

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2005



CITY OF KILLEEN, TEXAS

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

**RANA D. LACER, CPA
DIRECTOR OF FINANCE**

CITY OF KILLEEN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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CITY OF KILLEEN

February 3, 2006

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, 2005 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, 2005, 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, 2005, 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 45.09 square miles. Major metropolitan areas are easily accessible - 60 miles to Waco, 75 miles to Austin, 150 miles to San Antonio, 162 miles to Dallas-Fort Worth and 190 miles to Houston.

Killeen was founded in 1882 by the Santa Fe Railroad and named in honor of an employee of the railroad, Frank P.

Killeen. In 1884, the City had a population of 350 and consisted of a post office, a cotton gin, and two grain mills. The 1941 population of 1,265 rose to 7,100 in 1950, due primarily from the activation of Fort Hood, a military base on Killeen's northern border, which began functioning in 1942 and was designated a permanent military installation in 1950. By 1960, Killeen's population was over 21,000 and has grown steadily since then to a 2004 population of 103,210. The City has a warm temperate climate with an average temperature of 69.7 degrees Fahrenheit. The warmest months are July and August with an average maximum temperature between 94 and 96 degrees Fahrenheit. The coolest temperatures, ranging from 37 to 38 degrees, occur in December and January.

Two basic services essential to any community are health care and education. Outstanding medical facilities are one of the key attractions of the area. The area serves as a Regional Medical Center with 801 hospital beds within 25 miles. Killeen is served by Metroplex Hospital, which provides 177 beds, a 7-bed intensive care unit, a 27 bassinet nursery, a full-range pathological laboratory, a licensed pharmacy, full-service radiology and a 24-hour physician-staffed emergency room. Metroplex Hospital is currently constructing a major addition to the facility adding approximately 30 beds. Metroplex Pavilion is a mental and behavioral health care center located on the Metroplex Hospital Campus. Licensed for 60 beds, it offers numerous treatment programs, and has separate patient areas for children, adolescents, and adults. The Scott and White Killeen Clinic accommodates 14 Family Medicine physicians, 3 pediatricians, and 3 physicians' assistants. They offer referral service to specialists in their 503-bed, regional hospital 25 miles away. The hospital is currently constructing the Center for Advanced Medicine and the Diagnostic Medical Center, which will be the largest outpatient facility in the region. The military community is served by the 121-bed Darnall Army Hospital and the satellite clinics.

High quality education from kindergarten through graduate school is available. The Killeen Independent School District is the largest school district between Dallas and Austin. The district has grown from an enrollment of 20,413 students in 1986-87 to an enrollment of over 33,094. KISD employs over 5,400 teachers and support personnel to serve the District's 50 campuses. KISD serves as the area's second largest employer. Students attend classes at twenty-nine elementary schools (Pre-K-5), eleven middle schools (6-8), four high schools (9-12), and six specialized campuses. Central Texas College and Tarleton State University System, 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 90 churches representing over 20 different 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 over 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, six physical fitness centers, two skating rinks, and one auto racetrack. 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 recently opened. The 63,000 square foot center boasts a 23,400 square foot ballroom, 3,000 square foot special events room, six large meeting rooms and two small meeting rooms in addition to full-featured kitchen facilities.

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

The council is elected on an at-large basis. Council members are elected to two-year staggered terms with four council members elected every year. The mayor is elected to two-year terms. Four of the council members must reside in their respective ward, although voting for these seats is at-large. The mayor and three remaining council members are elected at-large.

The City of Killeen currently enjoys a favorable economic environment, 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 340 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, boasting 45,777 military personnel and 3,187 civilian employees. A Texas Comptroller of Public Accounts March 2005 report states that 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 2005. For the thirteenth consecutive year, building permits issued exceeded \$100 million dollars. Total permits issued in FY 2005 were \$244,877,140.

MAJOR INITIATIVES

The FY 2004-05 Budget identified four major goals and priorities which addressed the needs of the community. Substantial progress on each of these major initiatives was accomplished during the year.

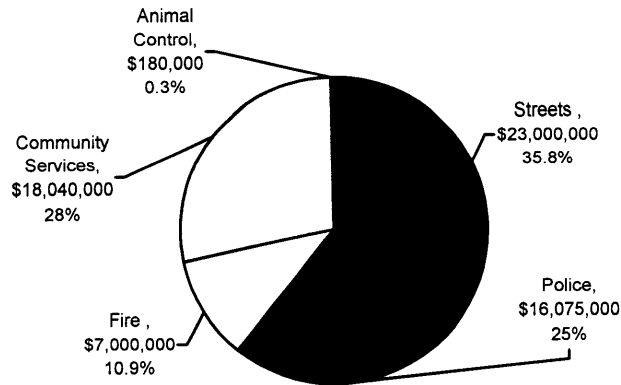
JOINT USE OF ROBERT GRAY ARMY AIRFIELD: The City completed its first full year of operations at Killeen-Fort Hood Regional Airport (KFHRA) and experienced a thirty-six percent increase in enplanements over FY 2003-04. Enplanements grew from 108,638 in the prior year to a record of 147,441 this year. The regional airport has been very well received and combined operating revenues of KFHRA and Skylark Field exceeded \$2.5 million, as compared to \$1.2 million in operating revenues at Skylark Field in the prior year.

CODE ENFORCEMENT: The City contributed additional resources to our code enforcement department in order to enforce City ordinances. Two Code Enforcement officers and one clerk were added to the Code Enforcement Division. This resulted in reducing the service area for each officer which allowed additional time to perform investigations. The impact to the number of complaints addressed by an officer rather than the citizens was significantly impacted in FY 2004-05 compared to prior fiscal years.

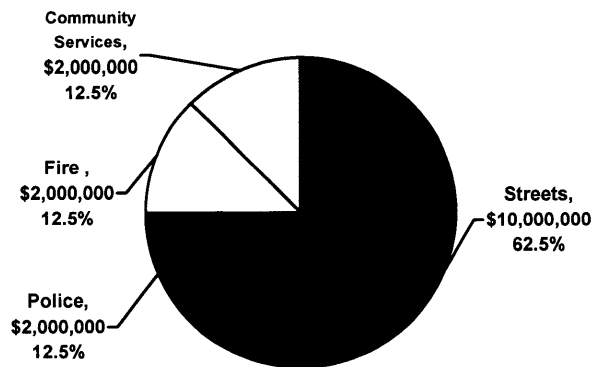
MAINTAIN CURRENT PROGRAMS, SERVICES, AND TAX RATE: The City tax rate for the fiscal year was 0.695 cents per \$100 valuation, which was a reduction from the FY 2003-04 tax rate of 0.699. In addition to lowering the tax rate, the City provided additional services through the addition of nine sworn police officer positions, six police department public service officers, two police non-civil service positions, nine fire rescue officers, and various other new programs and services totaling over \$6 million dollars city-wide.

2002 GENERAL OBLIGATION CAPITAL IMPROVEMENT BOND ELECTION: In November 2004, the City issued Phase I of the 2002 GOB capital improvement program passed by voters in 2002. Phase I included the issuance of \$10 million for major street improvement programs, and \$2 million each for Police, Fire, and Community Services. Slightly more than half a million dollars of the proceeds were expended in FY 2005. A feasibility study for Police Department is underway and a Station Location Study for the Fire Department was recently completed. These studies will help staff and the governing body plan for the public safety facilities to be funded from bond proceeds and will provide the basis for determining the optimum site locations based on the City's growth and population densities.

**2002 GENERAL OBLIGATION BOND ELECTION
VOTER APPROVED CAPITAL IMPROVEMENT PROGRAM**



2002 GOB CAPITAL IMPROVEMENT PROGRAM: PHASE I - FY 2004-05



DEPARTMENT FOCUS

Each year the government focuses attention on departmental efforts and accomplishments. This year, the Code Enforcement Division has been selected for this purpose. The mission of Code Enforcement is to ensure that buildings and properties are maintained in order to provide and preserve healthy, safe and aesthetically pleasing neighborhoods for the citizens of Killeen.

PROGRAM DESCRIPTIONS:

The Code Enforcement Department enforces the city codes and ordinances in order to provide a safe, clean and aesthetically pleasing community for the citizens of Killeen. The staff focuses on educating the citizens of their responsibilities to maintain their property in conformance with the minimum health and safety standards adopted by the Council. The Code Enforcement officers respond to citizen and interdepartmental complaints dealing with substandard and dangerous buildings, high weeds and grass, junk vehicles, graffiti and other nuisance violations. The code officers enforce and abate properties when voluntary compliance from the property owner cannot be achieved.

ACCOMPLISHMENTS:

- Investigated 7868 complaints during fiscal year 2004-05, an increase of 37.9% from 2003-04.
- Performed 17,073 inspections during fiscal year 2004-05, an increase of 35.9% from 2003-04.

- Abated 7449 code violations during fiscal year 2004-05, an increase of 40.3% from 2003-04.
- Billed for cleanup costs on 471 properties for a total amount of \$82,109 in 2004-05.
- Received payment on liens and bills in 2004-05 for a total amount of \$89,870.
- Abated 90 dangerous buildings in 2004-05.

ISSUES AND SERVICES:

- A tablet computer was placed in service to transmit information to staff in the field. This program greatly improved the response time to address violation concerns of our citizens.
- Reduced the service area for each officer which allowed additional time to perform investigations in each area. This allowed each officer to be more proactive and address more violations. In previous years, there was more dependence on citizen call in complaints. A ratio of 2-1 officer to citizen complaints is now at a ratio of around 4-1 officer to citizen complaints.

KEY OBJECTIVES:

Provide timely and efficient response to code enforcement complaints and provide an aesthetically pleasing community by ensuring adopted codes and ordinances are enforced citywide to ensure the health, safety and general welfare of the public.

| | <u>Actual</u> <u>2003-04</u> | <u>Budget</u> <u>2004-05</u> | <u>Estimated</u> <u>2004-05</u> | <u>Adopted</u> <u>2005-06</u> |
|--------------------------------------|---------------------------------|---------------------------------|------------------------------------|----------------------------------|
| Number of Complaints Investigated | 5,705 | 7,200 | 7,868 | 8,600 |
| Number of Violations Abated | 5,310 | 6,120 | 7,449 | 7,310 |
| Number of Dangerous Buildings Abated | 68 | N/A | 90 | 95 |

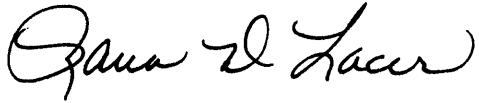
AWARDS AND ACKNOWLEDGEMENTS

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, 2004. This was the fifteenth 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, 2004 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, 2005.

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 Rana D. Lacer in black ink.

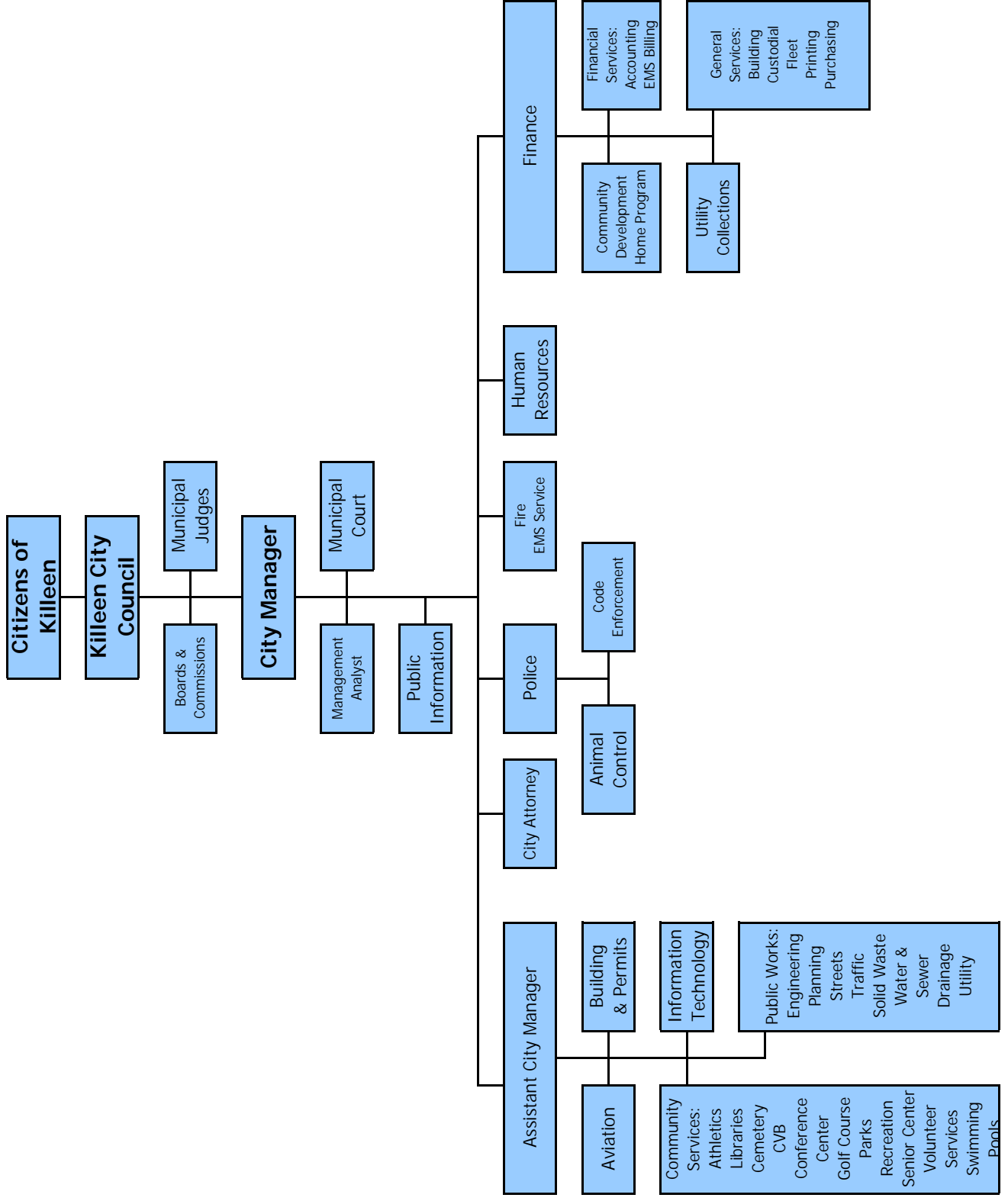
Rana D. Lacer, CPA
Chief Financial Officer

Handwritten signature of Connie J. Green in black ink.

Connie J. Green
City Manager
Chief Executive Officer



CITY OF KILLEEN ORGANIZATIONAL STRUCTURE



**CITY OF KILLEEN
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2005**

| | |
|---|---------------------|
| Mayor | Maureen J. Jouett |
| Mayor Pro Tem – At Large | Timothy Hancock |
| Councilman – Ward 1 | Dan Corbin |
| Councilman – At Large | Scott Cospers |
| Councilman-Ward 3 | Fred Latham |
| Councilman-At Large | Eddie Vale |
| Councilman – Ward 4 | Ernest L. Wilkerson |
| Councilman – Ward 2 | Dick Young |
| City Manager | Connie Green |
| Assistant City Manager | Don Christian |
| Director of Community Services | Glenn Morrison |
| Director of Finance | Rana Lacer |
| 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 | Bruce Butscher |
| Director of Solid Waste | Wayne McBride |
| Director of Street Services | John Koester |
| Director of Utility Services | Lee Kelley |
| Director of Volunteer Services | Beth Philyaw |
| Fire Chief | Henry Young |

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Killeen,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

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



Nancy L. Zielle

President

Jeffrey R. Emmer

Executive Director

FINANCIAL SECTION



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Certified Public Accountants*

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2006, 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.

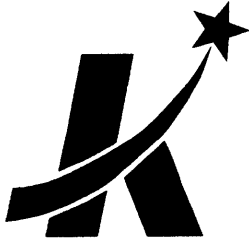
Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Killeen, Texas basic financial statements. The introductory section, combining schedules and individual nonmajor fund financial statements, and statistical tables are

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 3, 2006

MANAGEMENT DISCUSSION AND ANALYSIS



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, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages V-X of this report. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the City of Killeen (City) exceeded its liabilities at the close of the fiscal year by \$235.6 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$46.1 million. Of the combined ending fund balances, \$2.1 million is reserved for debt service, \$14.8 million is unreserved in the General Fund, and \$24.5 million is reserved in capital projects funds.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$14.8 million or 36 percent of total general fund expenditures of \$41.6 million.

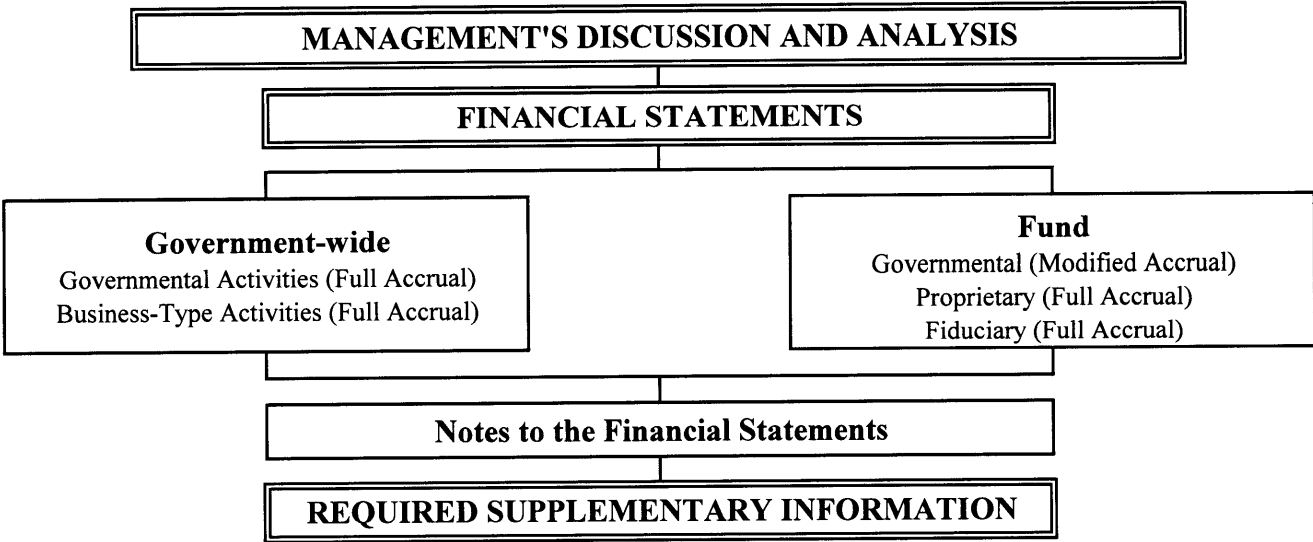
USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

Components of the Financial Section

BASIC FINANCIAL STATEMENTS



Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 16-18 of this report.

Fund Financial Statement

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

Governmental Funds

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

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

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund 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 presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement (page 70) has been provided for the general fund to demonstrate compliance with this budget. This budgetary comparison presents an unfavorable variance in operating transfers resulting from an adjustment to move golf inventory from the general fund to the new proprietary golf fund.

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

Proprietary Funds

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

Enterprise Funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Airport, Solid Waste, Water and Sewer, Golf and Drainage Utility activities. All enterprise funds, except Golf, 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 the City's progress in funding its obligation to provide pension benefits to qualifying employees.

Combining Statements

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

Government-Wide Financial Analysis

The City has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements and Management's Discussion and Analysis (MD&A)- for State and Local Governments. This fiscal year's MD&A is presenting prior-year information with the current-year information as a comparative analysis of government-wide data.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$235.6 million for the year ended September 30, 2005. The largest portion of the City's net assets (82.8 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 is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City is reporting \$68.1 million (net of accumulated depreciation) in governmental activities infrastructure assets in the current year as an early implementation of GASB 34 Infrastructure reporting. Thus, the significant increase in capital assets from the prior year.

Net Assets

September 30, 2005

| | <i>(in millions of dollars)</i> | | | | | |
|---|---------------------------------|-------------|-------------------|--------------------------|--------------|-------------------|
| | Governmental Activities | | Percentage Change | Business-Type Activities | | Percentage Change |
| | 2005 | 2004 | | 2005 | 2004 | |
| Assets | | | | | | |
| Current and other assets | 53.3 | 31.1 | 71.4% | 57.9 | 35.4 | 63.6% |
| Capital Assets | 95.8 | 32.2 | 197.5% | 162.8 | 141.6 | 15.0% |
| Total Assets | <u>149.1</u> | <u>63.3</u> | 135.5% | <u>220.7</u> | <u>177.0</u> | 24.7% |
| Liabilities | | | | | | |
| Long-term liabilities outstanding | 57.4 | 38.6 | 48.7% | 58.7 | 34.6 | 69.7% |
| Other liabilities | 10.3 | 13.0 | -20.8% | 7.8 | 10.3 | -24.3% |
| Total Liabilities | <u>67.7</u> | <u>51.6</u> | 31.2% | <u>66.5</u> | <u>44.9</u> | 48.1% |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 72.1 | 6.2 | 1062.9% | 123.0 | 103.8 | 18.5% |
| Restricted | 3.9 | 1.8 | 116.7% | 15.2 | 4.8 | 216.7% |
| Unrestricted | 5.4 | 3.7 | 45.9% | 16.0 | 23.5 | -31.9% |
| Total Net Assets | <u>81.4</u> | <u>11.7</u> | 595.7% | <u>154.2</u> | <u>132.1</u> | 16.7% |
| Total Liabilities and Net Assets | <u>149.1</u> | <u>63.3</u> | 135.5% | <u>220.7</u> | <u>177.0</u> | 24.7% |

An additional portion of the City's net assets (8.1 percent), represent resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, unexpended construction contracts, and in the City of Killeen Charter. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

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

Analysis of Changes in Net Assets

The City's net assets overall increased by \$91.8 million during the current fiscal year. These increases are explained in the governmental and business-type activities discussion in the table on the next page.

Changes in Net Assets

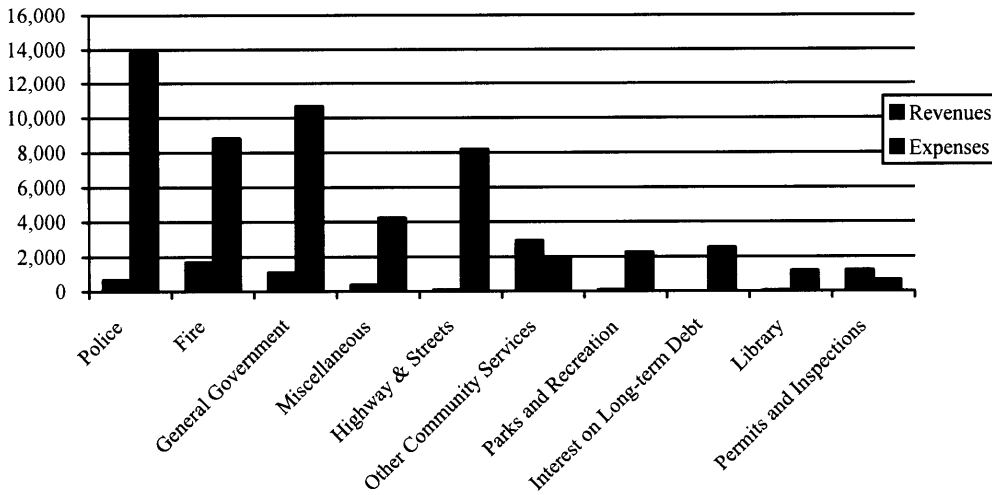
For the Year Ended September 30, 2005

| | <i>(in millions of dollars)</i> | | | | | |
|--|---------------------------------|--------------|-------------------|--------------------------|---------------|-------------------|
| | Governmental Activities | | Percentage Change | Business-Type Activities | | Percentage Change |
| | <u>2005</u> | <u>2004</u> | | <u>2005</u> | <u>2004</u> | |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 5.67 | 5.81 | -2.4% | 46.65 | 32.69 | 42.7% |
| Operating grants and contributions | 2.43 | 1.52 | 59.9% | - | - | |
| Capital grants and contributions | 0.15 | 0.20 | -25.0% | 7.36 | 20.02 | -63.2% |
| General revenues: | | | | | | |
| Property taxes | 18.41 | 17.20 | 7.0% | - | - | |
| Business taxes | 4.57 | 4.23 | 8.0% | - | - | |
| Sales taxes | 17.40 | 15.63 | 11.3% | - | - | |
| Interest and investment income | 1.48 | 0.45 | 228.9% | 1.37 | 0.39 | 252.2% |
| Other | 0.00 | 0.15 | -100.0% | 0.01 | - | |
| Total revenues | <u>50.11</u> | <u>45.19</u> | 10.9% | <u>55.39</u> | <u>53.10</u> | 4.3% |
| Expenses | | | | | | |
| General | 10.68 | 5.84 | 82.9% | - | - | |
| Police | 13.83 | 13.09 | 5.7% | - | - | |
| Fire | 8.82 | 8.49 | 3.9% | - | - | |
| Highway & Streets | 8.19 | 4.24 | 93.2% | - | - | |
| Library | 1.19 | 1.11 | 7.2% | - | - | |
| Parks and Recreation | 2.28 | 2.26 | 0.9% | - | - | |
| Golf Course | 0.00 | 0.94 | -100.0% | 1.22 | - | |
| Permits and Inspections | 0.66 | 0.81 | -18.5% | - | - | |
| Other Community Services | 1.98 | 2.31 | -14.3% | - | - | |
| Miscellaneous | 4.24 | 5.60 | -24.3% | - | - | |
| Interest on Long-term Debt | 2.54 | 2.11 | 20.4% | - | - | |
| Airport Operations | - | - | | 4.88 | 2.41 | 102.5% |
| Solid Waste | - | - | | 7.49 | 7.27 | 3.0% |
| Water and Sewer | - | - | | 17.98 | 14.50 | 24.0% |
| Drainage Utility | - | - | | 0.43 | 0.28 | 53.6% |
| Total expenses | <u>54.41</u> | <u>46.80</u> | 16.3% | <u>32.00</u> | <u>24.46</u> | 30.8% |
| Increase (decrease) in assets before transfers | -4.30 | -1.61 | | 23.39 | 28.64 | |
| Transfers | 1.29 | -0.06 | -2250.0% | -1.29 | 0.06 | -2250.0% |
| Increase in net assets | <u>-3.01</u> | <u>-1.67</u> | | <u>22.10</u> | <u>28.70</u> | |
| Net assets at beginning of year | 11.66 | 13.33 | | 132.11 | 101.23 | |
| Prior period adjustment | 72.72 | - | | - | 2.18 | |
| Net assets at end of year | <u>81.37</u> | <u>11.66</u> | | <u>154.21</u> | <u>132.11</u> | |

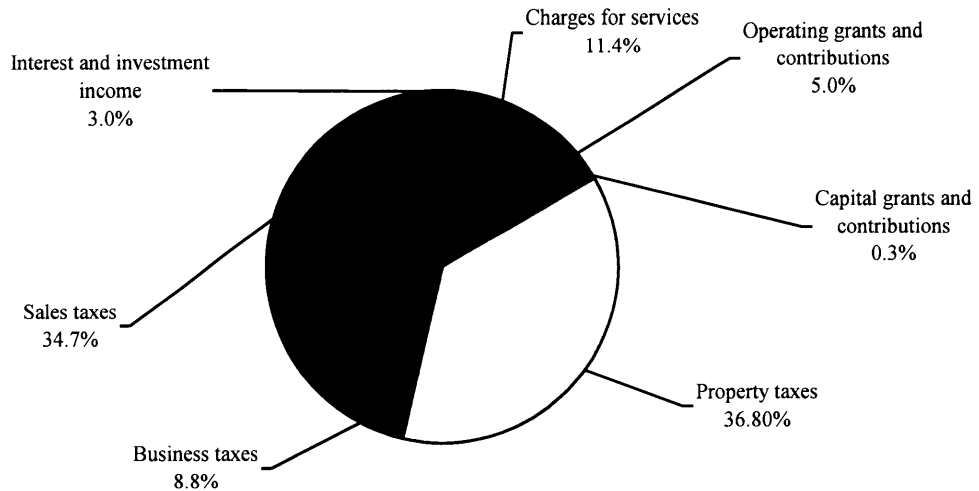
Governmental Activities

Governmental activities increased the City's net assets by \$69.7 million, thereby accounting for 76 percent of the total growth in the net assets of the City. A significant portion of this increase in net assets is due to prior period adjustments of \$72.1 million in infrastructure assets being added in the current year and .6 million of water and sewer assets that were purchased in the prior year were reported as capital outlay in the 2004 G.O. Golf fund.

City of Killeen Program Revenues and Expenses Governmental Activities Fiscal Year 2004/05 (in thousands of dollars)



City of Killeen Revenue by Source Governmental Activities Fiscal Year 2004/05

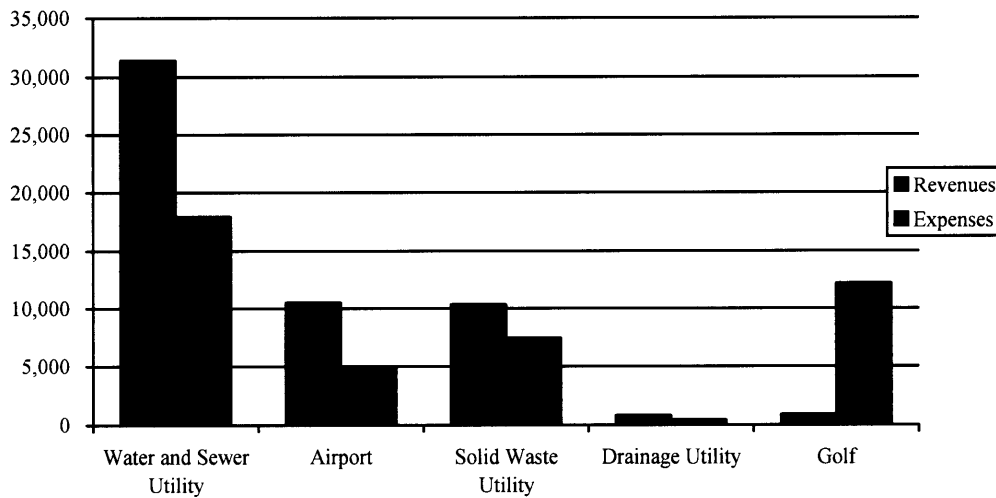


The charts above illustrate the City's governmental expenses and revenues by function. As shown, police is the largest function in expense (25.5 percent), followed by general government (19.7 percent) and fire (16.2 percent). General revenues such as sales, property, and business taxes are not shown 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 (36.8 percent), followed by sales taxes (34.7 percent) and charges for services (11.4 percent).

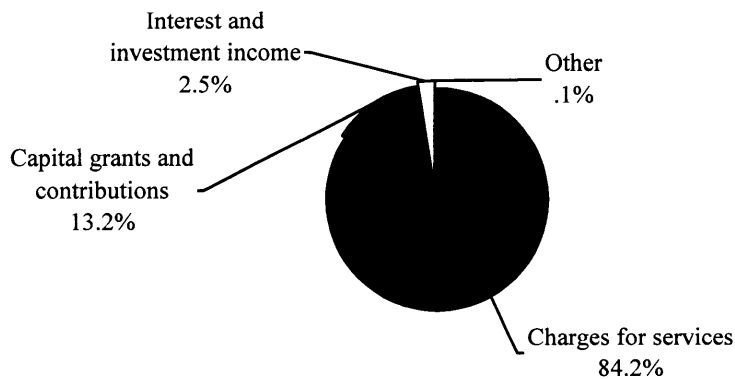
Business-type activities. Business-type activities increased the City's net assets by \$22.1 million, accounting for 24 percent of the total growth in the City's net assets. Key factors of this increase are as follows:

Water and Sewer Fees are the major revenue source for the Water and Sewer fund, and resulted in \$31.4 million in revenue.

City of Killeen Program Revenues and Expenses Business Type Activities Fiscal Year 2004/05 (in thousands of dollars)



City of Killeen Revenues by Source Business Type Activities Fiscal Year 2004/05



As shown in the charts above, the largest of the City's business-type activities, Water & Sewer utilities, had expenses in excess of \$17.9 million in fiscal year 2005, followed by Solid Waste with operating

expenses of approximately \$7.5 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 (84.2 percent) followed by capital grants and contributions (13.2 percent) for all business type activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$46.1 million, an increase of \$13 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 funds. Approximately \$15.9 million of this total amount constitutes unreserved / undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved for encumbrances, inventories, debt service, and capital projects or designated to be used for emergencies.

Revenues for governmental functions overall totaled approximately \$50 million in the fiscal year ended September 30, 2005, which represents a \$5.2 million increase from the fiscal year ended September 30, 2004. Expenditures for governmental functions, totaling \$52.6 million, decreased by approximately 1.3 percent (\$.67 million) from the fiscal year ended September 30, 2004. In the fiscal year ended September 30, 2005, expenditures for governmental functions exceeded revenues by approximately \$2.4 million, or slightly more than 4.9 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 \$14.8 million, while total fund balance was \$17.9 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 36 percent of total general fund expenditures of \$41.6 million, while total fund balance represents 56.6 percent of that same amount.

Proprietary Funds

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

At the end of the fiscal year, the unrestricted net assets for the Airport Fund were \$1.6 million, the Solid Waste Fund had \$6.3 million, the Water and Sewer Fund had \$7.1 million, the Drainage Utility Fund had \$.9 million and the Golf fund ended with \$.1 million in unrestricted net assets.

The total growth in net assets for the enterprise funds was \$22.1 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In

particular, the Killeen water and sewer net assets increased by \$11.7 million due to charges for services of \$31.4 million.

Fiduciary Funds

The City maintains a fiduciary fund for the assets of the Firemen’s Pension Trust Fund. The Firemen’s Pension Trust Fund manages the investment of monies held in trust for retirement annuity payments at appropriate amounts and times in the future. As of the end of fiscal year 2004-2005, the net assets of the Firemen’s Pension Trust Fund totaled \$14.8 million, representing an increase of \$1.8 million in total net assets since September 30, 2004. The change is primarily related to appreciation of the fair value of the plan’s investments.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2005, amount to \$258.6 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, vehicles, furniture, fixtures and equipment and construction in progress and infrastructure (\$68.1 million added in the current year to comply with GASB 34). The total increase in the City's capital assets (net of accumulated depreciation) for the current fiscal year was 212.4 percent (a 197.5 percent increase for governmental activities and a 14.9 percent increase for business-type activities) as shown in the table below.

Capital Assets, Net of Depreciation
September 30, 2005

| | <i>(in millions of dollars)</i> | | | | | |
|--|---------------------------------|--------------------|--------------------------|---------------------------------|---------------------|--------------------------|
| | Governmental Activities | | Percentage Change | Business-type Activities | | Percentage Change |
| | <u>2005</u> | <u>2004</u> | | <u>2005</u> | <u>2004</u> | |
| Land | 1.1 | 1.1 | 0.0% | 1.6 | 1.6 | 0.0% |
| Buildings and Land Improvements | 20.2 | 20.8 | -2.9% | 109.8 | 100.5 | 9.3% |
| Improvements Other | - | - | | 31.4 | 23.9 | 31.4% |
| Vehicles | 2.5 | 2.0 | 25.0% | 2.2 | 2.6 | -15.4% |
| Furniture, Fixtures and Office Equipment | 3.6 | 4.3 | -16.3% | 1.6 | 1.5 | 6.7% |
| Construction in Progress | 0.3 | 4.0 | -92.5% | 16.2 | 11.6 | 39.7% |
| Infrastructure | 68.1 | - | | | | |
| Total | <u>95.8</u> | <u>32.2</u> | 197.5% | <u>162.8</u> | <u>141.7</u> | 14.9% |

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

Governmental activities’ construction in progress decreased by \$3.9 million due to major projects being completed including the Killeen municipal golf course and the related assets being transferred to the newly established golf proprietary fund.

Business-type activities' buildings and land improvements increased by \$16.8 million due to the completion of the airport projects and the transfer of fixed assets from the governmental funds to the golf fund.

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.

As mentioned previously, the City has recorded its Governmental infrastructure assets in the current year and has recorded infrastructure for the water and sewer funds in the appropriate funds as it was built or donated. With the implementation of GASB 34, the City reduced the governmental capital assets for the appropriate accumulated depreciation amount of \$105 million. During fiscal year 2005, ongoing infrastructure projects are accounted for in construction in progress.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$110.4 million. Of this amount, \$33.7 million is general obligation bonds backed by the full faith and credit of the City and \$50.1 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 \$26.6 million of governmental activities.

During fiscal year 2005, the City's total bonded debt increased by approximately \$37.1 million.

Outstanding Debt

September 30, 2005

| | <i>(in millions of dollars)</i> | | | | | |
|---------------------------------------|---------------------------------|--------------|-------------------|--------------------------|--------------|-------------------|
| | Governmental Activities | | Percentage Change | Business-type Activities | | Percentage Change |
| | <u>2005</u> | <u>2004</u> | | <u>2005</u> | <u>2004</u> | |
| General obligation bonds | 25.78 | 9.16 | 181.4% | 7.91 | 8.99 | -12.0% |
| Revenue bonds (less amounts deferred) | - | - | | 46.67 | 27.91 | 67.2% |
| Certificates of obligation | 29.72 | 29.94 | -0.7% | 3.41 | 0.56 | 508.9% |
| Limited tax notes | 1.07 | 1.56 | -31.4% | - | 0.30 | -100.0% |
| Less unamortized bond issue costs | -0.30 | -0.08 | 275.0% | - | - | |
| Plus unamortized bond premium | 0.58 | - | | 0.90 | - | |
| Less current portion of bonds payable | -2.83 | -2.69 | 5.2% | -3.13 | -2.93 | 6.8% |
| Total bonds payable | 54.02 | 37.89 | 42.6% | 55.76 | 34.83 | 60.1% |
| Long-term portion of notes payable | 0.61 | 0.62 | -1.6% | - | - | |
| Total long-term liabilities | 54.63 | 38.51 | 41.9% | 55.76 | 34.83 | 60.1% |

The City's debt service management policies are designed to comply with the legal provisions of the various bond ordinance and covenants governing the debt issue. The City established separate interest and sinking funds for each general obligation debt and revenue bond issue. In addition, a bond reserve fund, equal to one year's average annual debt service payment, is established for each revenue bond issue

as required. Deposits are made to these funds in amounts necessary to retire the current year's debt service and paying agent fees. City policy attempts to maintain a fund balance of at least two months of annual appropriated expenditures for debt service and any associated fees as a fund balance in the debt service fund at fiscal year end.

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

City of Killeen Bonded Debt Ratings
September 30, 2005

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

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, the national and state leading economic indicators reflect a continuing economic recovery. The labor market has continued to strengthen over the last quarter and unemployment rates have declined nationally and locally. Consumer confidence is now at its highest level in more than three years according to the Bureau of Labor Statistics and the Consumer Research Center. Increases are driven solely by consumers' assessment of current economic conditions, especially their more positive view of the job market. Although speculation has predicted a slow down in the residential housing market, new housing development remains stable in recent periods. Housing starts are expected to flatten during 2006. GDP is expected to grow moderately throughout the remainder of the year and threats of inflation have seemed less ominous. The Fed is expected to raise the Fed Funds rate to 4.75% before leveling off or reversing course. From a less-optimistic perspective, the recent hurricanes along the coast of Texas and Louisiana have combined with other factors to cause significant increases in oil and natural gas prices. Forecasters expect the disruption in prices to decline by the end of the year.

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. At the time this MD&A was written, the City had recently announced that a new carrier offering direct flights to a major recreational destination was established. 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. Several local hotels and motels and restaurants complement the city's new 63,000 square foot Civic and Conference Center. The 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. Hotel Occupancy tax revenues through the fiscal year ended September 30, 2005 have grown by 54% since the conference center opened in 2002. 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 2005-06, 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 2005-06 fiscal year includes:

- Conservative projections of major revenue sources. For example, Sales Tax Revenue, which had been growing more than ten percent annually for the last two years, is projected to stabilize during fiscal year 2005-06.
- Maintain the ad valorem tax rate
- Strengthened police department resources to deter crime and provide enhanced safety.
- Implement an adequate pay plan for Police and Fire personnel and provide a cost of living increase for all City employees.
- Provide funding for street improvements and infrastructure needs.
- Establish a right-of-way mowing program and drainage maintenance program to provide a safe, clean living environment for our citizens.

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.
- Developing 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
Rana D Lacer, Director
101 North College
P. O. Box 1329
Killeen, TX 76540
(254) 501-7730

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

BASIC STATEMENTS

CITY OF KILLEEN
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Assets: | | | |
| Cash and Cash Equivalents | \$ 29,066,232 | \$ 17,061,155 | \$ 46,127,387 |
| Investments | 19,660,583 | 10,110,849 | 29,771,432 |
| Accrued Interest | -- | 57,188 | 57,188 |
| Receivables (net of allowances for uncollectibles): | | | |
| Grants | 439,086 | 890,755 | 1,329,841 |
| Taxes | 591,827 | -- | 591,827 |
| Accounts | 1,453,788 | 5,158,579 | 6,612,367 |
| Notes Receivable | 82,729 | -- | 82,729 |
| Due from Other Funds | 1,428,053 | -- | 1,428,053 |
| Inventories | 291,166 | 695,949 | 987,115 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | 32,039 | 23,399,141 | 23,431,180 |
| Accrued Interest | -- | 215,820 | 215,820 |
| Cash with Fiscal Agent | -- | 775 | 775 |
| Deferred Charges | 291,925 | 341,508 | 633,433 |
| Capital Assets: | | | |
| Non-Depreciable | 1,412,119 | 22,354,188 | 23,766,307 |
| Depreciable (Net) | 94,377,875 | 140,426,031 | 234,803,906 |
| Total Assets | \$ 149,127,422 | \$ 220,711,938 | \$ 369,839,360 |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 3,931,815 | \$ 4,105,256 | \$ 8,037,071 |
| Escrow Payable | -- | 21,454 | 21,454 |
| Due to State Agencies | 281,412 | -- | 281,412 |
| Due to Other Funds | -- | 1,428,053 | 1,428,053 |
| Customer Deposits | 898,757 | 1,453,301 | 2,352,058 |
| Vacation and Sick Leave Payable | 4,609,400 | 456,697 | 5,066,097 |
| Current Portion of Note Payable | 300,799 | -- | 300,799 |
| Current Portion of General Obligation Bonds Payable | 1,085,150 | 3,125,850 | 4,211,000 |
| Current Portion of Certificate of Obligation Bonds Payable | 1,223,960 | -- | 1,223,960 |
| Current Portion of Tax Notes Payable | 520,000 | -- | 520,000 |
| Accrued Interest Payable | 351,684 | 345,691 | 697,375 |
| Deferred Revenue | 250,085 | -- | 250,085 |
| General Obligation Bonds Payable - Long Term | 25,275,289 | 55,753,348 | 81,028,637 |
| Certificate of Obligation Bonds Payable - Long Term | 28,494,540 | -- | 28,494,540 |
| Tax Notes Payable - Long Term | 545,000 | -- | 545,000 |
| Deferred Amount on Refunding Bonds | (330,685) | (185,665) | (516,350) |
| Long Term Portion of Note Payable | 314,233 | -- | 314,233 |
| Total Liabilities | 67,751,439 | 66,503,985 | 134,255,424 |
| NET ASSETS | | | |
| Investment in Capital Assets (net of related debt) | 72,121,732 | 122,964,598 | 195,086,330 |
| Restricted For: | | | |
| Debt Service | 2,157,576 | 6,130,078 | 8,287,654 |
| Capital Projects | 1,668,019 | 9,067,780 | 10,735,799 |
| Unrestricted | 5,428,656 | 16,045,497 | 21,474,153 |
| | \$ 81,375,983 | \$ 154,207,953 | \$ 235,583,936 |

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental Activities | | | | |
| General Government | \$ 10,682,868 | \$ 1,074,124 | \$ 23,579 | \$ -- |
| Police | 13,832,604 | 608,374 | -- | 67,400 |
| Fire | 8,821,118 | 1,702,125 | -- | -- |
| Highway & Streets | 8,196,856 | -- | -- | 87,173 |
| Library | 1,191,165 | 53,122 | -- | -- |
| Parks and Recreation | 2,275,674 | 101,373 | -- | -- |
| Permits and Inspections | 660,593 | 1,226,994 | -- | -- |
| Other Community Services | 1,978,699 | 523,335 | 2,410,314 | -- |
| Miscellaneous | 4,237,878 | 384,367 | -- | -- |
| Interest on Long-term Debt | 2,544,857 | -- | -- | -- |
| Total Governmental Activities | 54,422,312 | 5,673,814 | 2,433,893 | 154,573 |
| Business-type Activities: | | | | |
| Airport Operations | 4,882,236 | 3,150,301 | -- | 7,364,203 |
| Golf | 1,217,555 | 906,249 | -- | -- |
| Solid Waste | 7,485,257 | 10,344,840 | -- | -- |
| Water and Sewer | 17,984,565 | 31,422,147 | -- | -- |
| Drainage Utility | 430,436 | 826,226 | -- | -- |
| Total Business-type Activities | 32,000,049 | 46,649,763 | -- | 7,364,203 |
| Total Primary Government | \$ 86,422,361 | \$ 52,323,577 | \$ 2,433,893 | \$ 7,518,776 |

General Revenues:
Ad Valorem Taxes
Penalties and Interest
Beverage Taxes
Franchise Taxes
City Sales Taxes
Bingo Taxes
Unrestricted Investment Earnings
Gain on Sale of Capital Assets
Transfers
Total General Revenues
Change in Net Assets
Net Assets - Beginning
Prior Period Adjustment
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 |
|----------------------------|-----------------------------|-----------------------|
| \$ (9,585,165) | | \$ (9,585,165) |
| (13,156,830) | | (13,156,830) |
| (7,118,993) | | (7,118,993) |
| (8,109,683) | | (8,109,683) |
| (1,138,043) | | (1,138,043) |
| (2,174,301) | | (2,174,301) |
| 566,401 | | 566,401 |
| 954,950 | | 954,950 |
| (3,853,511) | | (3,853,511) |
| (2,544,857) | | (2,544,857) |
| <u>(46,160,032)</u> | | <u>(46,160,032)</u> |
| -- | \$ 5,632,268 | 5,632,268 |
| -- | (311,306) | (311,306) |
| -- | 2,859,583 | 2,859,583 |
| -- | 13,437,582 | 13,437,582 |
| -- | 395,790 | 395,790 |
| -- | <u>22,013,917</u> | <u>22,013,917</u> |
| <u>(46,160,032)</u> | <u>22,013,917</u> | <u>(24,146,115)</u> |
| 18,238,325 | -- | 18,238,325 |
| 173,518 | -- | 173,518 |
| 183,734 | -- | 183,734 |
| 4,231,604 | -- | 4,231,604 |
| 17,395,394 | -- | 17,395,394 |
| 159,131 | -- | 159,131 |
| 1,482,665 | 1,368,837 | 2,851,502 |
| -- | 12,500 | 12,500 |
| 1,293,046 | (1,293,046) | -- |
| <u>43,157,417</u> | <u>88,291</u> | <u>43,245,708</u> |
| <u>(3,002,615)</u> | <u>22,102,208</u> | <u>19,099,593</u> |
| 11,655,491 | 132,105,745 | 143,761,236 |
| 72,723,107 | -- | 72,723,107 |
| <u>\$ 81,375,983</u> | <u>\$ 154,207,953</u> | <u>\$ 235,583,936</u> |

CITY OF KILLEEN

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

| | General Fund | 2004 G.O. | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,283,005 | \$ 15,869,552 | \$ 11,913,675 | \$ 29,066,232 |
| Investments | 19,660,583 | -- | -- | 19,660,583 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Grants | 2,328 | -- | 436,758 | 439,086 |
| Taxes | 486,788 | -- | 105,039 | 591,827 |
| Accounts | 1,412,028 | 41,760 | -- | 1,453,788 |
| Notes Receivable | 82,729 | -- | -- | 82,729 |
| Due from Other Funds | 319,674 | -- | 1,402,695 | 1,722,369 |
| Inventories | 291,166 | -- | -- | 291,166 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | -- | -- | 32,039 | 32,039 |
| Total Assets | \$ 23,538,301 | \$ 15,911,312 | \$ 13,890,206 | \$ 53,339,819 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 2,769,608 | \$ 174,482 | \$ 987,725 | \$ 3,931,815 |
| Due to State Agencies | 281,412 | -- | -- | 281,412 |
| Due to Other Funds | -- | -- | 294,316 | 294,316 |
| Customer Deposits | 898,757 | -- | -- | 898,757 |
| Vacation and Sick Leave Payable | 203,618 | -- | 19,128 | 222,746 |
| Deferred Revenue | 1,493,931 | -- | 148,360 | 1,642,291 |
| Total Liabilities | 5,647,326 | 174,482 | 1,449,529 | 7,271,337 |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances | 1,194,710 | -- | 465,248 | 1,659,958 |
| Inventories | 291,166 | -- | -- | 291,166 |
| Debt Service | -- | -- | 2,157,576 | 2,157,576 |
| Capital Projects | -- | 15,736,830 | 8,772,215 | 24,509,045 |
| Unreserved: | | | | |
| Designated | 1,525,000 | -- | -- | 1,525,000 |
| Undesignated | 14,880,099 | -- | 1,045,638 | 15,925,737 |
| Total Fund Balances | 17,890,975 | 15,736,830 | 12,440,677 | 46,068,482 |
| Total Liabilities and Fund Balances | \$ 23,538,301 | \$ 15,911,312 | \$ 13,890,206 | \$ 53,339,819 |

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

| | |
|--|----------------------|
| Total fund balances - governmental funds balance sheet | \$ 46,068,482 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds. | 95,789,994 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (61,874,699) |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 1,392,206 |
| Net assets of governmental activities - statement of net assets | <u>\$ 81,375,983</u> |

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | General Fund | 2004 G.O. | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|--------------------------------|--------------------------------|
| Revenue: | | | | |
| Taxes | \$ 34,691,836 | \$ -- | \$ 5,682,845 | \$ 40,374,681 |
| Licenses and Permits | 1,226,994 | -- | -- | 1,226,994 |
| Intergovernmental | 23,579 | -- | 2,521,227 | 2,544,806 |
| Charges for Services | 2,478,713 | -- | -- | 2,478,713 |
| Fines | 966,688 | -- | 70,000 | 1,036,688 |
| Miscellaneous | 989,120 | 395,641 | 1,157,491 | 2,542,252 |
| Total Revenues | <u>40,376,930</u> | <u>395,641</u> | <u>9,431,563</u> | <u>50,204,134</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 5,106,589 | -- | 1,259,707 | 6,366,296 |
| Public Safety | 21,477,605 | -- | 8,646 | 21,486,251 |
| Public Works | 4,475,361 | 42,031 | -- | 4,517,392 |
| Community Services | 4,991,852 | -- | 204,550 | 5,196,402 |
| Miscellaneous | 3,744,444 | 120,732 | 1,946,075 | 5,811,251 |
| Capital Outlay | 1,779,070 | 486,781 | 1,546,655 | 3,812,506 |
| Debt service: | | | | |
| Bond Issuance Costs | -- | 120,732 | -- | 120,732 |
| Principal | -- | -- | 2,907,350 | 2,907,350 |
| Interest | -- | -- | 2,531,840 | 2,531,840 |
| Fiscal Charges | -- | -- | 18,677 | 18,677 |
| Total Expenditures | <u>41,574,921</u> | <u>649,544</u> | <u>10,423,500</u> | <u>52,647,965</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (1,197,991) | (253,903) | (991,937) | (2,443,831) |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Bonds | -- | 15,990,733 | 2,979,027 | 18,969,760 |
| Transfers In | 4,392,898 | -- | 3,880,095 | 8,272,993 |
| Transfers Out | (813,024) | -- | (2,127,122) | (2,940,146) |
| Total Other Financing Sources (Uses) | <u>3,579,874</u> | <u>15,990,733</u> | <u>4,732,000</u> | <u>24,302,607</u> |
| Net Change in Fund Balances | 2,381,883 | 15,736,830 | 3,740,063 | 21,858,776 |
| Fund Balances, October 1 | 15,509,092 | -- | 8,126,173 | 23,635,265 |
| Prior Period Adjustment | -- | -- | 574,441 | 574,441 |
| Fund Balances, September 30 | <u>\$ 17,890,975</u> | <u>\$ 15,736,830</u> | <u>\$ 12,440,677</u> | <u>\$ 46,068,482</u> |

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

| | |
|--|-----------------------|
| Net change in fund balances - total governmental funds | \$ 21,858,776 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report all capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling item represents the amount by which depreciation and a transfer out of fixed assets to newly created Golf enterprise fund exceeded Capital outlay in the current period. | (8,541,607) |
| 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. | (15,635,119) |
| 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. | (607,180) |
| 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. | (77,485) |
| Change in net assets of governmental activities - statement of activities | <u>\$ (3,002,615)</u> |

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2005

| | Enterprise Fund Airport Enterprise Fund | Enterprise Fund Solid Waste Enterprise Fund |
|--|---|---|
| ASSETS | | |
| Assets: | | |
| Cash and Cash Equivalents | \$ 1,698,547 | \$ 4,147,276 |
| Investments | -- | 997,800 |
| Accrued Interest | -- | 49,601 |
| Receivables (net of allowances for uncollectibles): | | |
| Grants | 890,755 | -- |
| Accounts | 55 | 1,725,801 |
| Inventories | 70,276 | -- |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 62,259 | 381,800 |
| Accrued Interest | -- | -- |
| Cash with Fiscal Agent | -- | -- |
| Deferred Charges | -- | -- |
| Property and Equipment: | | |
| Land | 1,319,003 | 72,165 |
| Buildings and Improvements | 1,837,008 | 2,058,349 |
| Improvements Other Than Buildings | 62,278,231 | -- |
| Furniture and Fixtures | 502,264 | 2,555,231 |
| Equipment | 412,152 | 5,912,113 |
| Construction in Progress | 5,321,617 | 296,995 |
| Less Accumulated Depreciation | (9,816,138) | (7,194,433) |
| Net Property and Equipment | 61,854,137 | 3,700,420 |
| Total Assets | <u>\$ 64,576,029</u> | <u>\$ 11,002,698</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts Payable | \$ 954,381 | \$ 508,423 |
| Escrow Payable | 21,454 | -- |
| Due to Other Funds | 1,418,553 | -- |
| Customer Deposits | -- | -- |
| Vacation and Sick Leave Payable | 102,403 | 158,674 |
| Current Portion of Bonds Payable | -- | 106,000 |
| Restricted Accrued Interest Payable | -- | -- |
| General Obligation Bonds Payable - Long Term | -- | 348,000 |
| Deferred Amount on Refunding Bonds | -- | -- |
| Total Liabilities | <u>2,496,791</u> | <u>1,121,097</u> |
| Net Assets: | | |
| Investment in Capital Assets (net of related debt) | 60,435,583 | 3,246,420 |
| Restricted: | | |
| Debt Service | -- | 381,800 |
| Capital Projects | -- | -- |
| Unrestricted | 1,643,655 | 6,253,381 |
| Total Net Assets | <u>62,079,238</u> | <u>9,881,601</u> |
| Total Liabilities and Net Assets | <u>\$ 64,576,029</u> | <u>\$ 11,002,698</u> |

The accompanying notes are an integral part of this statement.

| Enterprise Fund Water and Sewer Enterprise Fund | Enterprise Fund Drainage Utility Enterprise Fund | Nonmajor Enterprise Fund Golf Fund | Total Enterprise Funds |
|---|--|---|------------------------------|
| \$ 9,773,841 | \$ 1,278,213 | \$ 163,278 | \$ 17,061,155 |
| 9,113,049 | -- | -- | 10,110,849 |
| -- | 7,587 | -- | 57,188 |
| -- | -- | -- | 890,755 |
| 3,342,597 | 90,126 | -- | 5,158,579 |
| 509,067 | -- | 116,606 | 695,949 |
| 22,955,082 | -- | -- | 23,399,141 |
| 215,820 | -- | -- | 215,820 |
| 775 | -- | -- | 775 |
| 314,134 | -- | 27,374 | 341,508 |
| 168,147 | -- | 4,583,662 | 6,142,977 |
| 67,080,825 | -- | 841,980 | 71,818,162 |
| 31,769,393 | 257,039 | -- | 94,304,663 |
| 2,975,063 | -- | 600,735 | 6,633,293 |
| 2,389,991 | 78,662 | 255,780 | 9,048,698 |
| 10,592,599 | -- | -- | 16,211,211 |
| (23,345,018) | (48,444) | (974,752) | (41,378,785) |
| 91,631,000 | 287,257 | 5,307,405 | 162,780,219 |
| <u>\$ 137,855,365</u> | <u>\$ 1,663,183</u> | <u>\$ 5,614,663</u> | <u>\$ 220,711,938</u> |
| \$ 2,448,699 | \$ 121,304 | \$ 72,449 | \$ 4,105,256 |
| -- | -- | -- | 21,454 |
| 9,500 | -- | -- | 1,428,053 |
| 1,450,017 | -- | 3,284 | 1,453,301 |
| 172,547 | 2,276 | 20,797 | 456,697 |
| 2,979,850 | -- | 40,000 | 3,125,850 |
| 345,691 | -- | -- | 345,691 |
| 52,505,783 | -- | 2,899,565 | 55,753,348 |
| (185,665) | -- | -- | (185,665) |
| 59,726,422 | 123,580 | 3,036,095 | 66,503,985 |
| 56,627,498 | 287,257 | 2,367,840 | 122,964,598 |
| 5,672,259 | -- | 76,019 | 6,130,078 |
| 8,739,575 | 328,205 | -- | 9,067,780 |
| 7,089,611 | 924,141 | 134,709 | 16,045,497 |
| 78,128,943 | 1,539,603 | 2,578,568 | 154,207,953 |
| <u>\$ 137,855,365</u> | <u>\$ 1,663,183</u> | <u>\$ 5,614,663</u> | <u>\$ 220,711,938</u> |

CITY OF KILLEEN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Enterprise Fund Airport Enterprise Fund | Enterprise Fund Solid Waste Enterprise Fund |
|---|---|---|
| OPERATING REVENUES: | | |
| Charges for Services | \$ 3,150,301 | \$ 10,344,840 |
| Total Operating Revenues | <u>3,150,301</u> | <u>10,344,840</u> |
| OPERATING EXPENSES: | | |
| Purchase of Water | -- | -- |
| Sewage Treatment | -- | -- |
| Salaries | 1,104,317 | 2,167,371 |
| Employee Benefits | 329,319 | 682,623 |
| Repairs and Maintenance | 141,613 | 610,548 |
| Supplies | 104,636 | 366,805 |
| Depreciation | 2,217,222 | 936,481 |
| Miscellaneous Services and Charges | 984,687 | 223,370 |
| Refuse Disposal Costs | -- | 2,462,318 |
| Total Operating Expenses | <u>4,881,794</u> | <u>7,449,516</u> |
| Operating Income (Loss) | <u>(1,731,493)</u> | <u>2,895,324</u> |
| NON-OPERATING REVENUES (EXPENSES): | | |
| FAA Grants | 7,342,798 | -- |
| Other Grants | 21,405 | -- |
| Investment Revenue | 34,473 | 134,730 |
| Proceeds of General Fixed Assets Dispositions | -- | 8,235 |
| Industrial Development | -- | -- |
| Interest Expense | (442) | (35,741) |
| Total Non-Operating Revenues (Expenses) | <u>7,398,234</u> | <u>107,224</u> |
| Net Income (Loss) Before Operating Transfers | <u>5,666,741</u> | <u>3,002,548</u> |
| TRANSFERS: | | |
| Interfund Operating Transfers In | 903,424 | -- |
| Interfund Operating Transfers Out | (641,252) | (1,485,039) |
| Change in Net Assets | <u>5,928,913</u> | <u>1,517,509</u> |
| Beginning Net Assets, October 1 | 56,150,325 | 8,364,092 |
| Ending Net Assets, September 30 | <u>\$ 62,079,238</u> | <u>\$ 9,881,601</u> |

The accompanying notes are an integral part of this statement.

| Enterprise Fund Water and Sewer Enterprise Fund | Enterprise Fund Drainage Utility Enterprise Fund | Nonmajor Enterprise Fund Golf Fund | Total Enterprise Funds |
|---|--|--|---------------------------|
| \$ 31,422,147 | \$ 826,226 | \$ 906,249 | \$ 46,649,763 |
| 31,422,147 | 826,226 | 906,249 | 46,649,763 |
| 3,528,915 | -- | -- | 3,528,915 |
| 4,919,774 | -- | -- | 4,919,774 |
| 2,886,793 | 105,803 | 426,801 | 6,691,085 |
| 888,516 | 27,740 | 116,174 | 2,044,372 |
| 574,986 | 2,143 | 70,868 | 1,400,158 |
| 469,741 | 4,374 | 101,163 | 1,046,719 |
| 2,306,921 | 27,418 | 85,556 | 5,573,598 |
| 1,348,080 | 262,958 | 320,581 | 3,139,676 |
| -- | -- | -- | 2,462,318 |
| 16,923,726 | 430,436 | 1,121,143 | 30,806,615 |
| 14,498,421 | 395,790 | (214,894) | 15,843,148 |
| -- | -- | -- | 7,342,798 |
| -- | -- | -- | 21,405 |
| 1,144,790 | 25,899 | 28,945 | 1,368,837 |
| 4,265 | -- | -- | 12,500 |
| (482,325) | -- | -- | (482,325) |
| (578,514) | -- | (96,412) | (711,109) |
| 88,216 | 25,899 | (67,467) | 7,552,106 |
| 14,586,637 | 421,689 | (282,361) | 23,395,254 |
| -- | -- | 2,860,929 | 3,764,353 |
| (2,913,895) | (17,213) | -- | (5,057,399) |
| 11,672,742 | 404,476 | 2,578,568 | 22,102,208 |
| 66,456,201 | 1,135,127 | -- | 132,105,745 |
| \$ 78,128,943 | \$ 1,539,603 | \$ 2,578,568 | \$ 154,207,953 |

CITY OF KILLEEN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Business-type Activities | | |
|---|--------------------------|--------------------|---------------------|
| | Enterprise Funds | | |
| | AIRPORT | SOLID WASTE | WATER AND SEWER |
| Cash Flows from Operating Activities: | | | |
| Receipts from Customers and Users | \$4,041,832 | \$10,170,069 | \$31,173,227 |
| Receipts from Interfund Services Provided | - | - | 556,941 |
| Payments to Suppliers | (1,058,603) | (3,559,051) | (9,504,636) |
| Payments to Employees | (1,410,154) | (2,835,657) | (3,750,071) |
| Payments for Interfund Services Used | (1,669,816) | (226,107) | - |
| Net Cash Provided (Used) by Operating Activities | <u>(96,741)</u> | <u>3,549,254</u> | <u>18,475,461</u> |
| Cash Flows from Non-capital Financing Activities: | | | |
| Industrial Development | - | - | (482,325) |
| Operating Transfers In from Other Funds | 964,854 | - | - |
| Operating Transfers Out to Other Funds | (641,252) | (1,485,039) | (2,913,895) |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>323,602</u> | <u>(1,485,039)</u> | <u>(3,396,220)</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Capital Contributions | 7,364,203 | - | - |
| Proceeds from Issuance of Debt | - | - | 20,971,937 |
| Purchase and Construction of Capital Assets | (5,954,351) | (733,291) | (14,466,661) |
| Proceeds from Sale of Capital Assets | - | 8,235 | 4,265 |
| Principal Paid on Long Term Debt | (15,416) | (402,000) | (2,523,149) |
| Interest and Fees Paid on Long Term Debt | (442) | (34,920) | (479,540) |
| Bond Issuance Cost | - | (821) | - |
| Net Cash Provided (Used) for Capital & Related Financing Activities | <u>1,393,994</u> | <u>(1,162,797)</u> | <u>3,506,852</u> |
| Cash Flows from Investing Activities: | | | |
| Purchase of Investment Securities | - | - | 12,224 |
| Interest and Dividends on Investments | 34,473 | 134,730 | 1,045,816 |
| Net Cash Provided (Used) for Investing Activities | <u>34,473</u> | <u>134,730</u> | <u>1,058,040</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,655,328 | 1,036,148 | 19,644,133 |
| Cash and Cash Equivalents at Beginning of Year | 105,478 | 3,492,928 | 13,085,565 |
| Cash and Cash Equivalents at End of Year | <u>\$1,760,806</u> | <u>\$4,529,076</u> | <u>\$32,729,698</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Operating Income (Loss) | (\$1,731,493) | \$2,895,324 | \$14,498,421 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | |
| Depreciation | 2,217,222 | 936,481 | 2,306,921 |
| Change in Assets and Liabilities: | | | |
| Decrease (Increase) in Receivables | 891,532 | (174,771) | (367,540) |
| Decrease (Increase) in Due From Other Funds | - | (226,107) | 547,441 |
| Decrease (Increase) in Inventories | 1,408 | - | 43,820 |
| Decrease (Increase) in Other Assets | - | - | (222,434) |
| Increase (Decrease) in Payable | 170,924 | 103,990 | 1,515,474 |
| Increase (Decrease) in Due to Other Funds | (1,669,816) | - | 9,500 |
| Increase (Decrease) in Customer Deposits | - | - | 118,620 |
| Increase (Decrease) in Vacation and Sick Leave Payable | 23,482 | 14,337 | 25,238 |
| Total Adjustments | <u>1,634,752</u> | <u>653,930</u> | <u>3,977,040</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(\$96,741)</u> | <u>\$3,549,254</u> | <u>\$18,475,461</u> |
| Noncash Investing, Capital and Financing Activities: | | | |
| Developer Donated Water and Sewer Lines | - | - | 6,702,057 |
| Net Decrease (Increase) in Fair Value of Investments | - | (3,750) | 6,250 |
| Temporary Investments | - | 3,750 | (6,250) |
| Deferred Amount on Refunding Bonds | - | - | (49,927) |
| Amortization of Deferred Amount on Refunding Bonds | - | - | 49,927 |
| Bond Issuance Costs | - | - | (20,237) |
| Amortization of Bond Issuance Costs | - | - | 20,237 |

The accompanying notes are an integral part of this statement.

| DRAINAGE UTILITY | (Non-Major) GOLF | Totals |
|---------------------|---------------------|---------------------|
| \$817,640 | \$909,533 | \$47,112,301 |
| - | - | 556,941 |
| (164,537) | (564,143) | (14,850,970) |
| (131,636) | (522,178) | (8,649,696) |
| - | - | (1,895,923) |
| <u>521,467</u> | <u>(176,788)</u> | <u>22,272,653</u> |
| - | - | (482,325) |
| - | 3,145,394 | 4,110,248 |
| <u>(17,213)</u> | <u>(284,465)</u> | <u>(5,341,864)</u> |
| <u>(17,213)</u> | <u>2,860,929</u> | <u>(1,713,941)</u> |
| - | - | 7,364,203 |
| - | 2,939,565 | 23,911,502 |
| (75,918) | (5,392,962) | (26,623,183) |
| - | (96,412) | (83,912) |
| - | - | (2,940,565) |
| - | - | (514,902) |
| - | - | (821) |
| <u>(75,918)</u> | <u>(2,549,809)</u> | <u>(6,251,881)</u> |
| - | - | 12,224 |
| 25,899 | 28,946 | 1,269,864 |
| <u>25,899</u> | <u>28,946</u> | <u>1,282,088</u> |
| 454,235 | 163,278 | 22,953,122 |
| 823,978 | - | 17,507,949 |
| <u>\$1,278,213</u> | <u>\$163,278</u> | <u>\$40,461,071</u> |
| \$395,790 | (\$214,894) | \$15,843,148 |
| 27,418 | 85,556 | 5,573,598 |
| (8,585) | - | 340,636 |
| - | - | 321,334 |
| - | (116,606) | (71,378) |
| (7,587) | (27,374) | (257,395) |
| 115,943 | 72,449 | 1,978,780 |
| - | - | (1,660,316) |
| - | 3,284 | 121,904 |
| <u>(1,512)</u> | <u>20,797</u> | <u>82,342</u> |
| <u>125,677</u> | <u>38,106</u> | <u>6,429,505</u> |
| <u>\$521,467</u> | <u>(\$176,788)</u> | <u>\$22,272,653</u> |
| - | - | 6,702,057 |
| - | - | 2,500 |
| - | - | (2,500) |
| - | - | (49,927) |
| - | - | 49,927 |
| - | - | (20,237) |
| - | - | 20,237 |

CITY OF KILLEEN
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2005

EXHIBIT A-10

| | Firemen's Pension Trust Fund |
|--|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 224,244 |
| Temporary Investments | 14,599,580 |
| Accrued Income | <u>18,049</u> |
| Total Assets | <u>\$ 14,841,873</u> |
| LIABILITIES AND NET ASSETS | |
| Liabilities: | |
| Accounts payable | \$ <u>18,049</u> |
| Total Liabilities | <u>18,049</u> |
| Fund Balances: | |
| Net Assets Held in Trust for Pension Benefits | <u>14,823,824</u> |
| Total Liabilities and Net Assets | <u>\$ 14,841,873</u> |

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Firemen's Pension Trust Fund |
|---|------------------------------------|
| Additions: | |
| Contributions: | |
| Employee Contributions | \$ 572,871 |
| Employer Contributions | 631,206 |
| Total Contributions | <u>1,204,077</u> |
| Net Investment Income: | |
| Interest and Dividends | 455,796 |
| Net Appreciation (Depreciation) in the Fair Value of Plan Investments | 1,173,613 |
| Investment Expenses | -- |
| Total Net Investment Income | <u>1,629,409</u> |
| Total Additions | <u>2,833,486</u> |
| Deductions: | |
| Benefit Payments | 889,802 |
| Administrative Expenses | 38,934 |
| Refund of Contributions | 59,300 |
| Total Deductions | <u>988,036</u> |
| Net Increase (Decrease) | 1,845,450 |
| Net Assets-Beginning of the Year | <u>12,978,374</u> |
| Net Assets-End of the Year | <u>\$ 14,823,824</u> |

The accompanying notes are an integral part of this statement.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

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

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

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

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.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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 fixed 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, 2005

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 accounts for unpaid amounts of vacations and sick pay earned by employees. In the event of termination, all permanent employees will be reimbursed for accrued vacation time. All full-time employees, other than policemen and firemen, upon retirement only, will be reimbursed for accrued sick pay up to 720 hours. Policemen and firemen, upon resignation or retirement, will be reimbursed for accrued sick pay up to 720 and 1080 hours, respectively.

For governmental funds, the estimated current portion of the vacation and sick pay liability is recorded as an expenditure and liability in the General Fund.

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, 2005

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 asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City has reported in the fund financial statements the following as deferred revenues:

| | Fund | | | Total Governmental Funds |
|----------------------------|---------------------|--------------------|-------------------|--------------------------------|
| | General | Special Revenue | Debt Service | |
| Property taxes receivable | \$ 486,788 | \$ - | \$ 105,039 | \$ 591,827 |
| Miscellaneous | 20,793 | 43,321 | - | 64,114 |
| Ambulance fees receivable | 800,380 | - | - | 800,380 |
| Municipal court receivable | 103,241 | - | - | 103,241 |
| Notes receivable | 82,729 | - | - | 82,729 |
| Total deferred revenue | <u>\$ 1,493,931</u> | <u>\$ 43,321</u> | <u>\$ 105,039</u> | <u>\$ 1,642,291</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 \$61,874,699 difference are as follows:

| | |
|---|------------------------|
| General obligation bonds payable | \$ (25,784,251) |
| Certificates of obligation bonds payable | (29,718,500) |
| Tax anticipation notes | (1,065,000) |
| Less: Unamortized bond issuance costs - deferred charges | 291,925 |
| Less: Deferred Amount on Refunding | 330,685 |
| Plus: Unamortized Premium | (576,188) |
| Notes payable | (615,032) |
| Accrued interest payable | (351,684) |
| Vacation and sick leave payable (in excess fund financial statement liability) | <u>(4,386,654)</u> |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities | <u>\$ (61,874,699)</u> |

CITY OF KILLEEN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (continued)
 SEPTEMBER 30, 2005

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 \$8,541,607 difference are as follows:

| | |
|--|-----------------------|
| Capital outlay | \$ 4,061,939 |
| Transfers and deletions of assets | (5,138,211) |
| Depreciation expense | <u>(7,465,335)</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ (8,541,607)</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 \$15,635,119 difference are as follows:

| | |
|--|------------------------|
| Debt Issuance: | |
| General obligation debt | \$ (24,325,000) |
| Certificate of obligation debt | (3,000,000) |
| Bond issuance costs | 213,814 |
| Deferred amount on refunding | 344,464 |
| Premium | (600,196) |
| Principal repayments: | |
| Notes payable | 299,449 |
| General obligation debt | 7,706,850 |
| Certificate of obligation debt | 3,230,500 |
| Tax anticipation debt | <u>495,000</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ (15,635,119)</u> |

CITY OF KILLEEN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (continued)
 SEPTEMBER 30, 2005

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 \$607,180 difference are as follows:

| | |
|--|---------------------|
| Vacation and Sick Leave | \$ (617,042) |
| Accrued Interest | 5,660 |
| Amortization of Bond Premium | 24,008 |
| Amortization of Bond Issuance Costs | (6,027) |
| 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>\$ (607,180)</u> |

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

A. Budgetary Information

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, 2005, the City's actual expenditures exceeded budgeted expenditures for the following function and transfer accounts. Explanations of the variances are coded to the section of this note located below the table.

| | <u>Appropriations</u> | Excess of Expenditures Over Appropriations | <u>Explanation Number</u> |
|---------------|-----------------------|---|-------------------------------|
| Transfers Out | \$ 731,500 | \$ 81,524 | 1 |

General Fund

1. An unfavorable variance resulted because of an unbudgeted transfer to move the golf 2004 ending inventory balance to the new golf proprietary fund.

**CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005**

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

All of the City's demand depository accounts are held in a local banking institution under the terms of a written depository contract. At September 30, 2005, the carrying amount of the City's demand deposits (excluding the Pension Trust Fund) was \$3,118,764 and the bank balance was \$5,151,641. The carrying amount and bank balance of the City's Pension Trust Fund was \$224,244. \$78,971 of the bank balance on September 30, 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 after year-end. The carrying amount of money market accounts for the City's Pension Trust Fund was \$116.

As of September 30, 2005 the City had negative cash in concentration balances for the following funds:

Special Revenue:

| | |
|-----------------------|------------|
| Emergency Management | \$ 83,623 |
| Community Development | \$ 217,956 |

Proprietary:

| | |
|---------|-------------|
| Airport | \$3,282,932 |
|---------|-------------|

Investments

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

A. Deposits and Investments (continued)

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, the City is exposed to custodial credit risk due to deposits in the amount of \$78,971 not being insured by FDIC insurance and under collateralized with pledged securities held in the name of the City.

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

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

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

A. Deposits and Investments (continued)

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

| | <u>Fair Value</u> |
|---------------------------------|-----------------------|
| Investment in Investment Pools: | |
| TexPool | \$ 52,855,934 |
| TexStar | 3,154,928 |
| TexasTerm | 20,250,000 |
| U.S. Agency Securities | <u>19,893,760</u> |
| | <u>\$ 96,154,622</u> |

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

| | |
|--|---------------|
| Investment in Firemen's Pension Trust Mutual Funds | \$ 14,599,580 |
|--|---------------|

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

External Investment Pools:

The City uses the following external investment pools:

TexPool

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool (the Texas Local Government Investment Pool). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Finally, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review.

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

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

A. Deposits and Investments (continued)

TexStar

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

In order to comply with the Public Funds Investment Act, TexStar maintains a AAAM rating from Standard & 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 AAAF 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. Their extensive experience in working with local governments throughout the State gives the Program an in-depth understanding of the investment needs, preferences and limitations faced by counties, school districts, municipalities and authorities.

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

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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, 2004, upon which the 2005 fiscal year levy was based, was \$2,690,294,155.

The tax assessment of October 1, 2004 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, 2005, for the fiscal 2005 tax levy, were 96.04 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, 2005, delinquent property taxes receivable were \$591,826, net of an allowance for uncollectibles of \$197,275.

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, 2005 for the City's individual major fund and non-major, and fiduciary funds in the aggregate, net of allowances for uncollectible accounts, consist of the following:

| Receivables: | General | Other Nonmajor | | Airport | Solid Waste | Water & Sewer | Drainage Utility | Total |
|-----------------------|--------------|----------------|--------------------|------------|--------------|---------------|------------------|--------------|
| | | 2004 G.O. | Governmental Funds | | | | | |
| Grants | \$ 2,328 | \$ - | \$ 436,758 | \$ 890,755 | \$ - | \$ - | \$ - | \$ 1,329,841 |
| Taxes | 486,788 | - | 105,039 | - | - | - | - | 591,827 |
| Accounts | 1,412,028 | 41,760 | - | 55 | 1,725,801 | 3,342,597 | 90,126 | 6,612,367 |
| Notes Receivable | 82,729 | - | - | - | - | - | - | 82,729 |
| Total Net Receivables | \$ 1,983,873 | \$ 41,760 | \$ 541,797 | \$ 890,810 | \$ 1,725,801 | \$ 3,342,597 | \$ 90,126 | \$ 8,616,764 |

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2005.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

D. Capital Assets

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

Capital asset activity for the year ended September 30, 2005 was as follows:

Primary Government

| | Balance 09/30/04 | Additions | Deletions | Balance 9/30/2005 |
|--|-----------------------|-----------------------|---------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,092,850 | \$ - | \$ - | \$ 1,092,850 |
| Construction in progress | 4,011,815 | 179,178 | 3,871,724 | 319,269 |
| Total capital assets, not being depreciated | <u>5,104,665</u> | <u>179,178</u> | <u>3,871,724</u> | <u>1,412,119</u> |
| Capital assets, being depreciated: | | | | |
| Buildings / Improvements | 30,807,944 | 967,544 | 952,052 | 30,823,436 |
| Vehicles | 10,762,958 | 1,699,352 | 761,334 | 11,700,976 |
| Furniture, Fixtures, and Equipment | 14,492,786 | 616,883 | 442,298 | 14,667,371 |
| Infrastructure Assets | 141,542,599 | 598,982 | - | 142,141,581 |
| Total capital assets being depreciated | <u>197,606,287</u> | <u>3,882,761</u> | <u>2,155,684</u> | <u>199,333,364</u> |
| Less accumulated depreciation for: | | | | |
| Buildings / Improvements | 10,045,734 | 875,439 | 283,658 | 10,637,515 |
| Vehicles | 8,722,999 | 684,217 | 239,037 | 9,168,179 |
| Furniture, Fixtures, and Equipment | 10,216,685 | 1,241,499 | 366,502 | 11,091,682 |
| Infrastructure Assets | 69,393,933 | 4,664,180 | - | 74,058,113 |
| Total accumulated depreciation | <u>98,379,351</u> | <u>7,465,335</u> | <u>889,197</u> | <u>104,955,489</u> |
| Total capital assets, being depreciated, net | <u>99,226,936</u> | <u>(3,582,574)</u> | <u>1,266,487</u> | <u>94,377,875</u> |
| Governmental activities capital assets, net | <u>\$ 104,331,601</u> | <u>\$ (3,403,396)</u> | <u>\$ 5,138,211</u> | <u>\$ 95,789,994</u> |

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

D. Capital Assets (continued)

| | Balance 09/30/04 | Additions | Deletions | Balance 9/30/2005 |
|--|----------------------|---------------------|-------------------|----------------------|
| Airport activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,319,003 | \$ - | \$ - | \$ 1,319,003 |
| Construction in progress | - | 5,321,617 | - | 5,321,617 |
| Total capital assets, not being depreciated | <u>1,319,003</u> | <u>5,321,617</u> | <u>-</u> | <u>6,640,620</u> |
| Capital assets, being depreciated: | | | | |
| Buildings / Improvements | 61,352,503 | 1,134,655 | 641,252 | 61,845,906 |
| Improvements - other | 2,269,333 | - | - | 2,269,333 |
| Furniture, Fixtures, and Equipment | 442,456 | 59,808 | - | 502,264 |
| Vehicles | 394,060 | 18,092 | - | 412,152 |
| Total capital assets being depreciated | <u>64,458,352</u> | <u>1,212,555</u> | <u>641,252</u> | <u>65,029,655</u> |
| Less accumulated depreciation for: | | | | |
| Buildings / Improvements | 6,265,762 | 1,953,534 | - | 8,219,296 |
| Improvements other | 757,432 | 165,740 | - | 923,172 |
| Furniture, Fixtures, and Equipment | 328,576 | 41,717 | - | 370,293 |
| Vehicles | 247,147 | 56,230 | - | 303,377 |
| Total accumulated depreciation | <u>7,598,917</u> | <u>2,217,221</u> | <u>-</u> | <u>9,816,138</u> |
| Total capital assets, being depreciated, net | <u>56,859,435</u> | <u>(1,004,666)</u> | <u>641,252</u> | <u>55,213,517</u> |
| Aviation activities capital assets, net | <u>\$ 58,178,438</u> | <u>\$ 4,316,951</u> | <u>\$ 641,252</u> | <u>\$ 61,854,137</u> |
| | | | | |
| | Balance 09/30/04 | Additions | Deletions | Balance 9/30/2004 |
| Solid Waste activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 72,165 | \$ - | \$ - | \$ 72,165 |
| Construction in progress | - | 296,995 | - | 296,995 |
| Total capital assets, not being depreciated | <u>72,165</u> | <u>296,995</u> | <u>-</u> | <u>369,160</u> |
| Capital assets, being depreciated: | | | | |
| Buildings / Improvements | 2,058,349 | - | - | 2,058,349 |
| Furniture, Fixtures and Equipment | 2,317,066 | 238,165 | - | 2,555,231 |
| Vehicles | 5,744,087 | 316,211 | 148,185 | 5,912,113 |
| Total capital assets being depreciated | <u>10,119,502</u> | <u>554,376</u> | <u>148,185</u> | <u>10,525,693</u> |
| Less accumulated depreciation for: | | | | |
| Buildings / Improvements | 790,764 | 102,076 | - | 892,840 |
| Furniture, Fixtures and Equipment | 1,847,064 | 236,144 | - | 2,083,208 |
| Vehicles | 3,768,310 | 598,260 | 148,185 | 4,218,385 |
| Total accumulated depreciation | <u>6,406,138</u> | <u>936,480</u> | <u>148,185</u> | <u>7,194,433</u> |
| Total capital assets, being depreciated, net | <u>3,713,364</u> | <u>(382,104)</u> | <u>-</u> | <u>3,331,260</u> |
| Solid waste activities capital assets, net | <u>\$ 3,785,529</u> | <u>\$ (85,109)</u> | <u>\$ -</u> | <u>\$ 3,700,420</u> |

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

D. Capital Assets (continued)

| | Balance 09/30/04 | Additions | Deletions | Balance 9/30/2005 |
|---|----------------------|----------------------|---------------------|----------------------|
| Water and Sewer activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 168,147 | \$ - | \$ - | \$ 168,147 |
| Construction in progress | 11,585,829 | 6,952,345 | 7,945,575 | 10,592,599 |
| Total capital assets, not being depreciated | <u>11,753,976</u> | <u>6,952,345</u> | <u>7,945,575</u> | <u>10,760,746</u> |
| Capital assets, being depreciated: | | | | |
| Buildings / Improvements | 60,064,348 | 7,016,477 | - | 67,080,825 |
| Improvements - other | 23,489,086 | 8,280,307 | - | 31,769,393 |
| Furniture, Fixtures and Equipment | 2,793,800 | 184,173 | 2,910 | 2,975,063 |
| Vehicles | 2,442,636 | 12,639 | 65,284 | 2,389,991 |
| Total capital assets being depreciated | <u>88,789,870</u> | <u>15,493,596</u> | <u>68,194</u> | <u>104,215,272</u> |
| Less accumulated depreciation for: | | | | |
| Buildings / Improvements | 15,925,286 | 1,197,551 | - | 17,122,837 |
| Improvements - other | 1,280,316 | 681,641 | - | 1,961,957 |
| Furniture, Fixtures, and Equipment | 1,949,016 | 281,514 | 2,846 | 2,227,684 |
| Vehicles | 1,951,610 | 146,214 | 65,284 | 2,032,540 |
| Total accumulated depreciation | <u>21,106,228</u> | <u>2,306,920</u> | <u>68,130</u> | <u>23,345,018</u> |
| Total capital assets, being depreciated, net | <u>67,683,642</u> | <u>13,186,676</u> | <u>64</u> | <u>80,870,254</u> |
| Water / Sewer activities capital assets, net | <u>\$ 79,437,618</u> | <u>\$ 20,139,021</u> | <u>\$ 7,945,639</u> | <u>\$ 91,631,000</u> |
| | | | | |
| | Balance 09/30/04 | Additions | Deletions | Balance 9/30/2005 |
| Drainage Utility activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ - | \$ - | \$ - | \$ - |
| Total capital assets, not being depreciated | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Capital assets, being depreciated: | | | | |
| Improvements - other | 185,219 | 71,820 | - | 257,039 |
| Furniture Fixtures, and Equipment | 53,195 | 4,098 | - | 57,293 |
| Vehicles | 21,369 | - | - | 21,369 |
| Total capital assets being depreciated | <u>259,783</u> | <u>75,918</u> | <u>-</u> | <u>335,701</u> |
| Less accumulated depreciation for: | | | | |
| Improvements - other | 2,490 | 4,274 | - | 6,764 |
| Furniture, Fixtures, and Equipment | 16,045 | 13,584 | - | 29,629 |
| Vehicles | 2,490 | 9,561 | - | 12,051 |
| Total accumulated depreciation | <u>21,025</u> | <u>27,419</u> | <u>-</u> | <u>48,444</u> |
| Total capital assets, being depreciated, net | <u>238,758</u> | <u>48,499</u> | <u>-</u> | <u>287,257</u> |
| Drainage Utility activities capital assets, net | <u>\$ 238,758</u> | <u>\$ 48,499</u> | <u>\$ -</u> | <u>\$ 287,257</u> |

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

D. Capital Assets (continued)

| | Balance 09/30/04 | Additions | Deletions | Balance 9/30/2005 |
|--|---------------------|---------------|--------------|----------------------|
| 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 | - | 600,735 |
| Vehicles | - | 255,780 | - | 255,780 |
| Total capital assets being depreciated | - | 1,698,495 | - | 1,698,495 |
| Less accumulated depreciation for: | | | | |
| Buildings / Improvements | - | 332,456 | - | 332,456 |
| Furniture, Fixtures, and Equipment | - | 396,763 | - | 396,763 |
| Vehicles | - | 245,533 | - | 245,533 |
| Total accumulated depreciation | - | 974,752 | - | 974,752 |
| Total capital assets, being depreciated, net | - | 723,743 | - | 723,743 |
| Golf Course activities capital assets, net | \$ - | \$ 5,307,405 | \$ - | \$ 5,307,405 |
| 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 | 11,585,829 | 12,570,957 | 7,945,575 | 16,211,211 |
| Total capital assets, not being depreciated | 13,145,144 | \$ 17,154,619 | 7,945,575 | 22,354,188 |
| Capital assets, being depreciated: | | | | |
| Buildings / Improvements | 123,475,200 | 8,993,113 | 641,252 | 131,827,061 |
| Improvements - other | 25,943,638 | 8,352,127 | - | 34,295,765 |
| Furniture, Fixtures, and Equipment | 5,606,517 | 1,086,979 | 2,910 | 6,690,586 |
| Vehicles | 8,602,152 | 602,722 | 213,470 | 8,991,404 |
| Total capital assets being depreciated | 163,627,507 | 19,034,941 | 857,632 | 181,804,816 |
| Less accumulated depreciation for: | | | | |
| Buildings / Improvements | 22,981,812 | 3,585,617 | - | 26,567,429 |
| Improvements - other | 2,040,238 | 851,655 | - | 2,891,893 |
| Furniture, Fixtures, and Equipment | 4,140,701 | 969,722 | 2,846 | 5,107,577 |
| Vehicles | 5,969,557 | 1,055,798 | 213,469 | 6,811,886 |
| Total accumulated depreciation | 35,132,308 | 6,462,792 | 216,315 | 41,378,785 |
| Total capital assets, being depreciated, net | 128,495,199 | 12,572,149 | 641,317 | 140,426,031 |
| Business-type activities capital assets, net | \$ 141,640,343 | \$ 29,726,768 | \$ 8,586,892 | \$ 162,780,219 |

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

D. Capital Assets (continued)

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

| | |
|--|---------------------|
| Governmental activities: | |
| General Government | \$ 1,666,778 |
| Public Safety | 1,209,364 |
| Highways and Streets | 3,679,464 |
| Community Services | 909,729 |
| Total depreciation expense-governmental activities | <u>\$ 7,465,335</u> |
| Business-type activities: | |
| Airport | \$ 2,217,222 |
| Solid Waste | 936,481 |
| Water and Sewer | 2,306,921 |
| Drainage Utility | 27,418 |
| Golf Course | 85,556 |
| | <u>\$ 5,573,598</u> |

Construction Commitments

The City has active Water and Sewer and Drainage Utility construction projects as of September 30, 2005. 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 | \$ 10,048,848 | \$ 1,309,273 | \$ 8,739,575 |
| Drainage Utility | 560,994 | 232,789 | 328,205 |
| Governmental Funds | 1,918,072 | 250,053 | 1,668,019 |
| Total | <u>\$ 12,527,914</u> | <u>\$ 1,792,115</u> | <u>\$ 10,735,799</u> |

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

E. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2005 is as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-----------------------------------|---------------------------------|------------------------------|
| General Fund | \$ 319,674 | \$ - |
| Aviation | - | 1,418,553 |
| Water and Sewer | - | 9,500 |
| Emergency Management | | 36,550 |
| Community Development Block Grant | - | 257,766 |
| Capital Projects | | |
| 2001 C.O. | 227,210 | - |
| 2003 C.O. | 1,175,485 | - |
| Totals | <u>\$ 1,722,369</u> | <u>\$ 1,722,369</u> |

Transfers during the year ended September 30, 2005 were:

| <u>Fund</u> | <u>In</u> | <u>Out</u> |
|--|----------------------|----------------------|
| General | \$ 4,392,898 | \$ 813,024 |
| Special Revenue: | | |
| Hotel Occupancy Tax | 625,000 | 693,016 |
| Cablesystem Improvements | 60,000 | - |
| Community Development | - | 268,214 |
| CDBG Home | 3,078 | 54,220 |
| Debt Service: | | |
| Certificate Obligation 2000 | 693,016 | - |
| Tax Interest and Sinking 1999 | 1,000 | - |
| Refunding Bond 1999 | 355,250 | - |
| Capital Projects: | | |
| 2001 C.O. | 320,626 | 34,095 |
| 2002 C.O. | - | 208,249 |
| 2003 C.O. | 320,626 | 869,328 |
| 2004 G.O. Golf | 1,501,499 | - |
| Enterprise: | | |
| Water & Sewer | - | 2,913,895 |
| Airport | 903,424 | 641,252 |
| Solid Waste | - | 1,485,039 |
| Drainage | - | 17,213 |
| Golf Course | 2,860,929 | - |
| Transfer out of general capital assets | - | 4,039,801 |
| | <u>\$ 12,037,346</u> | <u>\$ 12,037,346</u> |

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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

As a result of the creation of the new Golf Enterprise fund, the transfer out of assets previously in the General Fixed Asset Account Group of \$2,538,302 to the newly created Golf Enterprise fund is only reported on the Statement of Activities. Similarly, the transfer out of an interfund liability of \$1,501,499 from the General fund to the 2004 G.O. Golf fund is only reported on the Statement of Activities due to the underlying assets being previously in the General Fixed Asset Account Group.

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.

Reserved 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, 2005

F. Fund Equity (continued)

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

| <u>Reserve</u> | <u>General</u> | 2004 <u>G.O.</u> | <u>Special</u> <u>Revenue</u> | <u>Debt</u> <u>Service</u> | <u>Capital</u> <u>Projects</u> | <u>Proprietary</u> <u>Enterprise</u> | <u>Fiduciary</u> <u>Pension</u> <u>Trust</u> |
|---|----------------|---------------------|----------------------------------|-------------------------------|-----------------------------------|---|--|
| Encumbrances | \$ 1,194,710 | \$ - | \$ 465,248 | \$ - | \$ - | \$ - | \$ - |
| Reserve for Non-Current Portion of Note Receivable | - | - | - | - | - | - | - |
| Reserve for Inventories | 291,166 | - | - | - | - | - | - |
| Debt Service | - | - | - | 2,157,576 | - | 6,130,078 | - |
| Capital Projects | - | 15,736,830 | - | - | 8,772,215 | 9,067,780 | - |
| Employee Pension Benefits | - | - | - | - | - | - | 14,823,824 |
| Reserved for Emergencies | 1,525,000 | - | - | - | - | 2,902,000 | - |
| | \$ 3,010,876 | \$ 15,736,830 | \$ 465,248 | \$ 2,157,576 | \$ 8,772,215 | \$ 18,099,858 | \$ 14,823,824 |

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

G. Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2005 is as follows:

| | Balance 09/30/04 | Additions | Deletions | Balance 09/30/05 | Due Within One Year |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 9,166,101 | \$ 24,325,000 | \$ 7,706,850 | \$ 25,784,251 | \$ 1,085,150 |
| Certificates of obligation | 29,949,000 | 3,000,000 | 3,230,500 | 29,718,500 | 1,223,960 |
| Limited tax notes | 1,560,000 | - | 495,000 | 1,065,000 | 520,000 |
| Unamortized bond issue costs | (84,138) | (213,814) | 6,027 | (291,925) | - |
| Unamortized bond premiums | - | 600,196 | (24,008) | 576,188 | - |
| Deferred amount on refunding | - | (344,464) | 13,779 | (330,685) | - |
| Total bonds payable | 40,590,963 | 27,366,918 | 11,428,148 | 56,521,329 | 2,829,110 |
| Compensated absences | 3,988,429 | 792,585 | 170,852 | 4,610,162 | - |
| Note payable | 914,481 | - | 299,449 | 615,032 | 300,799 |
| Governmental activity long-term debt | <u>\$ 45,493,873</u> | <u>\$ 28,159,503</u> | <u>\$ 11,898,449</u> | <u>\$ 61,746,523</u> | <u>\$ 3,129,909</u> |
| Business Type Activities: | | | | | |
| <u>Water and Sewer Debt:</u> | | | | | |
| Revenue bonds | \$ 27,905,000 | \$ 20,200,000 | \$ 1,440,000 | \$ 46,665,000 | \$ 1,490,000 |
| Certificates of obligation | - | - | - | - | - |
| General obligation bonds | 8,988,898 | - | 1,083,149 | 7,905,749 | 1,489,850 |
| Unamortized bond issue costs | (95,494) | (238,877) | 20,237 | (314,134) | - |
| Unamortized bond premium | - | 914,884 | - | 914,884 | - |
| Deferred amount on refunding | (235,592) | - | 49,927 | (185,665) | - |
| Total Water and Sewer long-term debt | 36,562,812 | 20,876,007 | 2,593,313 | 54,985,834 | 2,979,850 |
| <u>Aviation Debt:</u> | | | | | |
| Notes payable | 15,416 | - | 15,416 | - | - |
| Total Aviation debt | 15,416 | - | 15,416 | - | - |
| <u>Solid Waste Debt:</u> | | | | | |
| Certificates of obligation | 556,000 | - | 102,000 | 454,000 | 106,000 |
| Limited tax notes | 300,000 | - | 300,000 | - | - |
| Total solid waste long-term debt | 856,000 | - | 402,000 | 454,000 | 106,000 |
| <u>Golf Course Debt:</u> | | | | | |
| Certificates of obligation | - | 3,000,000 | 47,500 | 2,952,500 | 40,000 |
| Unamortized bond issue costs | - | (28,514) | 1,140 | (27,374) | - |
| Unamortized bond discount | - | (13,474) | 539 | (12,935) | - |
| | - | 2,958,012 | 49,179 | 2,912,191 | 40,000 |
| Business-type activity long-term debt | <u>\$ 37,434,228</u> | <u>\$ 23,834,019</u> | <u>\$ 3,059,908</u> | <u>\$ 58,352,025</u> | <u>\$ 3,125,850</u> |

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

G. Long-Term Debt (continued)

Long-term debt at September 30, 2005 is comprised of the following:

| | Interest Rate (%) | Issue Date | Maturity Date | Original Issue | Net Retirement | Outstanding |
|--|----------------------|---------------|------------------|---------------------|---------------------|---------------------|
| Governmental Fund | | | | | | |
| General Obligation Bonds: | | | | | | |
| 1993 Various purpose | 4.50 – 7.50 | 11-01-93 | 08-01-07 | \$ 3,750,000 | \$ 3,750,000 | \$ - |
| 1993 Refunding | 2.85 – 5.10 | 11-01-93 | 08-01-04 | 7,065,000 | 7,065,000 | - |
| 1995 Various purpose | 4.25 – 6.90 | 06-01-95 | 08-01-09 | 6,745,000 | 6,745,000 | - |
| 1999 Refunding | 3.10 – 4.70 | 04-01-99 | 08-01-13 | 2,029,800 | 410,549 | 1,619,251 |
| 2004 Refunding | 2.00 – 5.00 | 10-01-04 | 08-01-29 | 24,325,000 | 160,000 | 24,165,000 |
| Tax/Revenue Certificates of Obligation: | | | | | | |
| 1996 Various purpose | 5.25 – 7.00 | 05-01-96 | 08-15-10 | 3,650,000 | 3,350,000 | 300,000 |
| 1999 Various purpose | 4.00 – 4.30 | 04-01-99 | 08-01-99 | 1,500,000 | 819,000 | 681,000 |
| 2000 Hotel Occ. & Civic Center | 4.50 – 5.50 | 12-15-00 | 08-01-30 | 10,500,000 | 1,025,000 | 9,475,000 |
| 2001 Various purpose | 4.60 – 6.10 | 06-15-01 | 08-01-26 | 6,000,000 | 295,000 | 5,705,000 |
| 2002 Golf Course | 2.70 – 4.50 | 12-01-02 | 08-01-12 | 2,000,000 | 395,000 | 1,605,000 |
| 2003 Various purpose | 3.25 – 5.00 | 06-15-03 | 02-01-23 | 9,000,000 | - | 9,000,000 |
| 2004 Various | 2.00 – 4.75 | 10-01-04 | 08-01-29 | 3,000,000 | 47,500 | 2,952,500 |
| Limited Tax Notes | | | | | | |
| 2000 Various purpose | 4.50 – 5.00 | 10-15-00 | 08-15-07 | 3,000,000 | 1,935,000 | 1,065,000 |
| Total | | | | <u>\$82,564,800</u> | <u>\$26,044,549</u> | <u>\$56,567,751</u> |
| Proprietary Funds | | | | | | |
| Revenue Bonds: | | | | | | |
| 1991 Refunding | 4.70 – 6.45 | 07-01-97 | 07-01-05 | \$ 6,600,000 | \$ 6,660,000 | \$ - |
| 1996 Various purpose | 5.50 – 6.875 | 05-01-96 | 08-15-12 | 4,530,000 | 1,150,000 | 3,380,000 |
| 1997 Various purpose | 3.80 – 5.30 | 10-15-97 | 08-15-17 | 8,860,000 | 1,400,000 | 7,460,000 |
| 1999 Various purpose | 5.00 – 7.00 | 10-15-99 | 08-15-19 | 9,000,000 | 1,500,000 | 7,500,000 |
| 2001 Various purpose | 4.75 – 5.75 | 06-15-01 | 08-15-21 | 8,700,000 | 575,000 | 8,125,000 |
| 2004 Various purpose | 2.25 – 5.00 | 10-01-04 | 08-15-04 | 20,200,000 | - | 20,200,000 |
| General Obligation Bonds: | | | | | | |
| 1993 Refunding | 2.85 – 5.10 | 11-01-93 | 08-01-04 | 380,000 | 380,000 | - |
| 1999 Refunding | 3.10 – 4.70 | 04-01-99 | 08-01-13 | 9,910,200 | 2,004,451 | 7,905,749 |
| Tax/Revenue Certificates of Obligation: | | | | | | |
| 1993 Various purpose | 6.00 – 8.70 | 01-01-93 | 07-01-12 | 3,000,000 | 3,000,000 | - |
| 1999 Various purpose | 4.00 – 4.30 | 04-01-99 | 08-01-09 | 1,000,000 | 546,000 | 454,000 |
| 2004 Golf Course | 2.00 – 4.75 | 10-01-04 | 08-01-29 | 3,000,000 | 47,500 | 2,952,500 |
| Limited Tax Notes | | | | | | |
| 1999 Various purpose | 4.00 – 5.50 | 10-15-99 | 08-15-05 | 1,200,000 | 1,200,000 | - |
| Notes payable | 5.25 | 09-30-96 | 09-30-05 | 123,170 | 123,170 | - |
| Total | | | | <u>\$56,303,370</u> | <u>\$18,526,121</u> | <u>\$57,977,249</u> |

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

G. Long-Term Debt (continued)

Annual debt service requirements to maturity for General Obligation bonds 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> |
| 2006 | \$ 1,085,150 | \$ 1,157,807 | \$ 1,489,850 | \$ 343,018 |
| 2007 | 2,695,400 | 1,128,051 | 929,600 | 283,424 |
| 2008 | 2,812,200 | 994,899 | 962,800 | 244,846 |
| 2009 | 2,668,900 | 855,867 | 971,100 | 204,408 |
| 2010 | 1,502,200 | 723,814 | 962,800 | 162,651 |
| 2011 - 2029 | 15,020,401 | 7,581,325 | 2,589,599 | 228,561 |
| Total | <u>\$ 25,784,251</u> | <u>\$ 12,441,763</u> | <u>\$ 7,905,749</u> | <u>\$ 1,466,908</u> |

Note Payable

Annual debt service requirements to maturity for Notes Payable 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> |
| 2006 | \$ 300,799 | \$ 2,549 | \$ - | \$ - |
| 2007 | 302,194 | 1,155 | - | - |
| 2008 | 12,039 | 66 | - | - |
| Total | <u>\$ 615,032</u> | <u>\$ 3,770</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 \$37,690,000. In addition, \$20,200,000 of Revenue bonds was issued in the current year.

Revenue bond debt service requirements to maturity are as follows:

| <u>Year Ending</u> <u>September 30</u> | <u>Business-type Activities</u> | |
|---|---------------------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 1,490,000 | \$ 2,349,391 |
| 2007 | 1,565,000 | 2,279,442 |
| 2008 | 1,645,000 | 2,203,029 |
| 2009 | 1,770,000 | 2,120,654 |
| 2010 | 1,910,000 | 2,037,642 |
| 2011 - 2015 | 14,595,000 | 8,537,301 |
| 2016 - 2020 | 16,075,000 | 4,121,051 |
| 2021 - 2024 | 7,615,000 | 927,856 |
| Total | <u>\$ 46,665,000</u> | <u>\$ 24,576,366</u> |

**CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005**

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 September 30</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------------------------------------|--------------------------------|----------------------|---------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 1,184,000 | \$ 1,369,187 | \$ 146,000 | \$ 131,469 |
| 2007 | 1,080,500 | 1,312,412 | 319,500 | 126,329 |
| 2008 | 1,121,500 | 1,268,143 | 328,500 | 116,493 |
| 2009 | 1,170,000 | 1,220,365 | 340,000 | 105,246 |
| 2010 | 1,340,000 | 1,163,595 | 225,000 | 93,486 |
| 2011 - 2015 | 6,545,000 | 4,921,305 | 1,040,000 | 337,656 |
| 2016 - 2020 | 6,665,000 | 3,545,256 | 290,000 | 205,836 |
| 2021 - 2025 | 6,857,500 | 1,875,742 | 362,500 | 136,135 |
| 2026 - 2030 | 3,755,000 | 559,181 | 355,000 | 43,106 |
| Total | <u>\$ 29,718,500</u> | <u>\$ 17,235,186</u> | <u>\$ 3,406,500</u> | <u>\$ 1,295,756</u> |

Limited Tax Notes

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

| <u>Year Ending September 30</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------------------------------------|--------------------------------|------------------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 520,000 | \$ 53,250 | \$ - | \$ - |
| 2007 | 545,000 | 27,250 | - | - |
| Total | <u>\$ 1,065,000</u> | <u>\$ 80,500</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.

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,

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

G. Long-Term Debt (continued)

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

**CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005**

G. Long-Term Debt (continued)

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.

V. OTHER INFORMATION

A. Risk Management

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

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

B. Commitments and Contingencies

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

In 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.

B. Commitments and Contingencies (continued)

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, 2005, the total unexpended FAA awards amount to approximately \$10,906,444.

As part of the airport relocation project, the City entered into an operating lease agreement with the Department of the Army for joint-use of a tract of land containing 345 acres and exclusive use of a tract of land containing approximately 76.571 acres. The lease term is for 50 years, with an option to renew for an additional 50 years if the City is in full compliance with the terms of the lease. In lieu of paying rent on the lease, the City is required to perform certain services related to the property, such as maintenance, protection, repairs, site restoration and improvements. Currently, no estimate is available for the annual amount of such expenditures related to satisfying the requirements of the lease.

C. Employee Benefits

1. Plan Description

The City provides pension benefits for all of its full-time employees, except firemen, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 801 administered by TMRS, an agent multi-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since 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.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

C. Employee Benefits (continued)

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

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

2. Contributions

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

The City of Killeen is one of 801 municipalities having their benefit plan administered by TMRS. Each of the 801 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/04 valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report.

The City's total payroll in fiscal year 2005 was \$30,145,234 and the City's contributions were based on a payroll of \$24,099,155. Both the City and the covered employees made the required contributions, amounting to \$3,016,232 for the City and \$1,686,937 for the employees. During the preceding year and second preceding year, both the City and the covered employees made the required contributions, amounting, to \$2,773,276 and \$2,746,637 respectively, for the City and \$1,582,318 and \$1,523,104 respectively, for the employees. The City's contribution amounted to 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, 12.57% of the covered payroll for the months in calendar year 2003, and 12.77% of the covered payroll for the months in calendar year 2002. 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.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

C. Employee Benefits (continued)

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.

Schedule of Actuarial Liabilities and Funding Progress

| | | | |
|--|------------------|------------------|------------------|
| Actuarial Valuation Date | 12/31/04 | 12/31/03 | 12/31/02 |
| Actuarial Value of Assets | \$ 38,815,602 | \$ 35,834,782 | \$ 33,117,402 |
| Actuarial Accrued Liability | \$ 52,151,216 | \$ 48,701,857 | \$ 43,305,736 |
| Percentage Funded | 74.4% | 73.6% | 76.5% |
| Unfunded (Over funded) Actuarial Accrued Liability (UAAL) | \$ 13,335,614 | \$ 12,867,075 | \$ 10,188,334 |
| Annual Covered Payroll | \$ 22,555,152 | \$ 21,701,404 | \$ 21,649,292 |
| UAAL as a Percentage of Covered Payroll | 59.1% | 59.3% | 47.1% |
| Net Pension Obligation (NPO) at the Beginning of Period | \$ - | \$ - | \$ - |
| Annual Pension Cost: | | | |
| Annual Required Contribution (ARC) | 2,958,395 | 2,719,025 | 2,661,084 |
| Interest on NPO | - | - | - |
| Adjustment to ARC | - | - | - |
| | <u>2,958,395</u> | <u>2,719,025</u> | <u>2,661,084</u> |
| Contribution Made | 2,958,395 | 2,719,025 | 2,661,084 |
| 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, 2005

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. 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, 2004 and ended September 30, 2005. 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.

CITY OF KILLEEN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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 12% of payroll by the City beginning April 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 2005 was \$30,145,234 and the City's contributions were based on a payroll of \$5,602,057. 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 preceding fiscal year, both the City and the covered employees made the required contributions amounting to \$518,790 (10% of covered payroll) for employees and \$535,208 (10.0% of covered payroll plus annual amount of \$16,010 and \$102 for each active volunteer firefighter) for the City. During the second preceding fiscal year, both the City and the covered employees made the required contributions amounting to \$478,990 (9.0% of covered payroll until February 25, 2003 and 10% thereafter) for employees and \$464,924 (9.0% of covered payroll plus annual amount of \$16,010 and \$102 for each active volunteer firefighter) for the City. The Net Pension Obligation was zero at the end of the current and the two preceding fiscal years.

D. Landfill Closure and PostClosure Care Costs

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

D. Landfill Closure and PostClosure Care Costs (continued)

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

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

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

The City paid the remaining liability for closure and postclosure care costs in the current year and removed the liability from the financial statements. The TECQ has granted final closure certification and the City complied with all applicable requirements for municipal solid waste closed landfill regulations.

E. Subsequent Events

On September 15, 2005, the City issued \$16,875,000 in Waterworks and Sewer System Revenue Refunding Bonds, Series 2005. The proceeds from the sale of the bonds received October 25, 2005 will be used to refund a portion of the City's Water and Sewer System Revenue Bonds, Series 1996, Series 1997 and Series 1999.

On September 15, 2005, the City issued \$20,600,000 in Combination Tax and Revenue Certificates of Obligation, Series 2005. The proceeds from the sale of the bonds received October 25, 2005 will be used to pay for constructing and installing a communications tower, constructing and improving streets, purchasing and improving a municipal building, purchasing and equipping streets heavy equipment, solid waste heavy equipment and ambulances, and constructing and equipping a solid waste administration facility and transfer station.

F. Prior Period Adjustment

A prior period adjustment is presented in the 2004 G.O Golf fund for \$574,441. The purchase of water and sewer assets was reported as 2004 G.O. Golf fund capital outlay expenditures in the prior year. In addition, a prior period adjustment is presented in the Statement of Activities - Governmental Activities for \$72,148,666 to record a beginning balance of the City's infrastructure assets as an early implementation of GASB 34 infrastructure reporting.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF KILLEEN, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FIREMEN'S PENSION TRUST FUND
 SEPTEMBER 30, 2005

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 | - | - |

- 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 |
|---|---|---|
| 1996 | \$ 251,064 | 100% |
| 1997 | 275,474 | 100 |
| 1998 | 276,687 | 100 |
| 1999 | 310,364 | 100 |
| 2000 | 353,117 | 100 |
| 2001 | 416,299 | 100 |
| 2002 | 440,151 | 100 |
| 2003 | 464,924 | 100 |
| 2004 | 535,208 | 100 |
| 2005 | 631,206 | 100 |

- ⁶ The Years 1996 - 2005 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
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 32,904,415 | \$ 32,904,415 | \$ 34,691,836 | \$ 1,787,421 |
| Licenses and Permits | 832,800 | 832,800 | 1,226,994 | 394,194 |
| Intergovernmental | 30,868 | 30,868 | 23,579 | (7,289) |
| Charges for Services | 1,824,085 | 1,889,085 | 2,478,713 | 589,628 |
| Fines | 823,643 | 823,643 | 966,688 | 143,045 |
| Miscellaneous | 532,070 | 532,070 | 989,120 | 457,050 |
| Total Revenues | <u>36,947,881</u> | <u>37,012,881</u> | <u>40,376,930</u> | <u>3,364,049</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 5,409,041 | 5,469,995 | 5,106,518 | 363,477 |
| Public Safety | 21,150,846 | 21,632,918 | 21,511,159 | 121,759 |
| Public Works | 4,352,943 | 4,514,918 | 4,469,715 | 45,203 |
| Community Services | 5,083,416 | 5,222,362 | 4,998,935 | 223,427 |
| Miscellaneous | 4,252,075 | 4,143,575 | 3,680,707 | 462,828 |
| Capital Outlay | 2,262,194 | 2,591,898 | 2,473,792 | 118,106 |
| Total Expenditures | <u>42,510,515</u> | <u>43,575,666</u> | <u>42,240,826</u> | <u>1,334,840</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (5,562,634) | (6,562,785) | (1,863,896) | 4,698,889 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 4,336,239 | 4,336,239 | 4,392,898 | 56,659 |
| Transfers Out | (785,000) | (731,500) | (813,024) | (81,524) |
| Total Other Financing Sources (Uses) | <u>3,551,239</u> | <u>3,604,739</u> | <u>3,579,874</u> | <u>(24,865)</u> |
| Net Change in Fund Balance | \$ (2,011,395) | \$ (2,958,046) | 1,715,978 | \$ 4,674,024 |
| Fund Balance, October 1 | | | 15,509,092 | |
| Current Year Encumbrances | | | 1,194,710 | |
| Prior Year Encumbrances | | | (528,805) | |
| Adjusted Fund Balance | | | <u>16,174,997</u> | |
| Fund Balance, September 30 | | | \$ 17,890,975 | |

CITY OF KILLEEN
GENERAL FUND
STATEMENT OF REVENUES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT B-2

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Taxes: | | | | |
| Ad Valorem | \$ 13,170,415 | \$ 13,170,415 | \$ 13,702,865 | \$ 532,450 |
| Penalty and Interest | 118,000 | 118,000 | 173,518 | 55,518 |
| Beverage | 163,000 | 163,000 | 183,734 | 20,734 |
| Franchise | 4,258,000 | 4,258,000 | 4,231,603 | (26,397) |
| City Sales | 15,080,000 | 15,080,000 | 16,240,984 | 1,160,984 |
| Bingo | 115,000 | 115,000 | 159,132 | 44,132 |
| | <u>32,904,415</u> | <u>32,904,415</u> | <u>34,691,836</u> | <u>1,787,421</u> |
| Licenses and Permits: | | | | |
| Building Permits and Inspections | 400,000 | 400,000 | 592,544 | 192,544 |
| Electrical Permits and Inspections | 100,000 | 100,000 | 148,536 | 48,536 |
| Plumbing Permits and Inspections | 60,000 | 60,000 | 110,934 | 50,934 |
| Miscellaneous Licenses | 114,500 | 114,500 | 148,695 | 34,195 |
| Taxi Operators Licenses | 2,000 | 2,000 | 2,750 | 750 |
| Food Handlers Permits | 15,000 | 15,000 | 17,355 | 2,355 |
| Trailer Court Licenses | 6,300 | 6,300 | 9,215 | 2,915 |
| Building Plans Review | 90,000 | 90,000 | 143,685 | 53,685 |
| Mechanical Inspections | 45,000 | 45,000 | 53,280 | 8,280 |
| | <u>832,800</u> | <u>832,800</u> | <u>1,226,994</u> | <u>394,194</u> |
| Intergovernmental: | | | | |
| Bell County Contribution - | | | | |
| Ambulance Service | 10,000 | 10,000 | 12,022 | 2,022 |
| Civil Defense Matching Funds | 20,868 | 20,868 | 11,557 | (9,311) |
| | <u>30,868</u> | <u>30,868</u> | <u>23,579</u> | <u>(7,289)</u> |
| Charges for Services: | | | | |
| Ambulance Service Fees | 1,300,000 | 1,300,000 | 1,785,895 | 485,895 |
| Miscellaneous Fire Dept Receipts | - | - | 739 | 739 |
| Cemetery Lots | 50,335 | 50,335 | 63,720 | 13,385 |
| Miscellaneous Police Receipts | 202,000 | 247,000 | 282,074 | 35,074 |
| Swimming Pool Receipts | 14,750 | 14,750 | 14,070 | (680) |
| Recreation Receipts | 45,000 | 65,000 | 92,438 | 27,438 |
| Library Copy Charges | 5,000 | 5,000 | 19,682 | 14,682 |
| Court Tax Service Fee | 52,000 | 52,000 | 62,045 | 10,045 |
| Swimming Pool Lessons | 15,000 | 15,000 | 13,940 | (1,060) |
| Code Enforcement Mowing | 140,000 | 140,000 | 89,940 | (50,060) |
| Community Assistance | - | - | 54,170 | 54,170 |
| | <u>1,824,085</u> | <u>1,889,085</u> | <u>2,478,713</u> | <u>589,628</u> |
| Fines: | | | | |
| Municipal Court Fines | 780,063 | 780,063 | 903,303 | 123,240 |
| Parking Fines | 28,580 | 28,580 | 38,776 | 10,196 |
| Library Fines and Contributions | 15,000 | 15,000 | 24,609 | 9,609 |
| | <u>823,643</u> | <u>823,643</u> | <u>966,688</u> | <u>143,045</u> |
| Miscellaneous: | | | | |
| Investment Revenue | 285,000 | 285,000 | 598,318 | 313,318 |
| Miscellaneous Receipts | 247,070 | 247,070 | 390,802 | 143,732 |
| | <u>532,070</u> | <u>532,070</u> | <u>989,120</u> | <u>457,050</u> |
| Totals | <u>\$ 36,947,881</u> | <u>\$ 37,012,881</u> | <u>\$ 40,376,930</u> | <u>\$ 3,364,049</u> |

CITY OF KILLEEN

EXHIBIT B-3

GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| General Government: | | | | |
| City Council | \$ 75,468 | \$ 75,468 | \$ 34,301 | \$ 41,167 |
| City Manager | 399,950 | 396,581 | 366,231 | 30,350 |
| Volunteer Services | 121,557 | 119,369 | 102,078 | 17,291 |
| Legal and Administrative Services | 534,677 | 542,137 | 476,218 | 65,919 |
| Personnel | 492,842 | 495,001 | 488,151 | 6,850 |
| City Secretary | 77,734 | 78,934 | 73,189 | 5,745 |
| Public Information Services | 94,445 | 95,743 | 88,434 | 7,309 |
| Municipal Court | 686,661 | 703,204 | 646,086 | 57,118 |
| Code Enforcement | 729,419 | 742,800 | 689,440 | 53,360 |
| Financial Services | 1,346,239 | 1,356,808 | 1,287,220 | 69,588 |
| Accounting | 285,402 | 288,178 | 287,043 | 1,135 |
| Information Systems | 564,647 | 575,772 | 568,127 | 7,645 |
| | <u>5,409,041</u> | <u>5,469,995</u> | <u>5,106,518</u> | <u>363,477</u> |
| Public Safety: | | | | |
| Police | 13,063,149 | 13,391,011 | 13,330,526 | 60,485 |
| Fire | 8,087,697 | 8,241,907 | 8,180,633 | 61,274 |
| | <u>21,150,846</u> | <u>21,632,918</u> | <u>21,511,159</u> | <u>121,759</u> |
| Highways and Streets: | | | | |
| Public Works | 659,661 | 753,697 | 746,636 | 7,061 |
| Traffic | 687,213 | 686,785 | 615,002 | 71,783 |
| Street | 2,430,051 | 2,483,524 | 2,579,958 | (96,434) |
| Engineering | 223,013 | 230,623 | 233,595 | (2,972) |
| Planning | 353,005 | 360,289 | 294,524 | 65,765 |
| | <u>4,352,943</u> | <u>4,514,918</u> | <u>4,469,715</u> | <u>45,203</u> |
| Community Services: | | | | |
| Community Development | 640,081 | 711,009 | 728,110 | (17,101) |
| Senior Citizens | 161,082 | 163,837 | 145,014 | 18,823 |
| Library | 961,212 | 990,525 | 978,576 | 11,949 |
| Parks | 1,719,057 | 1,729,143 | 1,626,002 | 103,141 |
| Recreation | 547,002 | 553,426 | 511,932 | 41,494 |
| Swimming Pools | 129,725 | 129,725 | 104,963 | 24,762 |
| Cemetery | 266,667 | 271,563 | 254,832 | 16,731 |
| Permits and Inspections | 658,590 | 673,134 | 649,506 | 23,628 |
| | <u>5,083,416</u> | <u>5,222,362</u> | <u>4,998,935</u> | <u>223,427</u> |
| Miscellaneous: | | | | |
| Miscellaneous Accounts | 6,514,269 | 6,735,473 | 6,154,499 | 580,974 |
| Totals | <u>\$ 42,510,515</u> | <u>\$ 43,575,666</u> | <u>\$ 42,240,826</u> | <u>\$ 1,334,840</u> |

CITY OF KILLEEN

EXHIBIT B-4

2004 G. O. BONDS CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------|---------------------|----------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ 100,000 | \$ 100,000 | \$ 395,641 | \$ 295,641 |
| Total Revenues | <u>100,000</u> | <u>100,000</u> | <u>395,641</u> | <u>295,641</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public Works | -- | 47,515 | 42,031 | 5,484 |
| Miscellaneous | 70,000 | 77,910 | 120,732 | (42,822) |
| Capital Outlay | 5,185,000 | 14,100,975 | 486,781 | 13,614,194 |
| Debt service: | | | | |
| Bond Issuance Costs | 70,000 | 70,000 | 120,732 | (50,732) |
| Total Expenditures | <u>5,255,000</u> | <u>14,226,400</u> | <u>649,544</u> | <u>13,576,856</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (5,155,000) | (14,126,400) | (253,903) | 13,872,497 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Bonds | 16,000,000 | 16,000,000 | 15,990,733 | 9,267 |
| Total Other Financing Sources (Uses) | <u>16,000,000</u> | <u>16,000,000</u> | <u>15,990,733</u> | <u>9,267</u> |
| Net Change in Fund Balance | <u>\$ 10,845,000</u> | <u>\$ 1,873,600</u> | 15,736,830 | <u>\$ 13,863,230</u> |
| Fund Balance, October 1 | | | -- | |
| Fund Balance, September 30 | | | <u>\$ 15,736,830</u> | |

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, 2005

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Total Nonmajor Governmental Funds (See Exhibit A-3) |
|--|-----------------------------|--------------------------|------------------------------|---|
| ASSETS | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,776,565 | \$ 2,160,996 | \$ 7,976,114 | \$ 11,913,675 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Grants | 436,758 | -- | -- | 436,758 |
| Taxes | -- | 105,039 | -- | 105,039 |
| Due from Other Funds | -- | -- | 1,402,695 | 1,402,695 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 32,039 | -- | -- | 32,039 |
| Total Assets | \$ 2,245,362 | \$ 2,266,035 | \$ 9,378,809 | \$ 13,890,206 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 377,711 | \$ 3,420 | \$ 606,594 | \$ 987,725 |
| Due to Other Funds | 294,316 | -- | -- | 294,316 |
| Vacation and Sick Leave Payable | 19,128 | -- | -- | 19,128 |
| Deferred Revenue | 43,321 | 105,039 | -- | 148,360 |
| Total Liabilities | 734,476 | 108,459 | 606,594 | 1,449,529 |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances | 465,248 | -- | -- | 465,248 |
| Debt Service | -- | 2,157,576 | -- | 2,157,576 |
| Capital Projects | -- | -- | 8,772,215 | 8,772,215 |
| Unreserved: | | | | |
| Undesignated | 1,045,638 | -- | -- | 1,045,638 |
| Total Fund Balances | 1,510,886 | 2,157,576 | 8,772,215 | 12,440,677 |
| Total Liabilities and Fund Balances | \$ 2,245,362 | \$ 2,266,035 | \$ 9,378,809 | \$ 13,890,206 |

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Total Nonmajor Governmental Funds (See Exhibit A-5) |
|--|-----------------------------|--------------------------|------------------------------|---|
| Revenue: | | | | |
| Taxes | \$ 1,154,411 | \$ 4,528,434 | \$ -- | \$ 5,682,845 |
| Intergovernmental | 2,434,054 | -- | 87,173 | 2,521,227 |
| Fines | 70,000 | -- | -- | 70,000 |
| Miscellaneous | 692,146 | 267,224 | 198,121 | 1,157,491 |
| Total Revenues | 4,350,611 | 4,795,658 | 285,294 | 9,431,563 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 1,259,707 | -- | -- | 1,259,707 |
| Public Safety | 8,646 | -- | -- | 8,646 |
| Community Services | 204,550 | -- | -- | 204,550 |
| Miscellaneous | 1,946,075 | -- | -- | 1,946,075 |
| Capital Outlay | 188,017 | -- | 1,358,638 | 1,546,655 |
| Debt service: | | | | |
| Principal | -- | 2,907,350 | -- | 2,907,350 |
| Interest | -- | 2,531,840 | -- | 2,531,840 |
| Fiscal Charges | -- | 18,677 | -- | 18,677 |
| Total Expenditures | 3,606,995 | 5,457,867 | 1,358,638 | 10,423,500 |
| Excess (Deficiency) of Revenues (Under) Expenditures | 743,616 | (662,209) | (1,073,344) | (991,937) |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Bonds | -- | -- | 2,979,027 | 2,979,027 |
| Transfers In | 688,078 | 1,049,266 | 2,142,751 | 3,880,095 |
| Transfers Out | (1,015,450) | -- | (1,111,672) | (2,127,122) |
| Total Other Financing Sources (Uses) | (327,372) | 1,049,266 | 4,010,106 | 4,732,000 |
| Net Change in Fund Balances | 416,244 | 387,057 | 2,936,762 | 3,740,063 |
| Fund Balances, October 1 | 1,094,642 | 1,770,519 | 5,261,012 | 8,126,173 |
| Prior Period Adjustment | -- | -- | 574,441 | 574,441 |
| Fund Balances, September 30 | \$ 1,510,886 | \$ 2,157,576 | \$ 8,772,215 | \$ 12,440,677 |

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

CITY OF KILLEEN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2005

| | Law Enforcement Grant | State Seizure | Federal Seizure | Emergency Management |
|--|-----------------------------|-------------------|--------------------|-------------------------|
| ASSETS | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 48,111 | \$ 228,812 | \$ 28,640 | \$ -- |
| Receivables (net of allowances for uncollectibles): | | | | |
| Grants | -- | -- | -- | 183,988 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | -- | -- | -- | -- |
| Total Assets | \$ 48,111 | \$ 228,812 | \$ 28,640 | \$ 183,988 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ -- | \$ -- | \$ -- | \$ 92,339 |
| Due to Other Funds | -- | -- | -- | 36,550 |
| Vacation and Sick Leave Payable | -- | -- | -- | -- |
| Deferred Revenue | 43,321 | -- | -- | -- |
| Total Liabilities | 43,321 | -- | -- | 128,889 |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances | -- | -- | -- | -- |
| Unreserved: | | | | |
| Undesignated | 4,790 | 228,812 | 28,640 | 55,099 |
| Total Fund Balances | 4,790 | 228,812 | 28,640 | 55,099 |
| Total Liabilities and Fund Balances | \$ 48,111 | \$ 228,812 | \$ 28,640 | \$ 183,988 |

| Hotel Occupancy Tax | Special Events Center | Cablesystem Improvements | Library Memorial | Parks |
|---------------------------|-----------------------------|-----------------------------|---------------------|------------------|
| \$ 1,101,056 | \$ 83,068 | \$ 28,789 | \$ 21,977 | \$ -- |
| -- | -- | -- | -- | -- |
| 20,675 | -- | -- | -- | 11,364 |
| <u>\$ 1,121,731</u> | <u>\$ 83,068</u> | <u>\$ 28,789</u> | <u>\$ 21,977</u> | <u>\$ 11,364</u> |
| | | | | |
| \$ 167,228 | \$ 16,415 | \$ 1,976 | \$ 3,928 | \$ -- |
| -- | -- | -- | -- | -- |
| 19,128 | -- | -- | -- | -- |
| -- | -- | -- | -- | -- |
| <u>186,356</u> | <u>16,415</u> | <u>1,976</u> | <u>3,928</u> | <u>--</u> |
| | | | | |
| 58,408 | -- | -- | -- | -- |
| 876,967 | 66,653 | 26,813 | 18,049 | 11,364 |
| 935,375 | 66,653 | 26,813 | 18,049 | 11,364 |
| <u>\$ 1,121,731</u> | <u>\$ 83,068</u> | <u>\$ 28,789</u> | <u>\$ 21,977</u> | <u>\$ 11,364</u> |

CITY OF KILLEEN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2005

| | Community Development | CDBG Home Program |
|--|--------------------------|----------------------|
| ASSETS | | |
| Assets: | | |
| Cash and Cash Equivalents | \$ 97,652 | \$ 34,144 |
| Receivables (net of allowances for uncollectibles): | | |
| Grants | 238,220 | 14,550 |
| Restricted Assets: | | |
| Cash and Cash Equivalents | -- | -- |
| Total Assets | <u>\$ 335,872</u> | <u>\$ 48,694</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts Payable | \$ 78,106 | \$ 17,719 |
| Due to Other Funds | 257,766 | -- |
| Vacation and Sick Leave Payable | -- | -- |
| Deferred Revenue | -- | -- |
| Total Liabilities | <u>335,872</u> | <u>17,719</u> |
| Fund Balances: | | |
| Reserved: | | |
| Encumbrances | 334,526 | 72,314 |
| Unreserved: | | |
| Undesignated | (334,526) | (41,339) |
| Total Fund Balances | <u>--</u> | <u>30,975</u> |
| Total Liabilities and Fund Balances | <u>\$ 335,872</u> | <u>\$ 48,694</u> |

| Lion's Club Park | Court Technology | Court Security | Total Nonmajor Special Revenue Funds (See Exhibit C-1) |
|---------------------|---------------------|-------------------|---|
| \$ 29,973 | \$ 57,746 | \$ 16,597 | \$ 1,776,565 |
| -- | -- | -- | 436,758 |
| -- | -- | -- | 32,039 |
| <u>\$ 29,973</u> | <u>\$ 57,746</u> | <u>\$ 16,597</u> | <u>\$ 2,245,362</u> |
| \$ -- | \$ -- | \$ -- | \$ 377,711 |
| -- | -- | -- | 294,316 |
| -- | -- | -- | 19,128 |
| -- | -- | -- | 43,321 |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>734,476</u> |
| -- | -- | -- | 465,248 |
| 29,973 | 57,746 | 16,597 | 1,045,638 |
| <u>29,973</u> | <u>57,746</u> | <u>16,597</u> | <u>1,510,886</u> |
| <u>\$ 29,973</u> | <u>\$ 57,746</u> | <u>\$ 16,597</u> | <u>\$ 2,245,362</u> |

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Law Enforcement Grant | State Seizure | Federal Seizure | Emergency Management |
|--|-----------------------------|------------------|--------------------|-------------------------|
| Revenue: | | | | |
| Taxes | \$ -- | \$ -- | \$ -- | \$ -- |
| Intergovernmental | 67,400 | -- | 4,820 | 183,989 |
| Fines | -- | -- | -- | -- |
| Miscellaneous | -- | 177,370 | -- | 48,480 |
| Total Revenues | 67,400 | 177,370 | 4,820 | 232,469 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | -- | -- | -- | 177,370 |
| Public Safety | -- | 8,646 | -- | -- |
| Community Services | -- | -- | -- | -- |
| Miscellaneous | -- | -- | -- | -- |
| Capital Outlay | 69,567 | -- | -- | -- |
| Total Expenditures | 69,567 | 8,646 | -- | 177,370 |
| Excess (Deficiency) of Revenues (Under) Expenditures | (2,167) | 168,724 | 4,820 | 55,099 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | -- | -- | -- | -- |
| Transfers Out | -- | -- | -- | -- |
| Total Other Financing Sources (Uses) | -- | -- | -- | -- |
| Net Change in Fund Balances | (2,167) | 168,724 | 4,820 | 55,099 |
| Fund Balances, October 1 | 6,957 | 60,088 | 23,820 | -- |
| Fund Balances, September 30 | \$ 4,790 | \$ 228,812 | \$ 28,640 | \$ 55,099 |

| Hotel Occupancy Tax | Special Events Center | Cablesystem Improvements | Library Memorial | Parks |
|---------------------------|-----------------------------|-----------------------------|---------------------|------------------|
| \$ 1,154,411 | \$ -- | \$ -- | \$ -- | \$ -- |
| 3,541 | -- | -- | -- | -- |
| -- | -- | -- | -- | -- |
| 438,671 | 1,974 | 5 | 8,831 | 236 |
| <u>1,596,623</u> | <u>1,974</u> | <u>5</u> | <u>8,831</u> | <u>236</u> |
| 1,082,337 | -- | -- | -- | -- |
| -- | -- | -- | -- | -- |
| 156,180 | -- | 48,370 | -- | -- |
| 30,332 | -- | -- | -- | -- |
| 1,598 | -- | -- | 27,171 | 15,597 |
| <u>1,270,447</u> | <u>--</u> | <u>48,370</u> | <u>27,171</u> | <u>15,597</u> |
| 326,176 | 1,974 | (48,365) | (18,340) | (15,361) |
| 625,000 | -- | 60,000 | -- | -- |
| (693,016) | -- | -- | -- | -- |
| <u>(68,016)</u> | <u>--</u> | <u>60,000</u> | <u>--</u> | <u>--</u> |
| 258,160 | 1,974 | 11,635 | (18,340) | (15,361) |
| 677,215 | 64,679 | 15,178 | 36,389 | 26,725 |
| <u>\$ 935,375</u> | <u>\$ 66,653</u> | <u>\$ 26,813</u> | <u>\$ 18,049</u> | <u>\$ 11,364</u> |

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Community Development | CDBG Home Program |
|--|--------------------------|----------------------|
| Revenue: | | |
| Taxes | \$ -- | \$ -- |
| Intergovernmental | 1,292,974 | 881,330 |
| Fines | -- | -- |
| Miscellaneous | 15,815 | -- |
| Total Revenues | <u>1,308,789</u> | <u>881,330</u> |
| Expenditures: | | |
| Current: | | |
| General Government | -- | -- |
| Public Safety | -- | -- |
| Community Services | -- | -- |
| Miscellaneous | 995,879 | 847,114 |
| Capital Outlay | 44,696 | -- |
| Total Expenditures | <u>1,040,575</u> | <u>847,114</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | 268,214 | 34,216 |
| Other Financing Sources (Uses): | | |
| Transfers In | -- | 3,078 |
| Transfers Out | (268,214) | (54,220) |
| Total Other Financing Sources (Uses) | <u>(268,214)</u> | <u>(51,142)</u> |
| Net Change in Fund Balances | -- | (16,926) |
| Fund Balances, October 1 | -- | 47,901 |
| Fund Balances, September 30 | <u>\$ --</u> | <u>\$ 30,975</u> |

| Lion's Club Park | Court Technology | Court Security | Total Nonmajor Special Revenue Funds (See Exhibit C-2) |
|---------------------|---------------------|-------------------|---|
| \$ -- | \$ -- | \$ -- | \$ 1,154,411 |
| -- | -- | -- | 2,434,054 |
| -- | 40,000 | 30,000 | 70,000 |
| 764 | -- | -- | 692,146 |
| <u>764</u> | <u>40,000</u> | <u>30,000</u> | <u>4,350,611</u> |
| -- | -- | -- | 1,259,707 |
| -- | -- | -- | 8,646 |
| -- | -- | -- | 204,550 |
| -- | -- | 72,750 | 1,946,075 |
| -- | 29,388 | -- | 188,017 |
| <u>--</u> | <u>29,388</u> | <u>72,750</u> | <u>3,606,995</u> |
| 764 | 10,612 | (42,750) | 743,616 |
| -- | -- | -- | 688,078 |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>(1,015,450)</u> |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>(327,372)</u> |
| 764 | 10,612 | (42,750) | 416,244 |
| 29,209 | 47,134 | 59,347 | 1,094,642 |
| <u>\$ 29,973</u> | <u>\$ 57,746</u> | <u>\$ 16,597</u> | <u>\$ 1,510,886</u> |

CITY OF KILLEEN

EXHIBIT C-5

LAW ENFORCEMENT GRANT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|-----------|-----------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental | \$ 55,300 | \$ 55,300 | \$ 67,400 | \$ 12,100 |
| Total Revenues | 55,300 | 55,300 | 67,400 | 12,100 |
| Expenditures: | | | | |
| Capital Outlay | 55,300 | 55,300 | 69,567 | (14,267) |
| Total Expenditures | 55,300 | 55,300 | 69,567 | (14,267) |
| Net Change in Fund Balance | \$ -- | \$ -- | (2,167) | \$ (2,167) |
| Fund Balance, October 1 | | | 6,957 | |
| Fund Balance, September 30 | | | \$ 4,790 | |

CITY OF KILLEEN

EXHIBIT C-6

STATE SEIZURE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE- BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|-------------|------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ 20,000 | \$ 20,000 | \$ 177,370 | \$ 157,370 |
| Total Revenues | 20,000 | 20,000 | 177,370 | 157,370 |
| Expenditures: | | | | |
| Current: | | | | |
| Public Safety | 18,000 | 18,000 | 8,646 | 9,354 |
| Capital Outlay | 12,000 | 12,000 | -- | 12,000 |
| Total Expenditures | 30,000 | 30,000 | 8,646 | 21,354 |
| Net Change in Fund Balance | \$ (10,000) | \$ (10,000) | 168,724 | \$ 178,724 |
| Fund Balance, October 1 | | | 60,088 | |
| Fund Balance, September 30 | | | \$ 228,812 | |

CITY OF KILLEEN

EXHIBIT C-7

FEDERAL SEIZURE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------|-------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental | \$ 1,000 | \$ 1,000 | \$ 4,820 | \$ 3,820 |
| Total Revenues | <u>1,000</u> | <u>1,000</u> | <u>4,820</u> | <u>3,820</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public Safety | 800 | 800 | -- | 800 |
| Capital Outlay | 2,000 | 2,000 | -- | 2,000 |
| Total Expenditures | <u>2,800</u> | <u>2,800</u> | <u>--</u> | <u>2,800</u> |
| Net Change in Fund Balance | \$ <u>(1,800)</u> | \$ <u>(1,800)</u> | 4,820 | \$ <u>6,620</u> |
| Fund Balance, October 1 | | | <u>23,820</u> | |
| Fund Balance, September 30 | | | \$ <u>28,640</u> | |

CITY OF KILLEEN

EXHIBIT C-8

HOTEL OCCUPANCY TAX FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|-------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 810,900 | \$ 810,900 | \$ 1,154,411 | \$ 343,511 |
| Intergovernmental | -- | -- | 3,541 | 3,541 |
| Miscellaneous | 343,500 | 343,500 | 438,671 | 95,171 |
| Total Revenues | <u>1,154,400</u> | <u>1,154,400</u> | <u>1,596,623</u> | <u>442,223</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 1,190,034 | 1,152,407 | 1,083,874 | 68,533 |
| Community Services | 129,041 | 129,041 | 147,146 | (18,105) |
| Miscellaneous | 48,700 | 48,700 | 29,940 | 18,760 |
| Capital Outlay | 5,586 | 2,000 | 1,598 | 402 |
| Total Expenditures | <u>1,373,361</u> | <u>1,332,148</u> | <u>1,262,558</u> | <u>69,590</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (218,961) | (177,748) | 334,065 | 511,813 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 675,000 | 675,000 | 625,000 | (50,000) |
| Transfers Out | (693,016) | (693,016) | (693,016) | -- |
| Total Other Financing Sources (Uses) | <u>(18,016)</u> | <u>(18,016)</u> | <u>(68,016)</u> | <u>50,000</u> |
| Net Change in Fund Balance | <u>\$ (236,977)</u> | <u>\$ (195,764)</u> | <u>266,049</u> | <u>\$ 461,813</u> |
| Fund Balance, October 1 | | | 677,215 | |
| Current Year Encumbrances | | | 58,408 | |
| Prior Year Encumbrances | | | <u>(66,297)</u> | |
| Adjusted Fund Balance | | | <u>669,326</u> | |
| Fund Balance, September 30 | | | <u>\$ 935,375</u> | |

CITY OF KILLEEN

EXHIBIT C-9

SPECIAL EVENTS CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|---------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ 850 | \$ 850 | \$ 1,974 | \$ 1,124 |
| Total Revenues | <u>850</u> | <u>850</u> | <u>1,974</u> | <u>1,124</u> |
| Expenditures: | | | | |
| Total Expenditures | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Net Change in Fund Balance | <u>\$ 850</u> | <u>\$ 850</u> | <u>1,974</u> | <u>\$ 1,124</u> |
| Fund Balance, October 1 | | | <u>64,679</u> | |
| Fund Balance, September 30 | | | <u>\$ 66,653</u> | |

CITY OF KILLEEN

EXHIBIT C-10

CABLESYSTEM IMPROVEMENTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ -- | \$ -- | \$ 5 | \$ 5 |
| Total Revenues | <u>--</u> | <u>--</u> | <u>5</u> | <u>5</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community Services | 61,838 | 62,103 | 48,370 | 13,733 |
| Total Expenditures | <u>61,838</u> | <u>62,103</u> | <u>48,370</u> | <u>13,733</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (61,838) | (62,103) | (48,365) | 13,738 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 60,000 | 60,000 | 60,000 | -- |
| Total Other Financing Sources (Uses) | <u>60,000</u> | <u>60,000</u> | <u>60,000</u> | <u>--</u> |
| Net Change in Fund Balance | <u>\$ (1,838)</u> | <u>\$ (2,103)</u> | 11,635 | <u>\$ 13,738</u> |
| Fund Balance, October 1 | | | 15,178 | |
| Fund Balance, September 30 | | | <u>\$ 26,813</u> | |

CITY OF KILLEEN

EXHIBIT C-11

COMMUNITY DEVELOPMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|---------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental | \$ 1,901,125 | \$ 1,921,785 | \$ 1,292,974 | \$ (628,811) |
| Miscellaneous | -- | -- | 15,815 | 15,815 |
| Total Revenues | <u>1,901,125</u> | <u>1,921,785</u> | <u>1,308,789</u> | <u>(612,996)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community Services | -- | 135 | -- | 135 |
| Miscellaneous | 1,650,371 | 1,727,936 | 1,169,197 | 558,739 |
| Capital Outlay | -- | 55,220 | 44,696 | 10,524 |
| Total Expenditures | <u>1,650,371</u> | <u>1,783,291</u> | <u>1,213,893</u> | <u>569,398</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | 250,754 | 138,494 | 94,896 | (43,598) |
| Other Financing Sources (Uses): | | | | |
| Transfers Out | (225,200) | (268,214) | (268,214) | -- |
| Total Other Financing Sources (Uses) | <u>(225,200)</u> | <u>(268,214)</u> | <u>(268,214)</u> | <u>--</u> |
| Net Change in Fund Balance | <u>\$ 25,554</u> | <u>\$ (129,720)</u> | <u>(173,318)</u> | <u>\$ (43,598)</u> |
| Fund Balance, October 1 | | | -- | |
| Current Year Encumbrances | | | 334,526 | |
| Prior Year encumbrances | | | (161,208) | |
| Adjusted Fund Balance | | | <u>173,318</u> | |
| Fund Balance, September 30 | | | <u>\$ --</u> | |

CITY OF KILLEEN

EXHIBIT C-12

CDBG HOME PROGRAM FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental | \$ 1,484,919 | \$ 1,484,919 | \$ 881,330 | \$ (603,589) |
| Total Revenues | 1,484,919 | 1,484,919 | 881,330 | (603,589) |
| Expenditures: | | | | |
| Current: | | | | |
| Miscellaneous | 1,433,777 | 1,461,703 | 919,327 | 542,376 |
| Total Expenditures | 1,433,777 | 1,461,703 | 919,327 | 542,376 |
| Excess (Deficiency) of Revenues (Under) Expenditures | 51,142 | 23,216 | (37,997) | (61,213) |
| Other Financing Sources (Uses): | | | | |
| Transfers In | -- | -- | 3,078 | 3,078 |
| Transfers Out | (51,142) | (51,142) | (54,220) | (3,078) |
| Total Other Financing Sources (Uses) | (51,142) | (51,142) | (51,142) | -- |
| Net Change in Fund Balance | \$ -- | \$ (27,926) | (89,139) | \$ (61,213) |
| Fund Balance, October 1 | | | 47,901 | |
| Current Year Encumbrances | | | 72,314 | |
| Prior Year Encumbrances | | | (101) | |
| Adjusted Fund Balance | | | 120,114 | |
| Fund Balance, September 30 | | | \$ 30,975 | |

CITY OF KILLEEN

EXHIBIT C-13

COURT TECHNOLOGY FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|-----------|-----------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Fines | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ -- |
| Total Revenues | 40,000 | 40,000 | 40,000 | -- |
| Expenditures: | | | | |
| Capital Outlay | -- | -- | 29,388 | (29,388) |
| Total Expenditures | -- | -- | 29,388 | (29,388) |
| Net Change in Fund Balance | \$ 40,000 | \$ 40,000 | 10,612 | \$ (29,388) |
| Fund Balance, October 1 | | | 47,134 | |
| Fund Balance, September 30 | | | \$ 57,746 | |

CITY OF KILLEEN

EXHIBIT C-14

COURT SECURITY FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Fines | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ -- |
| Total Revenues | <u>30,000</u> | <u>30,000</u> | <u>30,000</u> | <u>--</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Miscellaneous | 72,750 | 72,750 | 72,750 | -- |
| Total Expenditures | <u>72,750</u> | <u>72,750</u> | <u>72,750</u> | <u>--</u> |
| Net Change in Fund Balance | <u>\$ (42,750)</u> | <u>\$ (42,750)</u> | <u>(42,750)</u> | <u>\$ --</u> |
| Fund Balance, October 1 | | | <u>59,347</u> | |
| Fund Balance, September 30 | | | <u>\$ 16,597</u> | |

DEBT SERVICE FUNDS

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

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

CITY OF KILLEEN
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2005

| | Tax Interest and Sinking 1993 | Refunding Bond 1993 | Tax Interest and Sinking 1995 | Certificates of Obligation 2000 |
|--|-------------------------------------|---------------------------|-------------------------------------|---------------------------------------|
| ASSETS | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 35,330 | \$ 77,001 | \$ 98,634 | \$ 15,999 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Taxes | 16,038 | -- | 20,584 | -- |
| Total Assets | <u>\$ 51,368</u> | <u>\$ 77,001</u> | <u>\$ 119,218</u> | <u>\$ 15,999</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 1,920 | \$ -- | \$ 1,500 | \$ -- |
| Deferred Revenue | 16,038 | -- | 20,584 | -- |
| Total Liabilities | <u>17,958</u> | <u>--</u> | <u>22,084</u> | <u>--</u> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Debt Service | 33,410 | 77,001 | 97,134 | 15,999 |
| Total Fund Balances | <u>33,410</u> | <u>77,001</u> | <u>97,134</u> | <u>15,999</u> |
| Total Liabilities and Fund Balances | <u>\$ 51,368</u> | <u>\$ 77,001</u> | <u>\$ 119,218</u> | <u>\$ 15,999</u> |

| Tax Interest and Sinking 1999 | Certificates of Obligation 1996 | Refunding Bond 1999 | Limited Tax Notes 2000 | Certificates of Obligation 2001 |
|-------------------------------------|---------------------------------------|---------------------------|------------------------------|---------------------------------------|
| \$ 39,245 | \$ 42,281 | \$ 1,266,422 | \$ 49,846 | \$ 33,638 |
| 5,104 | 9,901 | 4,898 | 14,141 | 9,757 |
| <u>\$ 44,349</u> | <u>\$ 52,182</u> | <u>\$ 1,271,320</u> | <u>\$ 63,987</u> | <u>\$ 43,395</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| 5,104 | 9,901 | 4,898 | 14,141 | 9,757 |
| <u>5,104</u> | <u>9,901</u> | <u>4,898</u> | <u>14,141</u> | <u>9,757</u> |
| 39,245 | 42,281 | 1,266,422 | 49,846 | 33,638 |
| <u>39,245</u> | <u>42,281</u> | <u>1,266,422</u> | <u>49,846</u> | <u>33,638</u> |
| <u>\$ 44,349</u> | <u>\$ 52,182</u> | <u>\$ 1,271,320</u> | <u>\$ 63,987</u> | <u>\$ 43,395</u> |

CITY OF KILLEEN
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2005

| | Tax Interest and Sinking 2002 | Tax Interest and Sinking 2003 |
|--|-------------------------------------|-------------------------------------|
| ASSETS | | |
| Assets: | | |
| Cash and Cash Equivalents | \$ 24,039 | \$ 36,985 |
| Receivables (net of allowances for uncollectibles): | | |
| Taxes | 4,262 | 5,657 |
| Total Assets | <u>\$ 28,301</u> | <u>\$ 42,642</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts Payable | \$ -- | \$ -- |
| Deferred Revenue | 4,262 | 5,657 |
| Total Liabilities | <u>4,262</u> | <u>5,657</u> |
| Fund Balances: | | |
| Reserved: | | |
| Debt Service | 24,039 | 36,985 |
| Total Fund Balances | <u>24,039</u> | <u>36,985</u> |
| Total Liabilities and Fund Balances | <u>\$ 28,301</u> | <u>\$ 42,642</u> |

| Tax Interest and Sinking 2004 | Tax Interest and Sinking 2004 | Total Nonmajor Debt Service Funds (See Exhibit C-1) |
|-------------------------------------|-------------------------------------|--|
| \$ 230,217 | \$ 211,359 | \$ 2,160,996 |
| 3,470 | 11,227 | 105,039 |
| <u>\$ 233,687</u> | <u>\$ 222,586</u> | <u>\$ 2,266,035</u> |
| \$ -- | \$ -- | \$ 3,420 |
| 3,470 | 11,227 | 105,039 |
| <u>3,470</u> | <u>11,227</u> | <u>108,459</u> |
| 230,217 | 211,359 | 2,157,576 |
| <u>230,217</u> | <u>211,359</u> | <u>2,157,576</u> |
| <u>\$ 233,687</u> | <u>\$ 222,586</u> | <u>\$ 2,266,035</u> |

CITY OF KILLEEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Tax Interest and Sinking 1993 | Refunding Bond 1993 | Tax Interest and Sinking 1995 | Certificates of Obligation 2000 |
|--|-------------------------------------|---------------------------|-------------------------------------|---------------------------------------|
| Revenue: | | | | |
| Taxes | \$ 321,384 | \$ -- | \$ 719,557 | \$ -- |
| Miscellaneous | 6,886 | 1,784 | 15,061 | 8,855 |
| Total Revenues | <u>328,270</u> | <u>1,784</u> | <u>734,618</u> | <u>8,855</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 350,000 | -- | 750,000 | 185,000 |
| Interest | 15,750 | -- | 51,750 | 508,191 |
| Fiscal Charges | 3,749 | 985 | 3,254 | 1,992 |
| Total Expenditures | <u>369,499</u> | <u>985</u> | <u>805,004</u> | <u>695,183</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (41,229) | 799 | (70,386) | (686,328) |
| Other Financing Sources (Uses): | | | | |
| Transfers In | -- | -- | -- | 693,016 |
| Total Other Financing Sources (Uses) | <u>--</u> | <u>--</u> | <u>--</u> | <u>693,016</u> |
| Net Change in Fund Balances | (41,229) | 799 | (70,386) | 6,688 |
| Fund Balances, October 1 | 74,639 | 76,202 | 167,520 | 9,311 |
| Fund Balances, September 30 | <u>\$ 33,410</u> | <u>\$ 77,001</u> | <u>\$ 97,134</u> | <u>\$ 15,999</u> |

| Tax Interest and Sinking 1999 | Certificates of Obligation 1996 | Refunding Bond 1999 | Limited Tax Notes 2000 | Certificates of Obligation 2001 |
|-------------------------------------|---------------------------------------|---------------------------|------------------------------|---------------------------------------|
| \$ 170,847 | \$ 209,130 | \$ 171,400 | \$ 512,377 | \$ 419,513 |
| 3,839 | 4,664 | 38,597 | 11,403 | 6,707 |
| <u>174,686</u> | <u>213,794</u> | <u>209,997</u> | <u>523,780</u> | <u>426,220</u> |
| 153,000 | 200,000 | 221,850 | 495,000 | 150,000 |
| 34,500 | 25,000 | 80,795 | 76,020 | 305,430 |
| 822 | 1,042 | 1,396 | 822 | 2,075 |
| <u>188,322</u> | <u>226,042</u> | <u>304,041</u> | <u>571,842</u> | <u>457,505</u> |
| (13,636) | (12,248) | (94,044) | (48,062) | (31,285) |
| 1,000 | -- | 355,250 | -- | -- |
| <u>1,000</u> | <u>--</u> | <u>355,250</u> | <u>--</u> | <u>--</u> |
| (12,636) | (12,248) | 261,206 | (48,062) | (31,285) |
| 51,881 | 54,529 | 1,005,216 | 97,908 | 64,923 |
| <u>\$ 39,245</u> | <u>\$ 42,281</u> | <u>\$ 1,266,422</u> | <u>\$ 49,846</u> | <u>\$ 33,638</u> |

CITY OF KILLEENCOMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Tax Interest and Sinking 2002 | Tax Interest and Sinking 2003 |
|--|-------------------------------------|-------------------------------------|
| Revenue: | | |
| Taxes | \$ 206,892 | \$ 304,109 |
| Miscellaneous | 4,665 | 4,921 |
| Total Revenues | <u>211,557</u> | <u>309,030</u> |
| Expenditures: | | |
| Current: | | |
| Debt service: | | |
| Principal | 195,000 | -- |
| Interest | 64,075 | 366,788 |
| Fiscal Charges | 300 | 1,790 |
| Total Expenditures | <u>259,375</u> | <u>368,578</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (47,818) | (59,548) |
| Other Financing Sources (Uses): | | |
| Transfers In | -- | -- |
| Total Other Financing Sources (Uses) | <u>--</u> | <u>--</u> |
| Net Change in Fund Balances | (47,818) | (59,548) |
| Fund Balances, October 1 | 71,857 | 96,533 |
| Fund Balances, September 30 | <u>\$ 24,039</u> | <u>\$ 36,985</u> |

| Tax Interest and Sinking 2004 | Tax Interest and Sinking 2004 | Total Nonmajor Debt Service Funds (See Exhibit C-2) |
|-------------------------------------|-------------------------------------|--|
| \$ 352,568 | \$ 1,140,657 | \$ 4,528,434 |
| 19,882 | 139,960 | 267,224 |
| <u>372,450</u> | <u>1,280,617</u> | <u>4,795,658</u> |
| 47,500 | 160,000 | 2,907,350 |
| 94,583 | 908,958 | 2,531,840 |
| 150 | 300 | 18,677 |
| <u>142,233</u> | <u>1,069,258</u> | <u>5,457,867</u> |
| 230,217 | 211,359 | (662,209) |
| -- | -- | 1,049,266 |
| <u>--</u> | <u>--</u> | <u>1,049,266</u> |
| 230,217 | 211,359 | 387,057 |
| -- | -- | 1,770,519 |
| <u>\$ 230,217</u> | <u>\$ 211,359</u> | <u>\$ 2,157,576</u> |

CITY OF KILLEEN

EXHIBIT C-17

TAX INTEREST & SINKING SERIES 1993 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 375,875 | \$ 329,750 | \$ 321,384 | \$ (8,366) |
| Miscellaneous | 3,000 | 3,000 | 6,886 | 3,886 |
| Total Revenues | <u>378,875</u> | <u>332,750</u> | <u>328,270</u> | <u>(4,480)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 350,000 | 350,000 | 350,000 | -- |
| Interest | 61,875 | 15,750 | 15,750 | -- |
| Fiscal Charges | 2,500 | 2,500 | 3,749 | (1,249) |
| Total Expenditures | <u>414,375</u> | <u>368,250</u> | <u>369,499</u> | <u>(1,249)</u> |
| Net Change in Fund Balance | <u>\$ (35,500)</u> | <u>\$ (35,500)</u> | <u>(41,229)</u> | <u>\$ (5,729)</u> |
| Fund Balance, October 1 | | | <u>74,639</u> | |
| Fund Balance, September 30 | | | <u>\$ 33,410</u> | |

CITY OF KILLEEN

EXHIBIT C-18

REFUNDING BOND TAX INTEREST & SINKING SERIES 1993 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ -- | \$ -- | \$ 1,784 | \$ 1,784 |
| Total Revenues | <u>--</u> | <u>--</u> | <u>1,784</u> | <u>1,784</u> |
| Expenditures: | | | | |
| Debt service: | | | | |
| Fiscal Charges | 2,500 | 2,500 | 985 | 1,515 |
| Total Expenditures | <u>2,500</u> | <u>2,500</u> | <u>985</u> | <u>1,515</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (2,500) | (2,500) | 799 | 3,299 |
| Other Financing Sources (Uses): | | | | |
| Transfers Out | (93,203) | (93,203) | -- | 93,203 |
| Total Other Financing Sources (Uses) | <u>(93,203)</u> | <u>(93,203)</u> | <u>--</u> | <u>93,203</u> |
| Net Change in Fund Balance | <u>\$ (95,703)</u> | <u>\$ (95,703)</u> | 799 | <u>\$ 96,502</u> |
| Fund Balance, October 1 | | | <u>76,202</u> | |
| Fund Balance, September 30 | | | <u>\$ 77,001</u> | |

CITY OF KILLEEN

EXHIBIT C-19

TAX INTEREST & SINKING SERIES 1995 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 1,021,400 | \$ 745,750 | \$ 719,557 | \$ (26,193) |
| Miscellaneous | 4,000 | 4,000 | 15,061 | 11,061 |
| Total Revenues | <u>1,025,400</u> | <u>749,750</u> | <u>734,618</u> | <u>(15,132)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 750,000 | 750,000 | 750,000 | -- |
| Interest | 327,400 | 51,750 | 51,750 | -- |
| Fiscal Charges | 2,500 | 2,500 | 3,254 | (754) |
| Total Expenditures | <u>1,079,900</u> | <u>804,250</u> | <u>805,004</u> | <u>(754)</u> |
| Net Change in Fund Balance | <u>\$ (54,500)</u> | <u>\$ (54,500)</u> | <u>(70,386)</u> | <u>\$ (15,886)</u> |
| Fund Balance, October 1 | | | <u>167,520</u> | |
| Fund Balance, September 30 | | | <u>\$ 97,134</u> | |

CITY OF KILLEEN

EXHIBIT C-20

CERTIFICATES OF OBLIGATION SERIES 2000 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ 5,500 | \$ 5,500 | \$ 8,855 | \$ 3,355 |
| Total Revenues | 5,500 | 5,500 | 8,855 | 3,355 |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 185,000 | 185,000 | 185,000 | -- |
| Interest | 508,191 | 508,191 | 508,191 | -- |
| Fiscal Charges | 2,500 | 2,500 | 1,992 | 508 |
| Total Expenditures | 695,691 | 695,691 | 695,183 | 508 |
| Excess (Deficiency) of Revenues (Under) Expenditures | (690,191) | (690,191) | (686,328) | 3,863 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 693,016 | 693,016 | 693,016 | -- |
| Total Other Financing Sources (Uses) | 693,016 | 693,016 | 693,016 | -- |
| Net Change in Fund Balance | <u>\$ 2,825</u> | <u>\$ 2,825</u> | 6,688 | <u>\$ 3,863</u> |
| Fund Balance, October 1 | | | 9,311 | |
| Fund Balance, September 30 | | | <u>\$ 15,999</u> | |

CITY OF KILLEEN

EXHIBIT C-21

TAX INTEREST & SINKING SERIES 1999 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 176,000 | \$ 176,000 | \$ 170,847 | \$ (5,153) |
| Miscellaneous | 1,800 | 1,800 | 3,839 | 2,039 |
| Total Revenues | <u>177,800</u> | <u>177,800</u> | <u>174,686</u> | <u>(3,114)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 255,000 | 153,000 | 153,000 | -- |
| Interest | 57,500 | 34,500 | 34,500 | -- |
| Fiscal Charges | 2,000 | 2,000 | 822 | 1,178 |
| Total Expenditures | <u>314,500</u> | <u>189,500</u> | <u>188,322</u> | <u>1,178</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (136,700) | (11,700) | (13,636) | (1,936) |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 126,000 | 1,000 | 1,000 | -- |
| Total Other Financing Sources (Uses) | <u>126,000</u> | <u>1,000</u> | <u>1,000</u> | <u>--</u> |
| Net Change in Fund Balance | <u>\$ (10,700)</u> | <u>\$ (10,700)</u> | (12,636) | <u>\$ (1,936)</u> |
| Fund Balance, October 1 | | | 51,881 | |
| Fund Balance, September 30 | | | <u>\$ 39,245</u> | |

CITY OF KILLEEN

EXHIBIT C-22

CERTIFICATES OF OBLIGATION SERIES 1996 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 333,375 | \$ 214,500 | \$ 209,130 | \$ (5,370) |
| Miscellaneous | 3,000 | 3,000 | 4,664 | 1,664 |
| Total Revenues | <u>336,375</u> | <u>217,500</u> | <u>213,794</u> | <u>(3,706)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 200,000 | 200,000 | 200,000 | -- |
| Interest | 143,875 | 25,000 | 25,000 | -- |
| Fiscal Charges | 2,500 | 2,500 | 1,042 | 1,458 |
| Total Expenditures | <u>346,375</u> | <u>227,500</u> | <u>226,042</u> | <u>1,458</u> |
| Net Change in Fund Balance | <u>\$ (10,000)</u> | <u>\$ (10,000)</u> | (12,248) | <u>\$ (2,248)</u> |
| Fund Balance, October 1 | | | <u>54,529</u> | |
| Fund Balance, September 30 | | | <u>\$ 42,281</u> | |

CITY OF KILLEEN

EXHIBIT C-23

REFUNDING BOND SERIES 1999 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 176,569 | \$ 176,569 | \$ 171,400 | \$ (5,169) |
| Miscellaneous | 5,000 | 5,000 | 38,597 | 33,597 |
| Total Revenues | <u>181,569</u> | <u>181,569</u> | <u>209,997</u> | <u>28,428</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 1,305,000 | 221,850 | 221,850 | -- |
| Interest | 475,263 | 80,795 | 80,795 | -- |
| Fiscal Charges | 2,500 | 2,500 | 1,396 | 1,104 |
| Total Expenditures | <u>1,782,763</u> | <u>305,145</u> | <u>304,041</u> | <u>1,104</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (1,601,194) | (123,576) | (94,044) | 29,532 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 1,832,868 | 355,250 | 355,250 | -- |
| Total Other Financing Sources (Uses) | <u>1,832,868</u> | <u>355,250</u> | <u>355,250</u> | <u>--</u> |
| Net Change in Fund Balance | <u>\$ 231,674</u> | <u>\$ 231,674</u> | 261,206 | <u>\$ 29,532</u> |
| Fund Balance, October 1 | | | <u>1,005,216</u> | |
| Fund Balance, September 30 | | | <u>\$ 1,266,422</u> | |

CITY OF KILLEEN

EXHIBIT C-24

LIMITED TAX NOTES SERIES 2000 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 527,520 | \$ 527,520 | \$ 512,377 | \$ (15,143) |
| Miscellaneous | 4,000 | 4,000 | 11,403 | 7,403 |
| Total Revenues | <u>531,520</u> | <u>531,520</u> | <u>523,780</u> | <u>(7,740)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 495,000 | 495,000 | 495,000 | -- |
| Interest | 76,020 | 76,020 | 76,020 | -- |
| Fiscal Charges | 2,500 | 2,500 | 822 | 1,678 |
| Total Expenditures | <u>573,520</u> | <u>573,520</u> | <u>571,842</u> | <u>1,678</u> |
| Net Change in Fund Balance | <u>\$ (42,000)</u> | <u>\$ (42,000)</u> | <u>(48,062)</u> | <u>\$ (6,062)</u> |
| Fund Balance, October 1 | | | <u>97,908</u> | |
| Fund Balance, September 30 | | | <u>\$ 49,846</u> | |

CITY OF KILLEEN

EXHIBIT C-25

CERTIFICATES OF OBLIGATION SERIES 2001 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 431,430 | \$ 431,430 | \$ 419,513 | \$ (11,917) |
| Miscellaneous | 3,000 | 3,000 | 6,707 | 3,707 |
| Total Revenues | <u>434,430</u> | <u>434,430</u> | <u>426,220</u> | <u>(8,210)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 150,000 | 150,000 | 150,000 | -- |
| Interest | 305,430 | 305,430 | 305,430 | -- |
| Fiscal Charges | 2,500 | 2,500 | 2,075 | 425 |
| Total Expenditures | <u>457,930</u> | <u>457,930</u> | <u>457,505</u> | <u>425</u> |
| Net Change in Fund Balance | <u>\$ (23,500)</u> | <u>\$ (23,500)</u> | <u>(31,285)</u> | <u>\$ (7,785)</u> |
| Fund Balance, October 1 | | | <u>64,923</u> | |
| Fund Balance, September 30 | | | <u>\$ 33,638</u> | |

CITY OF KILLEEN

TAX INTEREST & SINKING SERIES 2002 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 213,575 | \$ 213,575 | \$ 206,892 | \$ (6,683) |
| Miscellaneous | 2,500 | 2,500 | 4,665 | 2,165 |
| Total Revenues | <u>216,075</u> | <u>216,075</u> | <u>211,557</u> | <u>(4,518)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | 195,000 | 195,000 | 195,000 | -- |
| Interest | 64,075 | 64,075 | 64,075 | -- |
| Fiscal Charges | 2,500 | 2,500 | 300 | 2,200 |
| Total Expenditures | <u>261,575</u> | <u>261,575</u> | <u>259,375</u> | <u>2,200</u> |
| Net Change in Fund Balance | <u>\$ (45,500)</u> | <u>\$ (45,500)</u> | <u>(47,818)</u> | <u>\$ (2,318)</u> |
| Fund Balance, October 1 | | | <u>71,857</u> | |
| Fund Balance, September 30 | | | <u>\$ 24,039</u> | |

CITY OF KILLEEN

EXHIBIT C-27

TAX INTEREST & SINKING SERIES 2003 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 312,955 | \$ 312,955 | \$ 304,109 | \$ (8,846) |
| Miscellaneous | 3,000 | 3,000 | 4,921 | 1,921 |
| Total Revenues | <u>315,955</u> | <u>315,955</u> | <u>309,030</u> | <u>(6,925)</u> |
| Expenditures: | | | | |
| Debt service: | | | | |
| Interest | 366,788 | 366,788 | 366,788 | -- |
| Fiscal Charges | 2,500 | 2,500 | 1,790 | 710 |
| Total Expenditures | <u>369,288</u> | <u>369,288</u> | <u>368,578</u> | <u>710</u> |
| Net Change in Fund Balance | <u>\$ (53,333)</u> | <u>\$ (53,333)</u> | <u>(59,548)</u> | <u>\$ (6,215)</u> |
| Fund Balance, October 1 | | | <u>96,533</u> | |
| Fund Balance, September 30 | | | <u>\$ 36,985</u> | |

CITY OF KILLEEN

EXHIBIT C-28

TAX INTEREST & SINKING SERIES 2004 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 136,000 | \$ 365,741 | \$ 352,568 | \$ (13,173) |
| Miscellaneous | 500 | 500 | 19,882 | 19,382 |
| Total Revenues | <u>136,500</u> | <u>366,241</u> | <u>372,450</u> | <u>6,209</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | -- | 290,000 | 47,500 | 242,500 |
| Interest | 114,133 | 60,241 | 94,583 | (34,342) |
| Fiscal Charges | 2,500 | 2,500 | 150 | 2,350 |
| Total Expenditures | <u>116,633</u> | <u>352,741</u> | <u>142,233</u> | <u>210,508</u> |
| Net Change in Fund Balance | <u>\$ 19,867</u> | <u>\$ 13,500</u> | <u>230,217</u> | <u>\$ 216,717</u> |
| Fund Balance, October 1 | | | <u>--</u> | |
| Fund Balance, September 30 | | | <u>\$ 230,217</u> | |

CITY OF KILLEEN

EXHIBIT C-29

TAX INTEREST & SINKING SERIES 2004 FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 742,000 | \$ 1,182,650 | \$ 1,140,657 | \$ (41,993) |
| Miscellaneous | 2,600 | 2,600 | 139,960 | 137,360 |
| Total Revenues | <u>744,600</u> | <u>1,185,250</u> | <u>1,280,617</u> | <u>95,367</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Debt service: | | | | |
| Principal | -- | 160,000 | 160,000 | -- |
| Interest | 638,711 | 908,958 | 908,958 | -- |
| Fiscal Charges | 2,500 | 2,500 | 300 | 2,200 |
| Total Expenditures | <u>641,211</u> | <u>1,071,458</u> | <u>1,069,258</u> | <u>2,200</u> |
| Net Change in Fund Balance | <u>\$ 103,389</u> | <u>\$ 113,792</u> | 211,359 | <u>\$ 97,567</u> |
| Fund Balance, October 1 | | | -- | |
| Fund Balance, September 30 | | | <u>\$ 211,359</u> | |

CAPITAL PROJECTS FUNDS

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

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

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

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

Capital Projects Fund (2004 C.O. Golf): To account for expenditure of funds on the Municipal Golf Course improvement projects. This account was closed out during the current year as a result of the creation of the new Golf Enterprise fund.

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

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

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

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

Capital Projects Fund (1999 C.O.): To account for the constructing and purchasing of solid waste disposal system facilities and equipment, purchasing and equipping a library building, purchasing Public Works department vehicles and equipment, and paying of issuance costs associated with the certificates. Financing was provided by the sale of combination tax and revenue certificates of obligation.

CITY OF KILLEEN
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2005

| | 2001 C.O. Bonds | 2002 C.O. Bonds | 2003 C.O. Bonds | 2004 C.O. Fire |
|--|---------------------|--------------------|---------------------|---------------------|
| ASSETS | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,048,662 | \$ 21,290 | \$ 3,761,639 | \$ 1,719,499 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Due from Other Funds | 227,210 | -- | 1,175,485 | -- |
| Total Assets | <u>\$ 1,275,872</u> | <u>\$ 21,290</u> | <u>\$ 4,937,124</u> | <u>\$ 1,719,499</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 8,153 | \$ -- | \$ 40,692 | \$ 556,208 |
| Total Liabilities | <u>8,153</u> | <u>--</u> | <u>40,692</u> | <u>556,208</u> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Capital Projects | 1,267,719 | 21,290 | 4,896,432 | 1,163,291 |
| Total Fund Balances | <u>1,267,719</u> | <u>21,290</u> | <u>4,896,432</u> | <u>1,163,291</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,275,872</u> | <u>\$ 21,290</u> | <u>\$ 4,937,124</u> | <u>\$ 1,719,499</u> |

| 1991 G.O. Bonds | 1993 G.O. Bonds | 1995 G.O. Bonds | 1999 C.O. Bonds | Total Nonmajor Capital Projects Funds (See Exhibit C-1) |
|--------------------|--------------------|---------------------|--------------------|--|
| \$ 128,396 | \$ 114,641 | \$ 1,159,922 | \$ 22,065 | \$ 7,976,114 |
| -- | -- | -- | -- | 1,402,695 |
| <u>\$ 128,396</u> | <u>\$ 114,641</u> | <u>\$ 1,159,922</u> | <u>\$ 22,065</u> | <u>\$ 9,378,809</u> |
| <u>\$ --</u> | <u>\$ 1,541</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 606,594</u> |
| <u>--</u> | <u>1,541</u> | <u>--</u> | <u>--</u> | <u>606,594</u> |
| 128,396 | 113,100 | 1,159,922 | 22,065 | 8,772,215 |
| <u>128,396</u> | <u>113,100</u> | <u>1,159,922</u> | <u>22,065</u> | <u>8,772,215</u> |
| <u>\$ 128,396</u> | <u>\$ 114,641</u> | <u>\$ 1,159,922</u> | <u>\$ 22,065</u> | <u>\$ 9,378,809</u> |

CITY OF KILLEEN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | 2001 C.O. Bonds | 2002 C.O. Bonds | 2003 C.O. Bonds |
|--|---------------------|--------------------|---------------------|
| Revenue: | | | |
| Intergovernmental | \$ -- | \$ -- | \$ -- |
| Miscellaneous | 17,665 | 2,706 | 91,380 |
| Total Revenues | <u>17,665</u> | <u>2,706</u> | <u>91,380</u> |
| Expenditures: | | | |
| Capital Outlay | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Expenditures | <u>--</u> | <u>--</u> | <u>--</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | 17,665 | 2,706 | 91,380 |
| Other Financing Sources (Uses): | | | |
| Proceeds from Sale of Bonds | -- | -- | -- |
| Transfers In | 320,626 | -- | 320,626 |
| Transfers Out | (34,095) | (208,249) | (869,328) |
| Total Other Financing Sources (Uses) | <u>286,531</u> | <u>(208,249)</u> | <u>(548,702)</u> |
| Net Change in Fund Balances | 304,196 | (205,543) | (457,322) |
| Fund Balances, October 1 | 963,523 | 226,833 | 5,353,754 |
| Prior Period Adjustment | -- | -- | -- |
| Fund Balances, September 30 | <u>\$ 1,267,719</u> | <u>\$ 21,290</u> | <u>\$ 4,896,432</u> |

| 2004 C.O. Golf | 2004 C.O. Fire | 1991 G.O. Bonds | 1993 G.O. Bonds |
|-------------------|-------------------|--------------------|--------------------|
| \$ -- | \$ -- | \$ 87,173 | \$ -- |
| -- | 49,896 | 2,401 | 3,274 |
| -- | 49,896 | 89,574 | 3,274 |
| -- | 1,301,356 | 43,191 | 14,091 |
| -- | 1,301,356 | 43,191 | 14,091 |
| -- | (1,251,460) | 46,383 | (10,817) |
| -- | 2,979,027 | -- | -- |
| 1,501,499 | -- | -- | -- |
| -- | -- | -- | -- |
| 1,501,499 | 2,979,027 | -- | -- |
| 1,501,499 | 1,727,567 | 46,383 | (10,817) |
| (2,075,940) | (564,276) | 82,013 | 123,917 |
| 574,441 | -- | -- | -- |
| \$ -- | \$ 1,163,291 | \$ 128,396 | \$ 113,100 |

CITY OF KILLEEN
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005**

| | 1995 G.O. Bonds | 1999 C.O. Bonds | Total Nonmajor Capital Projects Funds (See Exhibit C-2) |
|--|---------------------|--------------------|--|
| Revenue: | | | |
| Intergovernmental | \$ -- | \$ -- | \$ 87,173 |
| Miscellaneous | 30,314 | 485 | 198,121 |
| Total Revenues | 30,314 | 485 | 285,294 |
| Expenditures: | | | |
| Capital Outlay | -- | -- | 1,358,638 |
| Total Expenditures | -- | -- | 1,358,638 |
| Excess (Deficiency) of Revenues (Under) Expenditures | 30,314 | 485 | (1,073,344) |
| Other Financing Sources (Uses): | | | |
| Proceeds from Sale of Bonds | -- | -- | 2,979,027 |
| Transfers In | -- | -- | 2,142,751 |
| Transfers Out | -- | -- | (1,111,672) |
| Total Other Financing Sources (Uses) | -- | -- | 4,010,106 |
| Net Change in Fund Balances | 30,314 | 485 | 2,936,762 |
| Fund Balances, October 1 | 1,129,608 | 21,580 | 5,261,012 |
| Prior Period Adjustment | -- | -- | 574,441 |
| Fund Balances, September 30 | <u>\$ 1,159,922</u> | <u>\$ 22,065</u> | <u>\$ 8,772,215</u> |

CITY OF KILLEEN

EXHIBIT C-32

2001 C.O. BONDS CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental | \$ 1,298,800 | \$ 1,298,800 | \$ -- | \$ (1,298,800) |
| Miscellaneous | -- | -- | 17,665 | 17,665 |
| Total Revenues | <u>1,298,800</u> | <u>1,298,800</u> | <u>17,665</u> | <u>(1,281,135)</u> |
| Expenditures: | | | | |
| Capital Outlay | -- | 368,822 | -- | 368,822 |
| Total Expenditures | <u>--</u> | <u>368,822</u> | <u>--</u> | <u>368,822</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | 1,298,800 | 929,978 | 17,665 | (912,313) |
| Other Financing Sources (Uses): | | | | |
| Transfers In | -- | -- | 320,626 | 320,626 |
| Transfers Out | -- | (34,095) | (34,095) | -- |
| Total Other Financing Sources (Uses) | <u>--</u> | <u>--</u> | <u>286,531</u> | <u>320,626</u> |
| Net Change in Fund Balance | <u>\$ 1,298,800</u> | <u>\$ 895,883</u> | 304,196 | <u>\$ (591,687)</u> |
| Fund Balance, October 1 | | | <u>963,523</u> | |
| Fund Balance, September 30 | | | <u>\$ 1,267,719</u> | |

CITY OF KILLEEN

2002 C.O. BONDS CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|-----------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ -- | \$ -- | \$ 2,706 | \$ 2,706 |
| Total Revenues | -- | -- | 2,706 | 2,706 |
| Expenditures: | | | | |
| Capital Outlay | -- | -- | -- | -- |
| Total Expenditures | -- | -- | -- | -- |
| Excess (Deficiency) of Revenues (Under) Expenditures | -- | -- | 2,706 | 2,706 |
| Other Financing Sources (Uses): | | | | |
| Transfers Out | -- | (205,628) | (208,249) | (2,621) |
| Total Other Financing Sources (Uses) | -- | (205,628) | (208,249) | (2,621) |
| Net Change in Fund Balance | \$ -- | \$ (205,628) | (205,543) | \$ 85 |
| Fund Balance, October 1 | | | 226,833 | |
| Fund Balance, September 30 | | | \$ 21,290 | |

CITY OF KILLEEN

EXHIBIT C-34

2003 C.O. BONDS CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental | \$ 4,845,742 | \$ 4,845,742 | \$ -- | \$ (4,845,742) |
| Miscellaneous | -- | -- | 91,380 | 91,380 |
| Total Revenues | <u>4,845,742</u> | <u>4,845,742</u> | <u>91,380</u> | <u>(4,754,362)</u> |
| Expenditures: | | | | |
| Capital Outlay | -- | 2,607,064 | -- | 2,607,064 |
| Total Expenditures | <u>--</u> | <u>2,607,064</u> | <u>--</u> | <u>2,607,064</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | 4,845,742 | 2,238,678 | 91,380 | (2,147,298) |
| Other Financing Sources (Uses): | | | | |
| Transfers In | -- | -- | 320,626 | 320,626 |
| Transfers Out | (600,000) | (869,328) | (869,328) | -- |
| Total Other Financing Sources (Uses) | <u>(600,000)</u> | <u>(869,328)</u> | <u>(548,702)</u> | <u>320,626</u> |
| Net Change in Fund Balance | <u>\$ 4,245,742</u> | <u>\$ 1,369,350</u> | (457,322) | <u>\$ (1,826,672)</u> |
| Fund Balance, October 1 | | | <u>5,353,754</u> | |
| Fund Balance, September 30 | | | <u>\$ 4,896,432</u> | |

CITY OF KILLEEN

EXHIBIT C-35

2004 C.O. FIRE CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ 15,000 | \$ 15,000 | \$ 49,896 | \$ 34,896 |
| Total Revenues | <u>15,000</u> | <u>15,000</u> | <u>49,896</u> | <u>34,896</u> |
| Expenditures: | | | | |
| Capital Outlay | 2,881,550 | 2,800,204 | 1,301,356 | 1,498,848 |
| Total Expenditures | <u>2,881,550</u> | <u>2,800,204</u> | <u>1,301,356</u> | <u>1,498,848</u> |
| Excess (Deficiency) of Revenues (Under) Expenditures | (2,866,550) | (2,785,204) | (1,251,460) | 1,533,744 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Bonds | 3,000,000 | 3,000,000 | 2,979,027 | (20,973) |
| Total Other Financing Sources (Uses) | <u>3,000,000</u> | <u>3,000,000</u> | <u>2,979,027</u> | <u>(20,973)</u> |
| Net Change in Fund Balance | <u>\$ 133,450</u> | <u>\$ 214,796</u> | 1,727,567 | <u>\$ 1,512,771</u> |
| Fund Balance, October 1 | | | (564,276) | |
| Fund Balance, September 30 | | | <u>\$ 1,163,291</u> | |

CITY OF KILLEEN**EXHIBIT C-36**

1991 G.O. BONDS CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|-------------|------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental | \$ -- | \$ -- | \$ 87,173 | \$ 87,173 |
| Miscellaneous | 100 | 100 | 2,401 | 2,301 |
| Total Revenues | 100 | 100 | 89,574 | 89,474 |
| Expenditures: | | | | |
| Capital Outlay | -- | 80,057 | 43,191 | 36,866 |
| Total Expenditures | -- | 80,057 | 43,191 | 36,866 |
| Net Change in Fund Balance | \$ 100 | \$ (79,957) | 46,383 | \$ 126,340 |
| Fund Balance, October 1 | | | 82,013 | |
| Fund Balance, September 30 | | | \$ 128,396 | |

CITY OF KILLEEN**EXHIBIT C-37**

1993 G.O. BONDS CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|--------------|------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ -- | \$ -- | \$ 3,274 | \$ 3,274 |
| Total Revenues | -- | -- | 3,274 | 3,274 |
| Expenditures: | | | | |
| Capital Outlay | 104,205 | 137,265 | 14,091 | 123,174 |
| Total Expenditures | 104,205 | 137,265 | 14,091 | 123,174 |
| Net Change in Fund Balance | \$ (104,205) | \$ (137,265) | (10,817) | \$ 126,448 |
| Fund Balance, October 1 | | | 123,917 | |
| Fund Balance, September 30 | | | \$ 113,100 | |

CITY OF KILLEEN**EXHIBIT C-38**

1995 G.O. BONDS CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|-----------------------|-----------------------|---------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ 5,900 | \$ 5,900 | \$ 30,314 | \$ 24,414 |
| Total Revenues | <u>5,900</u> | <u>5,900</u> | <u>30,314</u> | <u>24,414</u> |
| Expenditures: | | | | |
| Capital Outlay | 1,132,797 | 1,135,155 | -- | 1,135,155 |
| Total Expenditures | <u>1,132,797</u> | <u>1,135,155</u> | <u>--</u> | <u>1,135,155</u> |
| Net Change in Fund Balance | <u>\$ (1,126,897)</u> | <u>\$ (1,129,255)</u> | 30,314 | <u>\$ 1,159,569</u> |
| Fund Balance, October 1 | | | <u>1,129,608</u> | |
| Fund Balance, September 30 | | | <u>\$ 1,159,922</u> | |

CITY OF KILLEEN**EXHIBIT C-39**

1999 C.O. BONDS CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous | \$ -- | \$ -- | \$ 485 | \$ 485 |
| Total Revenues | <u>--</u> | <u>--</u> | <u>485</u> | <u>485</u> |
| Expenditures: | | | | |
| Capital Outlay | 39,000 | 19,500 | -- | 19,500 |
| Total Expenditures | <u>39,000</u> | <u>19,500</u> | <u>--</u> | <u>19,500</u> |
| Net Change in Fund Balance | <u>\$ (39,000)</u> | <u>\$ (19,500)</u> | 485 | <u>\$ 19,985</u> |
| Fund Balance, October 1 | | | <u>21,580</u> | |
| Fund Balance, September 30 | | | <u>\$ 22,065</u> | |

STATISTICAL SECTION (UNAUDITED)

Table I

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

| FUNCTIONS/PROGRAMS | 2003 | 2004 | 2005 |
|----------------------------|----------------------|----------------------|----------------------|
| General Government | \$ 5,909,419 | \$ 5,842,809 | \$ 10,682,868 |
| Police | 12,417,928 | 13,089,343 | 13,832,604 |
| Fire | 8,088,627 | 8,486,901 | 8,821,118 |
| Highway & Streets | 4,163,846 | 4,243,173 | 8,196,856 |
| Library | 1,035,455 | 1,114,788 | 1,191,165 |
| Parks and Recreation | 2,304,288 | 2,260,543 | 2,275,674 |
| Golf Course | 883,249 | 938,219 | - |
| Permits and Inspections | 774,467 | 809,547 | 660,593 |
| Other Community Services | 2,456,795 | 2,313,403 | 1,978,699 |
| Miscellaneous | 4,333,295 | 5,595,140 | 4,237,878 |
| Interest on Long-term Debt | 1,975,274 | 2,114,399 | 2,544,857 |
| Total Expenditures | \$ 44,342,643 | \$ 46,808,265 | \$ 54,422,312 |

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

Source: Finance Department, City of Killeen

Table II

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

| | 2003 | 2004 | 2005 |
|------------------------------------|----------------------|----------------------|----------------------|
| Program Revenues | | | |
| Charges for Services | \$ 6,377,145 | \$ 5,813,467 | \$ 5,673,814 |
| Operating Grants and Contributions | 1,128,958 | 1,517,458 | 2,433,893 |
| Capital Grants and Contributions | 21,138 | 201,616 | 154,573 |
| General Revenues | | | |
| Ad Valorem Taxes | 15,389,541 | 17,195,320 | 18,238,325 |
| Penalties and Interest | 150,039 | 150,943 | 173,518 |
| Beverage Taxes | 144,208 | 163,675 | 183,734 |
| Franchise Taxes | 4,114,950 | 3,933,838 | 4,231,604 |
| City Sales Taxes | 14,113,096 | 15,634,498 | 17,395,394 |
| Bingo Taxes | 105,745 | 129,452 | 159,131 |
| Unrestricted Investment Earnings | 528,202 | 450,595 | 1,482,665 |
| Total Revenue | <u>\$ 42,073,022</u> | <u>\$ 45,190,862</u> | <u>\$ 50,126,651</u> |

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

Source: Finance Department, City of Killeen

Table III

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

| <u>FISCAL YEAR</u> | <u>GENERAL GOVERNMENT</u> | <u>PUBLIC SAFETY</u> | <u>PUBLIC WORKS</u> | <u>COMMUNITY SERVICES</u> | <u>MISCELLANEOUS AND CAPITAL OUTLAY</u> | <u>TOTALS</u> |
|--------------------|---------------------------|----------------------|---------------------|---------------------------|---|---------------|
| 1996 | 1,851,515 | 11,421,485 | 2,923,347 | 3,306,158 | 2,420,164 | 21,922,669 |
| 1997 | 2,193,225 | 12,712,445 | 3,072,296 | 3,818,417 | 2,439,337 | 24,235,720 |
| 1998 | 2,485,692 | 12,816,721 | 3,023,140 | 4,120,120 | 2,627,776 | 25,073,449 |
| 1999 | 2,645,228 | 13,657,599 | 3,132,245 | 4,261,084 | 2,426,748 | 26,122,904 |
| 2000 | 2,923,795 | 14,613,791 | 3,339,406 | 4,617,265 | 3,182,149 | 28,676,406 |
| 2001 | 3,303,906 | 16,923,216 | 3,550,573 | 5,179,716 | 3,703,813 | 32,661,224 |
| 2002 | 3,913,934 | 18,783,801 | 3,996,567 | 6,211,404 | 3,775,820 | 36,681,526 |
| 2003 | 4,123,070 | 19,310,906 | 3,862,791 | 6,232,900 | 4,528,022 | 38,057,689 |
| 2004 | 4,198,508 | 20,369,310 | 4,042,427 | 6,278,360 | 5,270,821 | 40,159,426 |
| 2005 | 5,106,589 | 21,477,605 | 4,475,361 | 4,991,852 | 5,533,514 | 41,574,921 |

Source: Finance Department, City of Killeen

* Includes General Fund expenditures only.

Table IV

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

| FISCAL YEAR | LICENSES AND PERMITS | INTER-GOVERNMENTAL | CHARGES FOR SERVICES | FINES | MISC. | NET INCREASE (DECREASE) IN THE FAIR VALUE OF INVESTMENTS** | TOTALS |
|-------------|----------------------|--------------------|----------------------|---------|-----------|--|-----------|
| 1996 | 627,035 | 14,384 | 1,581,225 | 579,120 | 839,162 | - | 3,640,926 |
| 1997 | 565,004 | 17,163 | 1,651,683 | 632,211 | 929,816 | - | 3,795,877 |
| 1998 | 649,325 | 19,806 | 1,887,849 | 787,375 | 967,180 | (97,424) | 4,214,111 |
| 1999 | 555,888 | 17,737 | 1,958,495 | 646,035 | 938,290 | - | 4,116,445 |
| 2000 | 630,414 | 131,862 | 2,117,868 | 659,319 | 1,208,562 | 201,920 | 4,949,945 |
| 2001 | 867,912 | 16,007 | 2,476,635 | 609,342 | 1,267,475 | - | 5,237,371 |
| 2002 | 956,773 | 19,789 | 2,790,145 | 593,396 | 1,019,290 | - | 5,379,393 |
| 2003 | 911,366 | 24,007 | 3,296,013 | 723,143 | 545,318 | (640) | 5,499,207 |
| 2004 | 1,041,730 | 38,140 | 2,787,143 | 824,038 | 633,931 | (49,980) | 5,275,002 |
| 2005 | 1,226,994 | 23,579 | 2,478,713 | 966,688 | 991,620 | (2,500) | 5,685,094 |

Source: Finance Department, City of Killeen

* Includes General Fund revenues only.

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

Table V

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

| FISCAL YEAR | AD VALOREM TAXES | PENALTY AND INTEREST | CITY SALES TAX | BEVERAGE TAX | FRANCHISE TAX | BINGO | TOTALS |
|-------------|------------------|----------------------|----------------|--------------|---------------|---------|------------|
| 1996 | 5,644,838 | 68,787 | 8,928,373 | 92,519 | 2,681,832 | 102,998 | 17,519,347 |
| 1997 | 6,344,585 | 79,536 | 9,060,747 | 87,331 | 2,925,283 | 100,402 | 18,597,884 |
| 1998 | 6,968,126 | 80,867 | 9,359,230 | 90,940 | 2,924,622 | 92,620 | 19,516,405 |
| 1999 | 8,020,570 | 70,698 | 10,110,528 | 98,218 | 3,016,639 | 93,685 | 21,410,338 |
| 2000 | 8,656,577 | 64,070 | 11,193,279 | 95,020 | 3,039,493 | 96,409 | 23,144,848 |
| 2001 | 10,930,055 | 98,057 | 12,042,130 | 122,288 | 3,761,451 | 96,891 | 27,050,872 |
| 2002 | 10,912,106 | 85,576 | 12,800,703 | 135,846 | 4,007,147 | 98,180 | 28,039,558 |
| 2003 | 11,643,486 | 150,039 | 13,321,622 | 144,208 | 4,114,949 | 105,742 | 29,480,046 |
| 2004 | 12,846,085 | 150,943 | 14,659,223 | 163,675 | 3,933,838 | 129,452 | 31,883,216 |
| 2005 | 13,702,864 | 173,521 | 16,240,983 | 183,734 | 4,231,603 | 159,131 | 34,691,836 |

Source: Finance Department, City of Killeen

* Includes General Fund tax revenues only.

Table VI

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

| FISCAL YEAR | TOTAL TAX LEVY | CURRENT TAX COLLECTIONS | PERCENT OF LEVY COLLECTED | DELINQUENT TAX COLLECTIONS | TOTAL TAX COLLECTIONS | OUTSTANDING DELINQUENT TAXES |
|-------------|----------------|-------------------------|---------------------------|----------------------------|-----------------------|------------------------------|
| 1996 | 8,518,800 | 8,158,036 | 95.77% | 120,097 | 8,278,133 | 533,695 |
| 1997 | 9,053,826 | 8,778,394 | 96.96% | 195,953 | 8,974,347 | 577,992 |
| 1998 | 10,030,433 | 9,883,348 | 98.53% | 117,815 | 10,001,163 | 557,824 |
| 1999 | 10,899,318 | 10,700,911 | 98.18% | 148,378 | 10,849,289 | 551,175 |
| 2000 | 11,506,682 | 11,221,484 | 97.52% | 171,688 | 11,393,172 | 664,685 |
| 2001 | 14,095,851 | 13,541,305 | 96.07% | 195,560 | 13,736,865 | 725,965 |
| 2002 | 14,947,638 | 14,370,546 | 96.14% | 345,835 | 14,716,381 | 717,710 |
| 2003 | 15,845,119 | 15,045,984 | 94.96% | 418,055 | 15,464,039 | 818,430 |
| 2004 | 17,728,368 | 16,959,606 | 95.67% | 415,950 | 17,375,556 | 779,735 |
| 2005 | 18,697,545 | 17,957,697 | 96.04% | 441,789 | 18,399,486 | 789,101 |

Source: Finance Department, City of Killeen

Table VII

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

| FISCAL YEAR | REAL PROPERTY | | PERSONAL PROPERTY | | TOTALS | | RATIO* TOTALS |
|----------------|-------------------|---------------------------|-------------------|---------------------------|-------------------|---------------------------|------------------|
| | ASSESSED VALUE | ESTIMATED ACTUAL VALUE | ASSESSED VALUE | ESTIMATED ACTUAL VALUE | ASSESSED VALUE | ESTIMATED ACTUAL VALUE | |
| 1996 | 1,373,337,055 | 1,419,874,498 | 183,745,516 | 183,926,172 | 1,557,082,571 | 1,603,800,670 | 0.9709 |
| 1997 | 1,764,105,469 | 1,768,993,679 | 206,833,289 | 206,833,289 | 1,661,685,576 | 1,975,826,968 | 0.8410 |
| 1998 | 1,554,199,667 | 1,613,012,719 | 205,525,099 | 205,525,099 | 1,759,472,266 | 1,818,537,818 | 0.9675 |
| 1999 | 1,632,190,909 | 1,694,819,062 | 215,150,121 | 215,150,121 | 1,847,341,030 | 1,909,969,183 | 0.9672 |
| 2000 | 1,729,249,013 | 1,801,301,055 | 225,233,350 | 348,989,874 | 1,954,482,363 | 2,150,290,929 | 0.9089 |
| 2001 | 1,807,057,844 | 1,879,340,158 | 265,860,903 | 409,425,791 | 2,072,918,747 | 2,288,765,949 | 0.9057 |
| 2002 | 1,894,856,103 | 2,119,499,639 | 303,325,791 | 339,316,647 | 2,198,181,894 | 2,458,816,286 | 0.8940 |
| 2003 | 2,014,916,592 | 2,268,978,363 | 315,247,673 | 354,997,399 | 2,330,164,265 | 2,623,975,762 | 0.8880 |
| 2004 | 2,215,512,642 | 2,493,686,852 | 320,734,650 | 361,005,288 | 2,536,247,292 | 2,854,692,140 | 0.8884 |
| 2005 | 2,339,923,478 | 2,624,959,307 | 350,370,677 | 393,050,789 | 2,690,294,155 | 3,018,010,096 | 0.8914 |

Source: Bell County Appraisal District

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

* Ratio= Total Assessed to Total Estimated Actual Value.

Table VIII

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

| FISCAL YEAR | CITY OF KILLEEN | BELL COUNTY | KILLEEN ISD | CENTRAL TEXAS COLLEGE | TOTAL |
|-------------|-----------------|-------------|-------------|-----------------------|--------|
| 1996 | 0.5471 | 0.2898 | 1.3300 | 0.1533 | 2.3202 |
| 1997 | 0.5471 | 0.2896 | 1.3500 | 0.1515 | 2.3382 |
| 1998 | 0.5700 | 0.2967 | 1.3500 | 0.1500 | 2.3667 |
| 1999 | 0.5900 | 0.3418 | 1.4580 | 0.1500 | 2.5398 |
| 2000 | 0.6000 | 0.3657 | 1.4280 | 0.1490 | 2.5427 |
| 2001 | 0.6800 | 0.3651 | 1.4280 | 0.1485 | 2.6216 |
| 2002 | 0.6800 | 0.3651 | 1.4280 | 0.1485 | 2.6216 |
| 2003 | 0.6800 | 0.3651 | 1.5223 | 0.1475 | 2.7149 |
| 2004 | 0.6990 | 0.3650 | 1.5633 | 0.1475 | 2.7748 |
| 2005 | 0.6950 | 0.3610 | 1.5583 | 0.1470 | 2.7613 |

Source: Bell County Appraisal District.

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

CITY OF KILLEEN, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2005

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

| | | |
|---|----|-------------------|
| Assessed Value, 2004 Tax Roll | \$ | 2,690,294,155 |
| | | x 2.50% |
| Legal Debt Limit | \$ | <u>67,257,354</u> |
| | | |
| Actual amount expended for General Obligation Debt Service During the Year Ended September 30, 2005 | \$ | <u>5,457,867</u> |

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

Table X

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

| FISCAL YEAR | ESTIMATED POPULATION | ASSESSED VALUE | GROSS GENERAL BONDED DEBT | LESS DEBT SERVICE FUND | NET GENERAL BONDED DEBT | RATIO OF NET BONDED DEBT TO ASSESSED VALUE | NET BONDED DEBT PER CAPITA |
|-------------|----------------------|----------------|---------------------------|------------------------|-------------------------|--|----------------------------|
| 1995 | 75,000 | 1,256,876,846 | 21,342,250 | 978,172 | 20,364,078 | 0.0162 | 272 |
| 1996 | 78,313 | 1,557,082,571 | 24,462,500 | 1,118,521 | 23,343,979 | 0.0150 | 298 |
| 1997 | 78,202 | 1,661,685,576 | 23,036,500 | 704,214 | 22,332,286 | 0.0134 | 286 |
| 1998 | 84,488 | 1,759,472,266 | 21,630,000 | 751,819 | 20,878,181 | 0.0119 | 247 |
| 1999 | 84,488 | 1,847,341,030 | 21,708,800 | 785,577 | 20,923,223 | 0.0113 | 248 |
| 2000 | 86,911 | 1,954,482,363 | 20,023,870 | 757,725 | 19,266,145 | 0.0099 | 222 |
| 2001 | 86,911 | 2,072,918,747 | 37,306,316 | 748,883 | 36,557,433 | 0.0176 | 421 |
| 2002 | 100,976 | 2,198,181,894 | 34,971,156 | 843,058 | 34,128,098 | 0.0155 | 338 |
| 2003 | 100,976 | 2,330,164,265 | 43,517,668 | 966,333 | 42,551,335 | 0.0183 | 421 |
| 2004 | 103,210 | 2,536,247,292 | 40,675,100 | 1,770,519 | 38,904,581 | 0.0153 | 377 |
| 2005 | 103,210 | 2,690,294,155 | 59,520,251 | 2,169,587 | 57,350,664 | 0.0213 | 556 |

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

Table XI

CITY OF KILLEEN, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
SEPTEMBER 30, 2005

| <u>TAXING AUTHORITY</u> | <u>NET DEBT OUTSTANDING</u> | <u>PERCENTAGE APPLICABLE TO KILLEEN</u> | <u>AMOUNT APPLICABLE TO CITY OF KILLEEN</u> |
|--|---------------------------------|---|---|
| Bell County | \$ 53,735,000 | 28.24% | \$ 15,174,764 |
| Killeen Independent School District | 167,140,974 | 77.93% | 130,252,961 |
| Central Texas College | 8,530,000 | 67.16% | <u>5,728,748</u> |
| Total gross overlapping debt | | | 151,156,473 |
| City of Killeen | | | <u>114,545,000</u> |
| Total direct and overlapping debt | | | <u>\$ 265,701,473</u> |

Source: Finance Department, City of Killeen

Table XII

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

| <u>FISCAL YEAR</u> | <u>PRINCIPAL</u> | <u>INTEREST AND FISCAL CHARGES</u> | <u>TOTAL DEBT SERVICES</u> | <u>TOTAL GENERAL FUND EXPENDITURES</u> | <u>RATIO OF DEBT SERVICE TO GENERAL FUND EXPENDITURES</u> |
|--------------------|------------------|------------------------------------|----------------------------|--|---|
| 1996 | 1,334,750 | 1,197,795 | 2,532,545 | 21,922,669 | 0.1155 |
| 1997 | 1,426,000 | 1,391,651 | 2,817,651 | 24,235,720 | 0.1163 |
| 1998 | 1,406,500 | 1,249,526 | 2,656,026 | 25,073,449 | 0.1059 |
| 1999 | 1,561,000 | 1,144,630 | 2,705,630 | 26,122,905 | 0.1036 |
| 2000 | 1,684,930 | 1,126,916 | 2,811,846 | 28,676,406 | 0.0981 |
| 2001 | 2,217,554 | 1,478,905 | 3,696,459 | 32,661,224 | 0.1132 |
| 2002 | 2,335,160 | 1,959,689 | 4,294,849 | 36,681,526 | 0.1171 |
| 2003 | 2,453,488 | 1,851,592 | 4,305,080 | 38,057,689 | 0.1131 |
| 2004 | 2,842,567 | 2,173,419 | 5,015,986 | 40,159,426 | 0.1249 |
| 2005 | 2,907,350 | 2,550,517 | 5,457,867 | 41,574,921 | 0.1313 |

Source: Finance Department, City of Killeen

Table XIII

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 | 31,477,147 | 14,616,805 | 16,860,342 | 1,440,000 | 1,492,576 | 1,440,000 | 11.71 |

Source: Finance Department, City of Killeen

* Total operating expense less depreciation.

Table XIV

CITY OF KILLEEN, TEXAS
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

| <u>FISCAL YEAR</u> | <u>POPULATION</u> | <u>AVERAGE DAILY SCHOOL ENROLL</u> | <u>UNEMPLOYMENT RATE</u> |
|------------------------|-------------------|--|------------------------------|
| 1996 | 78,313 | 25,712 | 7.70% |
| 1997 | 78,022 | 26,063 | 8.30% |
| 1998 | 84,488 | 26,570 | 7.00% |
| 1999 | 84,488 | 26,565 | 5.60% |
| 2000 | 86,911 | 27,123 | 5.20% |
| 2001 | 86,911 | 27,594 | 7.10% |
| 2002 | 100,976 | 28,278 | 8.30% |
| 2003 | 100,976 | 28,931 | 8.80% |
| 2004 | 103,210 | 32,500 | 6.50% |
| 2005 | 103,210 | 33,094 | 5.40% |

Sources:

Population: Greater Killeen Chamber of Commerce

School Avg: KISD Office of Superintendent

Unemployment Rate: Texas Workforce Commission

Table XV

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

| FISCAL YEAR | * PROPERTY VALUE | \$ BUILDING PERMITS |
|----------------|------------------------|---------------------------|
| 1996 | 1,603,800,670 | 120,987,135 |
| 1997 | 1,975,826,968 | 113,597,337 |
| 1998 | 1,818,537,818 | 144,697,251 |
| 1999 | 1,909,969,183 | 154,312,021 |
| 2000 | 2,150,290,929 | 147,081,830 |
| 2001 | 2,288,765,949 | 190,310,677 |
| 2002 | 2,458,816,286 | 216,847,135 |
| 2003 | 2,623,975,762 | 201,984,065 |
| 2004 | 2,854,692,140 | 205,868,115 |
| 2005 | 3,018,010,096 | 244,877,140 |

Sources:

* Bell County Appraisal District

\$ Inspection Department, City of Killeen

Table XVI

CITY OF KILLEEN, TEXAS
TEN LARGEST TAXPAYERS
SEPTEMBER 30, 2005

| NAME OF TAXPAYER | TYPE OF BUSINESS | 2004 ASSESSED VALUATION | PERCENT OF TOTAL ASSESSED VALUATION |
|----------------------------------|-------------------|-------------------------------|--|
| TXU Electric Delivery Co. | Electric Utility | \$ 35,806,660 | 1.33% |
| Central Telephone Company | Telephone Utility | 33,864,610 | 1.26% |
| GG&A Killeen Mall LP | Retail | 17,047,581 | 0.63% |
| Texas Cable Partners LP | Cable Company | 14,562,770 | 0.54% |
| Sallie Mae Inc | Loan Marketing | 12,576,845 | 0.47% |
| Wal-Mart Stores #0407 | Retail | 10,055,531 | 0.37% |
| Wal-Mart Real Estate Business | Real Estate | 9,260,169 | 0.34% |
| Fiega/Sierra Creek | Real Estate | 9,160,336 | 0.34% |
| Stone Stream Associates, LP | Real Estate | 7,793,870 | 0.29% |
| Arbors 2003 LP | Real Estate | 7,393,050 | 0.27% |
| Subtotal | | 157,521,422 | 5.86% |
| All Other Taxpayers | | 2,532,772,733 | 94.14% |
| Total Taxable Assessed Valuation | | \$ 2,690,294,155 | 100.00% |

CITY OF KILLEEN, TEXAS
WATERWORKS SYSTEM
September 30, 2005

| WATER USAGE OF THE LAST FIVE YEARS (IN MILLION OF GALLONS) | | | |
|---|-------------------|----------------------|----------------|
| FISCAL YEAR | PEAK DAY USAGE | AVERAGE DAY USAGE | TOTAL USAGE |
| 2000 | 18.26 | 10.72 | 3,912 |
| 2001 | 18.80 | 10.99 | 4,013 |
| 2002 | 19.26 | 12.69 | 4,405 |
| 2003 | 21.12 | 12.32 | 4,495 |
| 2004 | 16.75 | 11.05 | 3,978 |
| 2005 | 21.17 | 11.88 | 4,194 |

| TEN LARGEST WATER CUSTOMERS (IN THOUSANDS OF GALLONS) | | | |
|--|-----------------------|-------------------------|---------------------------|
| CUSTOMER | ANNUAL WATER USAGE | ANNUAL AMOUNT BILLED | % OF TOTAL WATER USAGE |
| Central Texas College | 40,146,300 | \$ 36,438 | 1.30% |
| West Bell Water Supply | 32,207,600 | 43,480 | 0.90% |
| Transit Mix Concrete | 14,933,400 | 40,912 | 0.42% |
| Stone Hill Apartments | 14,158,400 | 36,810 | 0.40% |
| KISD-Ellison HS SPR | 13,426,300 | 36,858 | 0.38% |
| West River Oaks Apts | 12,246,500 | 31,863 | 0.34% |
| Metroplex Hospital | 10,923,800 | 30,126 | 0.30% |
| Goode, Goodnight | 9,959,300 | 25,934 | 0.28% |
| Elm Grove MHP | 9,393,400 | 25,041 | 0.26% |
| KISD-Shoemaker HS | 9,274,700 | 25,094 | 0.26% |

Note: Percent of total consumption based on 3,559,811,700 gallons annual consumption.

MONTHLY WATER RATES (EFFECTIVE 10/1/04)

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" | 1" | 1-1/2" |
| | 9.54 | 10.66 | 11.09 |
| | 13.44 | 16.79 | 17.46 |
| | 24.61 | 35.79 | 37.22 |
| | 64.53 | 97.18 | 101.07 |
| | 136.30 | 136.30 | 141.72 |
| 2,001 to 25,000 gallons per 1,000 | 2.59 Residential | All over 2,000 gallons | 2.69 Commercial |
| Over 25,000 gallons per 1,000 | 3.09 Residential | All over 2,000 gallons | 2.59 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) | | | |
|---|-----------------------|-------------------------|--|
| CUSTOMER | ANNUAL WATER USAGE | ANNUAL AMOUNT BILLED | |
| Central Texas College | 40,146,300 | \$ 36,342 | |
| Stone Hill Apartments | 14,158,400 | 38,430 | |
| West River Oaks LTD | 12,246,500 | 33,259 | |
| Goode, Goodnight | 9,959,300 | 27,055 | |
| Elm Grove MHP | 9,393,400 | 40,251 | |
| Blessing Stonegate MHP | 8,115,600 | 34,699 | |
| Bay Colony Apts | 7,566,300 | 22,580 | |
| Keystone Apts | 7,447,200 | 20,249 | |
| Zip Cleaners | 7,443,300 | 21,693 | |
| Allora Way Apts | 7,217,300 | 19,608 | |

CITY OF KILLEEN, TEXAS
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2005

| | | | |
|--|---------------------------|--|---------------------------------|
| Date of Incorporation | 1882 | Public Works | |
| Date of Charter | 1949 | Paved Streets | 445 |
| Legal Form of Government | Home-Rule Municipal Corp. | Unpaved Streets | 1 mile |
| Management Form of Government | Council-Manager | Arterial Streets (State) | 30.1 |
| Area in Square Miles | 45.09 | Lined Drainage Channels | 150,000 feet |
| | | Unlined Drainage Channels | 185,000 feet |
| Airport | | Signalized Intersections | 83 |
| Number of Airports | 2 | Street Lights | 3,066 |
| Number of Acres | 289 | | |
| Number of Airlines | 2 | Water System | |
| Passengers Enplaning | 147441 | Contracted Purchases | 29.5 MGD |
| Deplaning | 147396 | Storage Capacity | 19.65 MGD |
| | | Water Mains | 466.7 miles |
| Fire Protection | | Water Connections | 33,948 |
| Fire Apparatus | 19 | | |
| Number of Fire Hydrants | 3500 | Wastewater System | |
| Number of Firemen | 137 | Sewer Connections | 32,688 |
| Number of Civilian Employees | 6 | Contracted Treatment | 13.50 MGD |
| Number of Paramedic Runs | 9058 | Average Daily Flow | 12.92 MGD |
| | | Rates | |
| Libraries | | Residential | |
| Number of Libraries | 2 | First 3,000 gallons of water consumption | \$14.06 Min. |
| Number of Volumes | 95691 | Over 3,000 gallons at \$3.01 per 1,000 gallons | Not to Exceed 10,000 gallons |
| Circulation of Volumes | 282314 | | |
| Circulation per Capita | 2.73 | Commercial | |
| Library Cards in Force | 27154 | First 3,000 gallons of water consumption | \$14.36 Min. |
| | | Over 3,000 gallons at \$3.01 per 1,000 gallons | No Maximum |
| | | | |
| Parks and Recreation | | Facilities not included in the Reporting Entity: | |
| Number of Parks | 15 | | |
| Playgrounds | 22 | Education | |
| Municipal Golf Courses | 1 | Number of Elementary Schools | 28 |
| Swimming Pools | 2 | Number of Middle Schools | 11 |
| Tennis Courts | 9 | Number of High Schools | 4 |
| Recreation Centers | 1 | Number of Alternative Centers | 2 |
| Basketball Courts | 14 | Number of Vocational Schools | 1 |
| | | Number of Community Colleges | 1 |
| Police Protection | | Number of Universities | 2 |
| Number of Stations | 4 | | |
| Number of Commissioned | | | |
| Police Officers | 194 | | |
| Number of Employees-Police Officers and Civilians | 75 | | |