000	198,999	53,999
	<u>35,783,300</u>	<u>35,783,300</u>	<u>37,285,113</u>	<u>1,501,813</u>
Licenses and Permits:				
Building Permits and Inspections	561,403	561,403	790,777	229,374
Electrical Permits and Inspections	125,000	125,000	212,152	87,152
Plumbing Permits and Inspections	89,000	89,000	149,741	60,741
Miscellaneous Licenses	147,960	147,960	187,712	39,752
Taxi Operators Licenses	2,350	2,350	3,230	880
Food Handlers Permits	15,000	15,000	18,740	3,740
Trailer Court Licenses	6,500	6,500	13,250	6,750
Building Plans Review	95,000	95,000	216,566	121,566
Mechanical Inspections	45,000	45,000	80,850	35,850
	<u>1,087,213</u>	<u>1,087,213</u>	<u>1,673,018</u>	<u>585,805</u>
Intergovernmental:				
Bell County Contribution - Ambulance Service	8,600	8,600	5,294	(3,306)
Civil Defense Matching Funds	263,594	263,594	319,671	56,077
	<u>272,194</u>	<u>272,194</u>	<u>324,965</u>	<u>52,771</u>
Charges for Services:				
Ambulance Service Fees	1,478,000	1,478,000	1,958,097	480,097
Miscellaneous Fire Dept Receipts	-	-	-	-
Cemetery Lots	39,200	39,200	55,935	16,735
Miscellaneous Police Receipts	244,000	244,000	330,200	86,200
Swimming Pool Receipts	29,500	29,500	16,177	(13,323)
Recreation Receipts	88,950	88,950	114,978	26,028
Library Copy Charges	20,500	20,500	18,843	(1,657)
Court Tax Service Fee	57,200	57,200	95,701	38,501
Swimming Pool Lessons	22,800	22,800	16,380	(6,420)
Code Enforcement Mowing	109,000	109,000	93,877	(15,123)
Community Assistance	-	191,327	166,104	(25,223)
	<u>2,089,150</u>	<u>2,280,477</u>	<u>2,866,292</u>	<u>585,815</u>
Fines:				
Municipal Court Fines	884,063	952,121	1,177,932	225,811
Parking Fines	28,580	28,580	35,175	6,595
Library Fines and Contributions	22,000	22,000	23,450	1,450
	<u>934,643</u>	<u>1,002,701</u>	<u>1,236,557</u>	<u>233,856</u>
Miscellaneous:				
Investment Revenue	600,000	600,000	1,211,120	611,120
Miscellaneous Receipts	286,553	286,553	621,234	334,681
	<u>886,553</u>	<u>886,553</u>	<u>1,832,354</u>	<u>945,801</u>
Totals	\$ 41,053,053	\$ 41,312,438	\$ 45,218,299	\$ 3,905,861

CITY OF KILLEEN
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C- 46

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government:				
City Council	\$ 76,193	\$ 76,193	\$ 54,502	\$ 21,691
City Manager	373,153	373,153	356,062	17,091
Volunteer Services	125,326	125,116	104,782	20,334
Legal and Administrative Services	560,069	560,069	534,307	25,762
Personnel	604,177	601,877	591,638	10,239
City Secretary	83,703	83,703	80,460	3,243
Public Information Services	132,984	128,526	126,675	1,851
Municipal Court	732,815	788,258	694,617	93,641
Financial Services	3,104,278	3,262,729	3,295,726	(32,997)
Information Systems	694,230	697,730	661,903	35,827
	<u>6,486,928</u>	<u>6,697,354</u>	<u>6,500,672</u>	<u>196,682</u>
Public Safety:				
Police	16,550,696	16,706,122	15,788,389	917,733
Fire	9,607,894	9,650,005	9,618,486	31,519
	<u>26,158,590</u>	<u>26,356,127</u>	<u>25,406,875</u>	<u>949,252</u>
Highways and Streets:				
Public Works	681,337	822,067	803,559	18,508
Traffic	681,375	697,627	620,304	77,323
Street	2,715,386	2,785,857	2,481,613	304,244
Engineering	231,728	231,728	217,812	13,916
Planning	442,902	441,659	350,518	91,141
	<u>4,752,728</u>	<u>4,978,938</u>	<u>4,473,806</u>	<u>505,132</u>
Community Services:				
Senior Citizens	178,664	178,664	165,798	12,866
Library	1,039,601	1,067,858	1,050,893	16,965
Parks	1,847,749	1,846,264	1,572,438	273,826
Recreation	561,521	569,506	552,206	17,300
Swimming Pools	129,517	139,517	131,179	8,338
Cemetery	284,003	281,753	260,010	21,743
Permits and Inspections	827,590	832,590	802,531	30,059
	<u>4,868,645</u>	<u>4,916,152</u>	<u>4,535,055</u>	<u>381,097</u>
Miscellaneous:				
Miscellaneous Accounts	5,363,291	5,646,996	4,859,501	787,495
	<u>5,363,291</u>	<u>5,646,996</u>	<u>4,859,501</u>	<u>787,495</u>
Totals	<u>\$ 47,630,182</u>	<u>\$ 48,595,567</u>	<u>\$ 45,775,909</u>	<u>\$ 2,819,658</u>

STATISTICAL SECTION (UNAUDITED)

City of Killeen, Texas
Net Assets by Component
Last Four Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 66,757,690	\$ 72,121,732	\$ 6,214,132	\$ 6,925,605
Restricted For:				
Debt Service	2,294,404	2,157,576	1,770,519	966,333
Capital Projects	2,848,184	1,668,019	1,319,532	1,975,672
Unrestricted	17,095,997	5,428,656	2,351,308	3,461,394
Total governmental activities net assets	<u>\$ 88,996,275</u>	<u>\$ 81,375,983</u>	<u>\$ 11,655,491</u>	<u>\$ 13,329,004</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 146,389,308	\$ 122,964,598	\$ 103,780,206	\$ 74,670,451
Restricted For:				
Debt Service	8,246,358	6,130,078	3,258,464	2,319,315
Capital Projects	3,836,414	9,067,780	1,542,978	1,614,967
Unrestricted	23,048,333	16,045,497	23,524,097	22,632,162
Total business-type activities net assets	<u>181,520,413</u>	<u>\$ 154,207,953</u>	<u>\$ 132,105,745</u>	<u>\$ 101,236,895</u>
Primary government				
Invested in capital assets, net of related debt	\$ 213,146,998	\$ 195,086,330	\$ 109,994,338	\$ 81,596,056
Restricted For:				
Debt Service	10,540,762	8,287,654	5,028,983	3,285,648
Capital Projects	6,684,598	10,735,799	2,862,510	3,590,639
Unrestricted	40,144,330	21,474,153	25,875,405	26,093,556
Total primary government net assets	<u>\$ 270,516,688</u>	<u>\$ 235,583,936</u>	<u>\$ 143,761,236</u>	<u>\$ 114,565,899</u>

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

City of Killeen, Texas
Changes in Net Assets
Last Four Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses				
Governmental activities:				
General government	\$ 7,616,379	\$ 10,682,868	\$ 5,842,809	\$ 5,909,419
Police	16,409,733	13,832,604	13,089,343	12,417,928
Fire	10,237,310	8,821,118	8,486,901	8,088,627
Highways and streets	7,981,922	8,196,856	4,243,173	4,163,846
Library	1,251,417	1,191,165	1,114,788	1,035,455
Parks and Recreation	2,343,001	2,275,674	2,260,543	2,304,288
Golf	-	-	938,219	883,249
Permits and Inspections	831,036	660,593	809,547	774,467
Other Community Services	2,632,558	1,978,699	2,313,403	2,456,795
Miscellaneous	3,613,371	4,237,878	5,595,140	4,333,295
Interest on long-term debt	3,294,913	2,544,857	2,114,399	1,975,274
Total governmental activities expenses	<u>56,211,640</u>	<u>54,422,312</u>	<u>46,808,265</u>	<u>44,342,643</u>
Business-type activities				
Airport Operations	5,433,754	4,882,236	2,411,035	1,788,231
Golf	1,300,493	1,217,555	-	-
Solid Waste	9,235,406	7,485,257	7,273,485	6,833,500
Water and Sewer	20,050,177	17,984,565	14,492,967	14,083,204
Drainage Utility	526,775	430,436	286,990	332,238
Total business-type activities expenses	<u>36,546,605</u>	<u>32,000,049</u>	<u>24,464,477</u>	<u>23,037,173</u>
Total primary government expenses	<u>\$ 92,758,245</u>	<u>\$ 86,422,361</u>	<u>\$ 71,272,742</u>	<u>\$ 67,379,816</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,449,310	\$ 1,074,124	\$ 915,400	\$ 1,002,461
Police	615,623	608,374	783,196	784,946
Fire	1,703,377	1,702,125	1,421,718	1,591,157
Highways and streets	-	-	-	-
Library	51,355	53,122	34,160	34,344
Parks and Recreation	130,891	101,373	117,064	126,616
Golf Course	-	-	609,103	930,207
Permits and Inspections	1,673,018	1,226,994	1,041,730	911,366
Other Community Services	541,789	523,335	605,946	781,583
Miscellaneous	596,207	384,367	285,150	214,465
Interest on long-term debt	-	-	-	-
Operating grants and contributions	-	2,433,893	1,517,458	1,128,958
Capital grants and contributions	-	154,573	201,616	21,138
Total governmental activities program revenues	<u>6,761,570</u>	<u>8,262,280</u>	<u>7,532,541</u>	<u>7,527,241</u>
Business-type activities:				
Charges for services:				
Airport Operations	3,621,665	3,150,301	1,478,571	1,496,325
Golf	981,774	906,249	-	-
Solid Waste	11,076,247	10,344,840	9,694,642	8,524,107
Water and Sewer	35,917,756	31,422,147	20,742,089	21,960,301
Drainage Utility	1,608,921	826,226	773,918	750,819
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	7,364,203	20,020,057	13,298,763
Total business-type activities program revenues	<u>53,206,363</u>	<u>54,013,966</u>	<u>52,709,277</u>	<u>46,030,315</u>
Total primary government program revenues	<u>\$ 59,967,933</u>	<u>\$ 62,276,246</u>	<u>\$ 60,241,818</u>	<u>\$ 53,557,556</u>
Net (expense)/revenue				
Governmental activities	\$ 88,996,275	81,375,983	11,655,491	13,329,004
Business-type activities	181,520,413	154,207,943	132,105,745	101,236,895
Total primary government net expense	<u>\$ 270,516,688</u>	<u>\$ 235,583,926</u>	<u>\$ 143,761,236</u>	<u>\$ 114,565,899</u>

City of Killeen, Texas
Changes in Net Assets (Continued)
Last Four Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Ad Valorem Taxes	\$ 20,427,442	\$ 18,238,325	\$ 17,195,320	\$ 15,389,541
Penalties and Interest	172,446	173,518	150,943	150,039
Beverage Taxes	188,977	183,734	163,675	144,208
Franchise Taxes	4,739,736	4,231,604	3,933,838	4,114,950
City Sales Taxes	18,452,935	17,395,394	15,634,498	14,113,096
Bingo Taxes	199,000	159,131	129,452	105,745
Unrestricted Investment Earnings	3,354,917	1,482,665	450,595	528,202
Gain on Sale of Capital Assets	18,668	-	-	-
Transfers	2,541,985	1,293,046	(56,113)	2,869,788
Total governmental activities	<u>\$ 50,096,106</u>	<u>\$ 43,157,417</u>	<u>\$ 37,602,208</u>	<u>\$ 37,415,569</u>
Business-type activities:				
Investment earnings	2,568,478	1,368,837	379,710	465,098
Gain on Sale of Capital Assets	48,222	12,500	8,953	5,052
Transfers	(2,541,985)	(1,293,046)	56,113	(2,869,788)
Total business-type activities	<u>74,715</u>	<u>88,291</u>	<u>444,776</u>	<u>(2,399,638)</u>
Total primary government	<u>\$ 50,170,821</u>	<u>\$ 43,245,708</u>	<u>\$ 38,046,984</u>	<u>\$ 35,015,931</u>
Changes in Net Assets				
Governmental activities	7,620,293	(3,002,615)	(1,673,516)	600,167
Business-type activities	27,312,460	22,102,208	28,689,576	20,593,504
Total primary government	<u>\$ 34,932,753</u>	<u>\$ 19,099,593</u>	<u>\$ 27,016,060</u>	<u>\$ 21,193,671</u>

City of Killeen, Texas
Governmental Activities Tax Revenues by Source*
Last Ten Fiscal Years

Fiscal Year	Ad Valorem Taxes	Penalty And Interest	City Sales Tax	Beverage Tax	Franchise Tax	Bingo	Total
2006	\$ 14,750,670	\$ 172,446	\$ 18,452,935	\$ 188,977	4,739,736	\$ 199,000	\$ 38,503,764
2005	13,702,865	173,518	16,240,984	183,734	4,231,603	159,132	34,691,836
2004	12,846,085	150,943	14,659,223	163,675	3,933,838	129,452	31,883,216
2003	11,643,486	150,039	13,321,622	144,208	4,114,949	105,742	29,480,046
2002	10,912,106	85,576	12,800,703	135,846	4,007,147	98,180	28,039,558
2001	10,930,055	98,057	12,042,130	122,288	3,761,451	96,891	27,050,872
2000	8,656,577	64,070	11,193,279	95,020	3,039,493	96,409	23,144,848
1999	8,020,570	70,698	10,110,528	98,218	3,016,639	93,685	21,410,338
1998	6,968,126	80,867	9,359,230	90,940	2,924,622	92,620	19,516,405
1997	6,344,585	79,536	9,060,747	87,331	2,925,283	100,402	18,597,884

* Includes General Fund tax revenues only

City of Killeen, Texas
Fund Balances of Governmental Funds
Last Four Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund				
Reserved				
Encumbrances	\$ -	\$ 1,194,710	\$ 528,803	\$ 306,008
Non-Current Portion of Notes Receivable	-	-	15,858	\$ 15,858
Inventories		291,166	485,253	433,794
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unreserved				
Designated	-	1,525,000	1,525,000	1,525,000
Undesignated	20,456,694	14,880,099	12,954,178	13,240,969
Total general fund	<u>\$ 20,456,694</u>	<u>\$ 17,890,975</u>	<u>\$ 15,509,092</u>	<u>\$ 15,521,629</u>
All other governmental funds				
Reserved				
Encumbrances	\$ -	\$ 465,248	\$ 337,535	\$ 164,417
Inventories	-	-	-	-
Debt Service	2,294,404	2,157,576	1,770,519	966,333
Capital Projects	39,978,725	24,509,045	5,261,012	13,744,301
Unreserved, reported in:				
Other Governmental Funds	1,863,866	1,045,638	-	-
Undesignated - Special Revenue	-	-	757,107	809,805
Total all other governmental funds	<u>\$ 44,136,995</u>	<u>\$ 28,177,507</u>	<u>\$ 8,126,173</u>	<u>\$ 15,684,856</u>

City of Killeen, Texas
Changes in Fund Balances of Governmental Funds
Last Four Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Taxes	\$ 44,209,826	\$ 40,374,681	\$ 37,236,747	\$ 33,942,040
Licenses and permits	1,673,018	1,226,994	1,041,730	911,366
Intergovernmental	1,808,426	2,544,806	1,719,074	1,150,096
Charges for services	8,049,547	2,478,713	2,787,143	3,296,013
Fines	1,346,557	1,036,688	894,038	723,143
Miscellaneous	4,473,736	2,542,252	1,347,704	1,725,039
Total revenues	<u>61,561,110</u>	<u>50,204,134</u>	<u>45,026,436</u>	<u>41,747,697</u>
Expenditures				
General government	6,221,009	6,366,296	5,467,205	5,545,415
Public safety	25,478,440	21,486,251	20,389,613	19,310,906
Public Works	4,324,297	4,517,392	4,042,427	3,966,588
Community Services	6,100,662	5,196,402	6,469,184	6,507,274
Miscellaneous	7,176,430	5,690,519	4,706,548	4,210,902
Capital outlay	14,709,438	3,812,506	7,223,249	4,573,686
Debt service				
Bond Issuance Costs	-	120,732	-	90,533
Principal	3,066,407	2,907,350	2,842,567	2,453,488
Interest	3,167,191	2,531,840	2,154,860	1,835,077
Fiscal Charges	19,089	18,677	18,559	16,515
Total expenditures	<u>70,262,963</u>	<u>52,647,965</u>	<u>53,314,212</u>	<u>48,510,384</u>
Excess of revenues over (under) expenditures	(8,701,853)	(2,443,831)	(8,287,776)	(6,762,687)
Other financing sources (uses)				
Proceeds from Sale of Bonds	21,600,000	18,969,760	772,669	11,000,000
Proceeds from Fixed Asset Dispositions	18,668			212,000
Transfers in	6,711,505	8,272,993	6,064,663	5,276,758
Transfers out	(4,169,520)	(2,940,146)	(6,120,776)	(2,406,970)
Total other financing sources (uses)	<u>24,160,653</u>	<u>24,302,607</u>	<u>716,556</u>	<u>14,081,788</u>
Net change in fund balances	<u>15,458,800</u>	<u>21,858,776</u>	<u>(7,571,220)</u>	<u>7,319,101</u>
Debt service as a percentage of noncapital expenditures	11.2%	11.1%	10.8%	9.8%

City of Killeen, Texas
Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years

Fiscal Year Ended 9/30/2006	Taxable Assessed Value		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property					
2006	\$2,998,256,599	\$360,965,321	\$335,207,423	\$3,024,014,497	0.6950	\$3,395,819,417	0.8905
2005	2,660,558,752	350,370,677	320,635,274	2,690,294,155	0.6950	3,018,010,096	0.8914
2004	2,522,768,679	320,734,650	307,256,037	2,536,247,292	0.6990	2,854,692,140	0.8884
2003	2,014,916,592	315,247,673	286,553,517	2,043,610,748	0.6800	2,623,975,762	0.7788
2002	1,894,856,103	303,325,791	254,849,959	1,943,331,935	0.6800	2,458,816,286	0.7904
2001	1,807,057,844	265,860,903	245,112,171	1,827,806,576	0.6800	2,288,765,949	0.7986
2000	1,729,249,013	225,233,350	243,026,079	1,711,456,284	0.6000	2,150,290,929	0.7959
1999	1,632,190,909	215,150,121	246,974,810	1,600,366,220	0.5900	1,909,969,183	0.8379
1998	1,554,199,667	205,525,099	216,146,137	1,543,578,629	0.5700	1,818,537,818	0.8488
1997	1,764,105,469	206,833,289	355,201,709	1,661,685,526	0.5471	1,975,826,968	0.8410

Source: Bell County Tax Appraisal District

City of Killeen, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Tax Year	City of Killeen General Fund	City of Killeen Debt Service	Total City of Killeen	Bell County	Killeen ISD	Central Texas College	Total
2006	2005	0.50020	0.19480	0.6950	0.3760	1.5583	0.1460	2.7753
2005	2004	0.52183	0.17317	0.6950	0.3610	1.5583	0.1470	2.7613
2004	2003	0.52183	0.17317	0.6990	0.3650	1.5633	0.1475	2.7748
2003	2002	0.52110	0.17790	0.6800	0.3651	1.5223	0.1475	2.7149
2002	2001	0.51620	0.16380	0.6800	0.3651	1.4280	0.1485	2.6216
2001	2000	0.54540	0.13460	0.6800	0.3651	1.4280	0.1485	2.6216
2000	1999	0.46120	0.13880	0.6000	0.3657	1.4280	0.1490	2.5427
1999	1998	0.44062	0.14938	0.5900	0.3418	1.4580	0.1500	2.5398
1998	1997	0.41210	0.15790	0.5700	0.2967	1.3500	0.1500	2.3667
1997	1996	0.40500	0.14210	0.5471	0.2896	1.3500	0.1515	2.3382

Note: Data presented is received from various government agencies.

**City of Killeen, Texas
Principal Property Taxpayers
Last Ten Fiscal Years
2006**

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
TXU Electrical Delivery	\$ 37,535,377	1	1.07%	\$ 20,987,879	2	1.30%
Central Telephone Co	25,151,420	2	0.72%	23,780,460	1	1.47%
GG&A Killeen Mall	16,977,085	3	0.48%	12,370,398	3	0.76%
Texas Cable Partners	12,977,550	4	0.37%	N/A		
Sallie Mae Inc	12,809,117	5	0.37%	11,443,781	4	0.71%
Wal-Mart Stores #0407	10,150,023	6	0.29%	N/A		
Feiga/Sierra Creek LP	9,534,929	7	0.27%	N/A		
Wal-Mart Real Estate	9,369,886	8	0.27%	N/A		
Arbors 2003 LP	8,751,560	9	0.25%	N/A		
SPRM Killeen LP	8,590,000	10	0.25%	N/A		
Sierra Creek LTD	-			8,232,966	5	0.51%
Lowe's Home Center Inc	-			7,237,387	6	0.45%
Subtotal	\$ 151,846,947		4.33%	\$ 84,052,871		5.19%
All other taxpayers	3,352,652,287		95.67%	1,514,019,292		94.74%
	<u>\$3,504,499,234</u>		<u>100.00%</u>	<u>\$1,598,072,163</u>		<u>99.93%</u>

Source: Bell County Tax Appraisal District

City of Killeen, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended 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
2006	2005	\$21,016,898	\$20,179,257	96.01%	\$ 461,613	20,640,870	98.21%
2005	2004	18,697,545	17,957,697	96.04%	441,789	18,399,486	98.41%
2004	2003	17,728,368	16,959,606	95.66%	415,950	17,375,556	98.01%
2003	2002	15,845,119	15,045,984	94.96%	418,055	15,464,039	97.59%
2002	2001	14,947,638	14,370,546	96.14%	345,835	14,716,381	98.45%
2001	2000	14,095,851	13,541,305	96.07%	195,560	13,736,865	97.45%
2000	1999	11,506,682	11,221,484	97.52%	171,688	11,393,172	99.01%
1999	1998	10,899,318	10,700,911	98.18%	148,378	10,849,289	99.54%
1998	1997	10,030,433	9,883,348	98.53%	117,815	10,001,163	99.71%
1997	1996	9,053,826	8,778,394	96.96%	195,953	8,974,347	99.12%

(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**

Fiscal Year	Tax Year	Total Assessed Valuation	Assessments Rate	Gross Tax Rate
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
1997	1996	\$ 1,661,685,526	100%	0.5471

City of Killeen, Texas
Ratios of Outstanding Debt by Type
Last Ten Years

Fiscal Year	Governmental Activities					General Obligation Bonds	Revenue Bonds
	General Obligation Bonds	Certificates of Obligation	Tax Increment Bonds	Limited Tax Notes	Total Governmental Activities		
2006	\$34,659,101	\$39,797,243	-	\$ 545,000	75,001,344	6,415,899	\$45,320,000
2005	25,784,251	29,718,500	-	1,065,000	56,567,751	7,905,749	46,665,000
2004	9,166,101	29,949,000	-	1,560,000	40,675,101	8,988,898	27,905,000
2003	10,676,668	30,806,000	-	2,035,000	43,517,668	9,408,332	29,490,000
2002	12,164,156	20,322,000	-	2,485,000	34,971,156	9,750,844	31,035,000
2001	13,561,316	20,715,000	-	3,030,000	37,306,316	9,918,685	32,490,000
2000	15,001,870	4,792,000	-	230,000	20,023,870	9,978,130	25,010,000
1999	16,363,800	5,000,000	-	345,000	21,708,800	10,036,200	16,960,000
1998	17,570,000	3,600,000	-	460,000	21,630,000	315,000	17,755,000
1997	18,811,500	3,650,000	400,000	575,000	23,436,500	338,500	9,665,000

Note: Details regarding the City's outstanding debt can be found in Note G of the Notes to the Financial Statements. See Table XV, the Schedule of Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population data for the prior calendar year.

Business-Type Activities							
Certificates of Obligation	Bank Loan	Notes Payable	Limited Tax Notes	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 19,702,757	-			19,702,757	\$ 94,704,101	0.00%	0.07%
3,406,500	-			3,406,500	59,974,251	0.00%	0.09%
556,000	-	16,758	300,000	872,758	41,547,859	0.00%	0.13%
829,000	-	30,900	600,000	1,459,900	44,977,568	0.00%	0.07%
1,053,000	-	44,336	800,000	1,897,336	36,868,492	0.00%	0.13%
298,000	-	12,502	200,000	510,502	37,816,818	0.00%	0.11%
1,653,000	-	69,605	1,200,000	2,922,605	22,946,475	0.00%	0.15%
2,080,000	-	81,469	-	2,161,469	23,870,269	0.00%	0.17%
10,625,000	-	92,727	-	10,717,727	32,347,727	0.00%	0.17%
10,950,000	38,945	103,411	-	11,092,356	34,528,856	0.00%	0.18%

City of Killeen, Texas
Direct and Overlapping Governmental Activities Debt
September 30, 2006

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Bell County	\$ 98,050,000	28.24%	\$ 27,689,320
Killeen Independent School District	158,793,665	77.93%	123,747,903
Central Texas College	6,530,000	67.16%	<u>4,385,548</u>
Subtotal, overlapping debt			155,822,771
City of Killeen			<u>146,440,000</u>
Total direct and overlapping debt			<u><u>\$ 302,262,771</u></u>

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

FISCAL YEAR	GROSS REVENUE	OPERATING EXPENSES*	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
1996	12,635,267	7,354,045	5,281,222	650,000	1,001,235	1,651,235	3.20
1997	12,554,379	7,975,045	4,579,334	685,000	1,282,013	1,967,013	2.33
1998	13,214,833	8,527,431	4,687,402	945,000	1,540,243	2,485,243	1.89
1999	14,265,369	9,379,923	4,885,446	1,151,000	1,488,140	2,639,140	1.85
2000	16,718,385	9,975,415	6,742,970	1,130,000	1,889,759	3,019,759	2.23
2001	17,914,851	11,338,927	6,575,924	1,220,000	1,461,947	2,681,947	2.45
2002	21,111,946	11,365,701	9,746,245	1,455,000	1,828,221	3,283,221	2.97
2003	21,960,302	11,135,352	10,824,950	1,545,000	1,669,701	3,214,701	3.37
2004	20,742,089	11,431,228	9,310,861	1,585,000	1,582,452	3,167,452	2.94
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

Source: Finance Department, City of Killeen

* Total operating expense less depreciation.

City of Killeen, Texas
Computation of Direct and Overlapping Debt
For The Last Ten 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
2006	146,440,000	100.00%	146,440,000	98,050,000	28.24%	27,689,320
2005	114,545,000	100.00%	114,545,000	53,735,000	28.24%	15,174,764
2004	78,424,999	100.00%	78,424,999	52,030,000	28.24%	14,693,272
2003	83,845,000	100.00%	83,845,000	27,805,000	28.24%	7,852,132
2002	77,610,000	100.00%	77,610,000	29,220,000	28.24%	8,251,728
2001	36,557,433	100.00%	36,557,433	31,540,000	28.24%	8,906,896
2000	19,266,145	100.00%	19,266,145	24,813,368	28.24%	7,007,295
1999	20,923,223	100.00%	20,923,223	26,114,931	28.24%	7,374,857
1998	20,878,181	100.00%	20,878,181	28,344,930	28.24%	8,004,608
1997	22,332,286	100.00%	22,332,286	10,097,972	28.24%	2,851,667

Table XIV

Rates						
Killeen Independent School District			Central Texas College			Total Amount Applicable To Killeen
Net Debt Outstanding	Percentage Applicable To Killeen	Amount Applicable To Killeen	Net Debt Outstanding	Percentage Applicable To Killeen	Amount Applicable To Killeen	
158,793,665	77.93%	123,747,903	6,530,000	67.16%	4,385,548	302,262,771
167,140,974	77.93%	130,252,961	8,530,000	67.16%	5,728,748	265,701,473
172,941,739	77.93%	134,773,497	10,440,000	67.16%	7,011,504	234,903,272
179,795,938	77.93%	140,114,974	12,260,000	67.16%	8,233,816	240,045,922
84,219,990	77.93%	65,632,638	14,000,000	67.16%	9,402,400	160,896,766
89,325,258	77.93%	69,611,174	13,666,620	67.16%	9,178,502	124,254,005
94,356,468	77.93%	73,531,996	13,335,793	67.16%	8,956,319	108,761,754
99,905,097	77.93%	77,856,042	19,862,000	67.16%	13,339,319	119,493,441
103,713,875	77.93%	80,824,223	5,711,000	67.16%	3,835,508	113,542,520
42,019,005	77.93%	32,745,411	-	N/A	-	57,929,364

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

**City of Killeen, Texas
Computation of Legal Debt Margin
Last Ten Fiscal Years**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assessed Value, Tax Roll	\$3,024,014,497	\$2,690,294,155	\$2,536,247,292	\$2,330,164,265
	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
Legal Debt Limit	<u>\$ 75,600,362</u>	<u>\$ 67,257,354</u>	<u>\$ 63,406,182</u>	<u>\$ 58,254,107</u>
Actual amount expended for General Obligation Debt Service During the Year	\$ 6,252,687	\$ 5,457,867	\$ 5,015,986	\$ 4,305,080

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

Table XV

2002	2001	2000	1999	1998	1997
\$2,198,181,894	\$2,072,918,747	\$1,954,482,363	\$1,847,341,030	\$2,090,119,979	\$1,970,938,758
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<u>\$ 54,954,547</u>	<u>\$ 51,822,969</u>	<u>\$ 48,862,059</u>	<u>\$ 46,183,526</u>	<u>\$ 52,252,999</u>	<u>\$ 49,273,469</u>
\$ 4,294,849	\$ 3,696,459	\$ 2,811,846	\$ 2,705,630	\$ 2,656,026	\$ 2,817,651

**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		Personal Income (b) (amounts expressed in thousands)	Per Capita Personal income	Unemployment Rate (c)
		Population (a)				
2006	103,210	*		*	*	5.8%
2005	103,210	341,797		10,162,000	29,731	5.3%
2004	103,210	325,398		9,321,254	28,646	5.6%
2003	100,976	324,649		8,739,875	26,921	6.7%
2002	100,976	319,346		8,208,370	25,704	6.1%
2001	86,911	315,281		7,782,476	24,684	5.5%
2000	86,911	312,952		7,458,649	23,833	4.7%
1999	84,488	308,150		7,048,167	22,873	3.3%
1998	84,488	307,900		6,579,938	21,370	4.6%
1997	78,202	304,561		6,247,237	20,512	5.2%
1996	78,313	301,687		6,005,015	19,905	4.8%

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

**City of Killeen, Texas
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2006</u>			<u>1997</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>
III Corps & Fort Hood	42,322	1	58.56%	45,000	1
Scott & White Clinic	7,100	2	9.82%	N/A	N/A
Killeen ISD	5,145	3	7.12%	3,997	3
Civilian Personnel Office	3,187	4	4.41%	5,808	2
Fort Hood Exchange	1,218	5	1.69%	N/A	N/A
Central Texas College	1,100	6	1.52%	945	4
Metroplex Hospital	935	7	1.29%	700	6
City of Killeen	891	8	1.23%	472	10
Killeen Mall	800	9	1.11%	800	5
Wal-Mart	700	10	0.97%	N/A	N/A
Subtotal	63,398		87.72%	57,722	
All other employers	8,879		12.28%	N/A	
Total employment	<u>72,277</u>		<u>100.00%</u>	<u>N/A</u>	

Source: Greater Killeen Chamber of Commerce

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

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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Fund										
City Manager	3	3	3	3	3	3	3	3	3	2
Emergency Management & Homeland Security	0	0	0	0	0	0	0	0	0	0
Municipal Court	19	19	19	20	18	18	17	15	14	13
Public Information	2	1	1	1	1	1	1	1	1	0
Killeen Volunteer Services	3	3	3	3	3	3	3	3	1	1
City Attorney	7	7	6	6	6	6	5	5	5	4
City Secretary	1	1	1	1	1	1	1	1	1	1
Finance	6	6	5	5	5	4	4	4	4	3
Accounting	7	7	7	7	6	6	6	6	6	6
Purchasing	5	4	4	4	3	3	5	5	4	4
Building Services	3	2	2	2	2	2	2	2	2	2
Custodial Services	8	8	8	8	8	8	6	8	7	4
Printing Services	2	2	2	2	2	2	0	0	0	0
EMS Billing & Collections	5	5	5	5	3	3	3	3	2	2
Human Resources	10	8	8	8	6	6	6	6	5	4
Information Technology	12	10	10	10	10	10	9	6	6	5
Permits & Inspections	14	12	11	11	13	14	14	12	12	12
Code Enforcement	8	7	7	4	0	0	0	0	0	0
Library Services	30	30	30	31	21	21	18	14	14	12
Golf Course	17	13	12	12	12	12	11	11	11	11
Golf Course Food & Beverage	0	0	0	0	0	0	0	0	0	0
Parks	31	31	31	31	31	29	25	25	24	23
Recreation	3	3	3	3	3	3	3	6	5	3
Athletics	3	3	3	3	3	3	3	0	0	0
Cemetery	6	6	6	6	6	6	6	6	6	6
Senior Citizens	3	3	3	3	2	2	2	2	2	2
Community Development	4	4	4	4	5	6	6	5	5	5
Home Program	2	2	2	2	2	2	2	2	1	1
Public Works	2	2	2	2	2	2	2	2	2	2
Engineering	2	2	2	4	4	2	2	2	1	1
Traffic	10	10	10	10	10	8	8	7	7	7
Street	39	35	35	35	35	31	31	32	35	31
Planning	8	7	6	6	6	6	5	5	4	4
Police	249	230	214	211	204	198	198	194	194	194
Animal Control	8	8	8	8	8	8	8	7	7	7
Fire	143	137	128	128	124	121	123	123	123	107
Total General Fund	675	631	601	599	568	550	538	523	514	479
Killeen-Fort Hood Regional Airport										
Killeen-Fort Hood Regional Airport	37.5	37.5	14	4	3	2	1	0	0	0
Total Killeen-Fort Hood Regional Airport Fund	37.5	37.5	14	4	3	2	1	0	0	0
Skylark Field										
Skylark Field	5.5	5.5	20	20	17	11	11	11	11	11
Total Skylark Field Fund	5.5	5.5	20	20	17	11	11	11	11	11

FULL TIME AND REGULAR PART-TIME EMPLOYEES BY FUNCTION
FOR THE LAST TEN YEARS

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Solid Waste										
Code Enforcement	0	1	1	1	0	0	0	0	0	0
Residential Services	38	35	35	32	26	22	23	29	38	46
Commercial Services	19	19	19	18	17	16	16	15	14	0
Recycle Center	7	7	7	4	3	3	2	2	2	2
Transfer Station	11	11	11	10	10	10	9	9	9	9
Mowing	11	0	0	0	0	0	0	0	0	0
Total Solid Waste Fund	86	73	73	65	56	51	50	55	63	57
Water and Sewer										
Fleet Services	19	19	19	19	19	20	20	19	19	19
Utility Collections	32	30	30	29	28	27	26	24	24	20
GIS	3	2	2	2	0	0	0	0	0	0
Water Distribution	15	15	15	15	12	12	12	12	12	10
Sanitary Sewer	13	11	11	11	11	11	11	11	9	9
Water and Sewer Operations	24	20	20	18	17	19	18	15	15	13
Engineering	-	-	-	-	-	-	-	-	-	-
Total Water and Sewer Fund	106	97	97	94	87	89	87	81	79	71
Drainage Utility Fund										
Engineering	9	3	3	3	1	0	0	0	0	0
Maintenance	0	0	0	0	0	0	0	0	0	0
Total Drainage Utility Fund	9	3	3	3	1	0	0	0	0	0
Special Revenue Fund										
Cablesystem PEG	0	1	1	1	0	0	0	0	0	0
Civic and Conference Center	15	16	15	17	6	0	0	0	0	0
Community Development Block Grant	4	4	4	6	0	0	0	0	0	0
Home Program	1	1	1	1	0	0	0	0	0	0
Total Special Revenue Fund	20	22	21	25	6	0	0	0	0	0
Capital Improvement										
Bond Construction	0	5	5	5	5	6	8	8	9	9
Total Capital Improvement Fund	0	5	5	5	5	6	8	8	9	9
TOTAL ALL FUNDS	939	874	834	815	743	709	695	678	676	627

CITY OF KILLEEN, TEXAS
 WATERWORKS SYSTEM
 September 30, 2006

WATER USAGE OF THE LAST FIVE YEARS (IN MILLION OF GALLONS)			
<u>FISCAL YEAR</u>	<u>PEAK DAY USAGE</u>	<u>AVERAGE DAY USAGE</u>	<u>TOTAL USAGE</u>
2000	18.26	10.59	3,882
2001	18.80	11.05	4,040
2002	19.26	12.06	4,405
2003	21.12	12.30	4,495
2004	16.75	11.07	4,069
2005	21.17	11.48	4,194
2006	22.31	12.99	4,747

TEN LARGEST WATER CUSTOMERS (IN THOUSANDS OF GALLONS)			
<u>CUSTOMER</u>	<u>ANNUAL WATER USAGE</u>	<u>ANNUAL AMOUNT BILLED</u>	<u>% OF TOTAL WATER USAGE</u>
West Bell Water Supply Corp	64,970,300	\$ 87,710	1.60%
Metroplex Hospital	23,259,600	63,309	0.57%
KISD - Ellison HS SPR	18,235,400	49,794	0.45%
Transit Mix Concrete	17,665,200	48,260	0.44%
KISD - Shoemaker HS	15,718,900	42,429	0.39%
West River Oaks Ltd	13,065,400	33,779	0.32%
Stone Hill Apartments	12,559,000	32,667	0.31%
KISD - Liberty Hill MS	11,719,400	31,670	0.29%
Central Texas College	11,240,800	56,471	0.28%
Elm Grove MHP	10,154,700	27,013	0.25%

Note: Percent of total consumption based on 4,041,533,500 gallons annual consumption.

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 limits are double the water rates for users inside the city limits.

TEN LARGEST WASTEWATER CUSTOMERS (mgd)

<u>CUSTOMER</u>	<u>ANNUAL WATER USAGE</u>	<u>ANNUAL AMOUNT BILLED</u>
Central Texas College	40,029,800	\$ 108,505
West River Oaks LTD	13,065,400	35,469
Stone Hill Apartments	12,559,000	34,097
Metroplex Hospital	12,175,800	33,059
Central Texas College	11,240,800	58,827
Elm Grove MHP	10,154,700	42,986
TGFT Ent dba Zip Cln	9,649,100	26,208
Remington Apartments	8,417,000	22,832
Summerfield MHP	8,207,100	32,286
Allora Way Apts	8,201,100	22,292

**water billed by City of Copperas Cove

CITY OF KILLEEN, TEXAS
 MISCELLANEOUS STATISTICS
 September 30, 2006

Date of Incorporation	1882	Public Works		
Date of Charter	1949	Paved Streets		467 mi.
Legal Form of Government Home-Rule Municipal Corp.		Unpaved Streets		1 mile
Management Form of Government Council-Manager		Arterial Streets (State)		30.10 mi.
Area in Square Miles	45.35	Lined Drainage Channels		192,166.92 ft.
		Unlined Drainage Channels		1,212,030.85 ft.
		Signalized Intersections		80
		Street Lights		3,546
Airport		Wastewater Systems		
Number of Airports	2	Sanitary Sewer Mains		466.7 mi.
Number of Acres	289	Sewer Connections		34,087
Number of Airlines	4	Sewer Treatment Plant is Activated Sludge		
Passengers Enplaning	172,461	Plant 1	Plant 2	
Deplaning	175,418	Max Capacity	15 MGD	6 MGD
Fire Protection				
Number of Fire Stations	7	Water System		
Fire Apparatus	16	Average Daily Consumption		29,797
Number of Fire Hydrants	3,600	Rated Daily Capacity		15 MGD
Number of Firemen	150	Water Mains		12 MGD
Number of Fire Runs	6,086	Water Connections		
Number of Paramedic Runs	9,558	Max System Daily Capacity (Killeen)		\$13.26 Min.
EMS Units	11			Over 3,000 gallons at \$2.47 per 1,000 gallons-Not to exceed 8,000 gallons
Libraries		Commercial		
Number of Libraries	2	First 3,000 gallons of water consumption		\$13.26 Min.
Number of Volumes	98,587	Over 3,000 gallons at \$2.47 per 1,000 gallons-No Maximum		
Circulation of Volumes	310,794			
Library Cards in Force	25,370			
Public Computer Sessions	91,602			
		Facilities not included in the Reporting Entity:		
Parks and Recreation		Education		
Number of Parks	17	Number of Elementary Schools		25
Playgrounds	24	Number of Middle Schools		9
Municipal Golf Courses	1	Number of High Schools		4
Swimming Pools	2	Number of Community Colleges		1
Tennis Courts	9	Number of Universities		1
Recreation Centers	1			
Baseball/Softball Fields	14			
Police Protection				
Number of Facilities	4			
Number of Commissioned Police Officers	208			
Number of Employees-Other	55			

