

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ended September 30, 2011

CITY OF KILLEEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2011

ELECTED OFFICIALS

Timothy L. Hancock, Mayor
Scott Cospers, Mayor Pro-tem
Kenny Wells, Council Member
Juan Rivera, Council Member
Terry J. Clark, Council Member
Michael R. Lower, Council Member
Larry K. Cole, Council Member
Billy C. Workman, Council Member

MANAGEMENT STAFF

Glenn P. Morrison, Interim City Manager

OFFICIALS ISSUING REPORT

Barbara A. Gonzales, Director of Finance
Amanda R. Wallace, CPA, City Auditor



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INTRODUCTORY SECTION





CITY OF KILLEEN

April 24, 2012

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, 2011 is submitted in accordance with the provisions of the City Charter. This report was prepared by City of Killeen management in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and audited in accordance with U.S. Generally Accepted Auditing Standards by a firm of licensed independent certified public accountants.

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

The City of Killeen's financial statements have been audited by Brockway, Gersbach, Franklin & Niemeier, P.C., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Killeen for fiscal year ended September 30, 2011, 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, 2011, 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 Single Audit Report.

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

GOVERNMENT STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

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

Killeen was founded in 1882 by the Santa Fe Railroad and named in honor of an employee of the railroad, Frank P. Killeen. In 1884, the City had a population of 350 and consisted of a post office, a cotton gin, and two grain mills. The 1941 population of 1,265 rose to 7,100 in 1950, due primarily from the activation of Fort Hood, a military base on Killeen's northern border, which began functioning in 1942 and was designated a permanent military installation in 1950. By 1960, Killeen's population was over 21,000 and has grown steadily since then to a 2011 population of 127,921.

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

High quality education from kindergarten through graduate school is available. The Killeen Independent School District is the largest school district between Dallas and Austin. The district has grown from an enrollment of 20,413 students in 1986-87 to an enrollment of over 40,000. KISD employs over 6,000 teachers and support personnel to serve the District's 50 campuses and is the area's second largest employer. Students attend classes at thirty-two elementary schools (K-5), thirteen middle schools (6-8), four high schools (9-12), and several specialized campuses. Central Texas College and Texas A&M University-Central Texas, which are located on a 550 acre campus adjacent to Killeen, provide secondary and graduate educational opportunities. Within a one hour drive of Killeen, there are several major four-year universities including: 1) University of Texas - Austin, Texas, 2) Baylor University - Waco, Texas, 3) Southwestern University - Georgetown, Texas, and 4) University of Mary Hardin Baylor - Belton, Texas.

The quality of life in Killeen is excellent. You can find "Big City" attractions in a "Small Town" environment. Killeen boasts a spacious, beautiful mall of about 700,000 square feet, as well as our own Restaurant Row. With over 135 service clubs, associations, organizations, and 100 churches representing most religious denominations, Killeen provides its residents and guests the type of cultural, religious, and civic-minded opportunities expected of a city on the rise. For the outdoors recreation and sports-minded residents, Killeen features nearly 400 acres of park land, two public pools, a family aquatics center, a youth and adult sports complex, a skateboard park, an amphitheatre and recreational and senior centers. In addition, Killeen features one of, if not the finest, municipal golf courses in the State of Texas. The Stonetree Golf Club of Killeen offers a challenging 7,200 yard 18-hole course, featuring one of the finest training facilities in Central Texas, as well as a fully stocked pro shop and

beautiful clubhouse and café. Those who prefer water sports can engage in fishing, boating, water skiing, or sailing at either Belton Lake or Stillhouse Hollow Lake. The City even boasts its own rodeo arena, exhibition building, and livestock area. For those who prefer indoor activities, the community has two bowling alleys, a skating rink, an auto racetrack, and over seven physical fitness centers. A City is not complete without cultural activities. Vive Les Arts Societe founded in 1976 develops and promotes cultural activities in Killeen, including an excellent theater group, which is recognized as one of the most talented of its type in Texas. In 1991, Vive Les Arts opened a center featuring a 400-seat theater and a combination gallery-reception area. The Killeen Civic and Conference Center opened in 2002. This 63,000 square foot center boasts a 23,400 square foot ballroom, 3,000 square foot special events room, six large meeting rooms and two small meeting rooms in addition to full-featured kitchen facilities.

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

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

The City of Killeen currently enjoys a favorable economic environment, with local indicators reflecting continued stability. In addition to the support provided by neighboring Fort Hood, the nation's largest armored military installation, the City's economy strives primarily from service-oriented businesses. Established in 1942, Fort Hood lies adjacent to the City of Killeen and covers an area of 335 square miles (214,968 acres). It is the only post in the United States capable of stationing and training two armored divisions. In fact, Fort Hood is home to the III Corps and is "the Army's premier installation to train and deploy heavy forces." Fort Hood is also the largest single location employer in the State of Texas with over 50,000 military personnel and more than 12,000 civilian employees. Fort Hood contributes approximately \$7.1 billion to the local economy (\$3.75 billion in payroll, \$190.0 million in contracts and construction, \$400.0 million in technical support, and \$60.0 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 growth during 2011. For the twentieth consecutive year, building permits issued exceeded \$100 million dollars. Total permits issued in FY 2011 were \$240,601,496.

BUDGET PROCESS

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

proposed budget submitted by the City Manager shall be deemed to have been adopted by the Council. The FY 2010-11 Budget and Plan of Municipal Services was adopted by the City Council on September 14, 2010.

MAJOR INITIATIVES

The FY 11-12 adopted budget was, for the first time in over ten (10) years, balanced. The general fund budget did not rely on drawing from the beginning fund balance. The City of Killeen continues to take prudent measures due to the challenging economic environment in maximizing resources and realizing sporadic growth from new construction of a university, medical facility and various other projects.

As a result of the declining revenue stream in the property taxes affected by H.B. 3613 Disabled Veterans' Homestead Exemption and additional exemptions from the 82nd Texas Legislature Senate Bill 516, stringent budgets continue to be a part of the City of Killeen's prudent measures. The City of Killeen has been including these stringent budget controls for the past several years and will continue to do so until absolutely confident the economy is indicating overall optimistic economic indicators.

KILLEEN CHALLENGE

During the preparation of the FY 2010-11 budget several other issues were evaluated.

Section I of H.B. 3613 Disabled Veterans' Homestead Exemption, signed by Governor Rick Perry on June 19, 2009, was effective immediately. He granted a 100 percent residence homestead exemption to any disabled veteran or its successor. This bill in the FY 2010-11 budget was estimated to cause a reduction in property taxes of up to \$1 million. The cities of San Antonio, El Paso and Killeen are currently the hardest hit by the adoption of this bill, due to their close proximity to the major military installations in the State of Texas. In addition, 82nd Texas Legislature Senate Bill 516 recently added the exemption for the qualified surviving spouse.

The City Council of Killeen adopted a tax freeze on home owners who were either disabled or age 65 or older in 2007 effective January 1, 2008. The 2009 and now the 2010 tax roles are the first full years reflecting the impact of the adoption of this freeze.

The local economic situation is showing signs of improvement through sporadic growth despite the negative impact on property taxes as previously discussed. City of Killeen officials continue to work with Fort Hood on the upcoming military Base Realignment and Closure. Whether any effects will be left upon Killeen, Texas as the various troops are repositioned is still unknown.

Several goals and priorities were identified with the development of the budget last year and many of those priorities continued to be of significance as we prepared for FY 2010-11. The priorities addressed in the FY 2010-11 budget are: 1) continue to maintain current programs, services, and the ad valorem property tax rate; 2) continue strengthening our police department resources in order to provide proactive patrol to deter crime and to provide an enhanced feeling of safety for our citizens; 3) continue adequate funding for street improvements and infrastructure needs; 4) continue funding adequate pay and benefits to City employees; 5) continue the development of the right-of-way mowing program and drainage maintenance program to provide a safe, clean living environment for our citizens; and, 6) adequately fund economic development activities to promote Killeen as an ideal place to live and to do business. I believe the FY 2010-11 budget addressed each of these priorities.

The budget presented contained very few increases with minimal new programs included. The operating budget highlights are as follows:

1. The operating budget provided for minimal funding to maintain existing levels of services to our citizens. The ad valorem tax rate was increased to 0.7428 in order to issue debt to fund various street projects.
2. A priority of the budget was to maintain adequate and fair pay for all City employees. The budget included compensation increases for all city employees. Non-civil service employees did not receive a market based pay adjustment; however a 3% cost of living increase had been budgeted for all non-civil service employees. The last fiscal year the non-civil service employees received a COLA was FY 2008. The budget provided for a market based compensation increase for civil service police and fire fighters. The market-based increases averaged 4-5% and brought our civil service pay plan closer to the market averages used by the City to assess the reasonableness of our civil service pay plans. The budget also increased the longevity pay to \$6 for our employees who have twenty or more years of service and vacation buyback to \$600 for employees with ten or more years of service. Generally, these employees have maxed out on the city pay plan scales and have not received any increase in their compensation for several years.
3. Premiums for employee health care coverage continue to rise. These cost increases present a significant issue in providing adequate health care coverage for all City employees. The City Of Killeen continues to provide the best package of coverage and benefits considering premiums driven by an escalating market. The new health care reform laws will increase costs and make the challenge to provide health care coverage to our employees more difficult. The budget for employee health insurance reflected an increase of 10% over last year's actual costs. Although City costs for employee health insurance coverage have increased, our objective has been to hold the line on any premium increases our employees would have to pay for their family and dependant coverage.
4. The budget proposes eighteen new full-time positions. Most of these positions are funded at mid-year. The total budgeted cost of the new positions is \$1,284,546. Five of these new positions are necessary because of the Rosewood Drive and FM 2410 capital improvements project.
5. The FY 2009-10 Adopted Budget included twenty-one civil service positions and four non-civil service positions unfunded in the general fund budget due to the limited resources and the declining economy resulting from the national economic crisis. The FY 2010-11 Budget includes funding for many of those previously unfunded positions.
6. The budget implements a new Vehicle Replacement Program. The program will be administered by the city Fleet Services division, and will allow us to "finance" our vehicle purchases internally. Fleet units will be acquired by the Fleet Services division as pool units, and leased to the various city departments. The funds generated from the "lease" payments will be used to fund replacement units for the departments according to our vehicle replacement schedule.
7. In previous years, a code enforcement officer and a code enforcement clerk were funded by the Community Development Block Grant Program (CDBG). These positions were not fully funded by the CDBG program for FY 2010-2011; therefore, the general fund budget fully funded these positions.
8. The public library must have a ratio of one book per capita in order to maintain State accreditation. The library new book purchase budget has been increased by \$100,000 in order to meet the state accreditation standards.
9. The budget includes two new programs in the Fire Department. These new programs are Non-Emergency Ambulance Transport and Rescue and Recovery Revenue. Both of these new programs will bill for the cost of providing services of the Fire Department, and the revenue from these services will be dedicated to a fund to provide equipment, vehicles and other costs of providing those services.

10. Funding for the Greater Killeen Chamber of Commerce and the Killeen Economic Development Corporation was included in the budget to expand marketing efforts and promote Killeen as an ideal place to live and to do business. Funding for the Killeen Chamber of Commerce (GKCC) and the Killeen Economic Development Corporation (KEDC) in FY 2010-11 is \$1,563,542.
11. Utility rates for water, sewer, solid waste and drainage have been adjusted to reflect the cost of providing services and rate increases recommended in the utility rate studies previously adopted. Water, sewer and solid waste rates increased an average of 8%. Drainage residential rates increased \$1 per month. The franchise fee that the water and sewer fund pays to the city general fund has been increased to 7%, which is the same franchise fee rate paid by the solid waste fund to the city general fund.

The operating budget provides for minimal funding to maintain existing levels of services to our citizens. Vacancies were reviewed carefully throughout FY 2010-11 and authorized and only filled by the Interim City Manager's approval. In addition, twenty-one civil service positions and four non-civil service positions were unfunded in the FY 2010-11 general fund budget, resulting in a savings of \$1,289,080.

DEPARTMENT FOCUS

Each year the government focuses attention on departmental efforts and accomplishments. This year the Department focus is the Killeen-Fort Hood Regional Airport. This department recently completed a significant 100% American Recovery and Reinvestment Act (ARRA) funded project to mill and overlay the center of the Robert Gray Army Airfield runway. KFHRA is also currently completing three significant capital improvement projects that are 95% funded with FY 2008-09 and FY 2009-10 FAA Airport Improvement Program (AIP) grants.

A 90% FAA Airport Improvement Program (AIP) grant funded project (administered through TxDOT) to resurface runway, taxiway, and apron pavements is in progress at Skylark Field.

PROGRAM DESCRIPTIONS

The Killeen-Fort Hood Regional Airport (KFHRA) is a City of Killeen owned facility, operated as an enterprise fund. The Department of Aviation operates an 87,000 sq. ft. air carrier terminal building at Robert Gray Army Airfield as a joint-use facility with Fort Hood. The airport rents space to at least 15 business tenants to operate airlines, rental car companies, parking lots, restaurants, bars, gift shops, arcades and other miscellaneous concession activities. Airport staff operates an aviation fuel business, handling receipt, storage and retail delivery to the airlines and corporate aircraft using the airport and sells motor gasoline to the tenant rental car companies. Airport staff provides maintenance on the City-owned facilities and provides in-kind services to the Army in lieu of rental payments for the area leased by the City.

ACCOMPLISHMENTS

- Continued to provide excellent customer service to the flying public in a safe and efficient manner.
- Increased passenger enplanements nearly 9% despite the continuing economic slowdown. KFHRA was the only commercial airport in the state of Texas to show an increase in passenger enplanements for 2009/10.
- Continued making progress on several capital improvement projects under varying phases of design and construction.
- Completed various capital improvement projects that were underway.
- Received an American Recovery and Reinvestment Act (ARRA) Grant in the amount of \$2,752,473.
- Completed an update of the Airport Layout Plan.
- Continued to add and improve signage needed to better direct customers to desired areas and services.

- Continued to lobby the FAA, Congress, and the Transportation Security Administration in Washington for funding.
- Received FAA Airport Improvement Program (AIP) Grants.

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, 2010. This was the twenty-first 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.

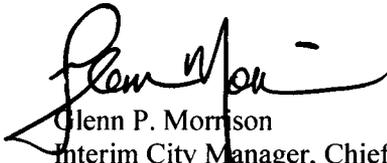
The City of Killeen received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2010 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and expect to receive this award for the fiscal year beginning October 1, 2011.

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

Respectfully submitted,



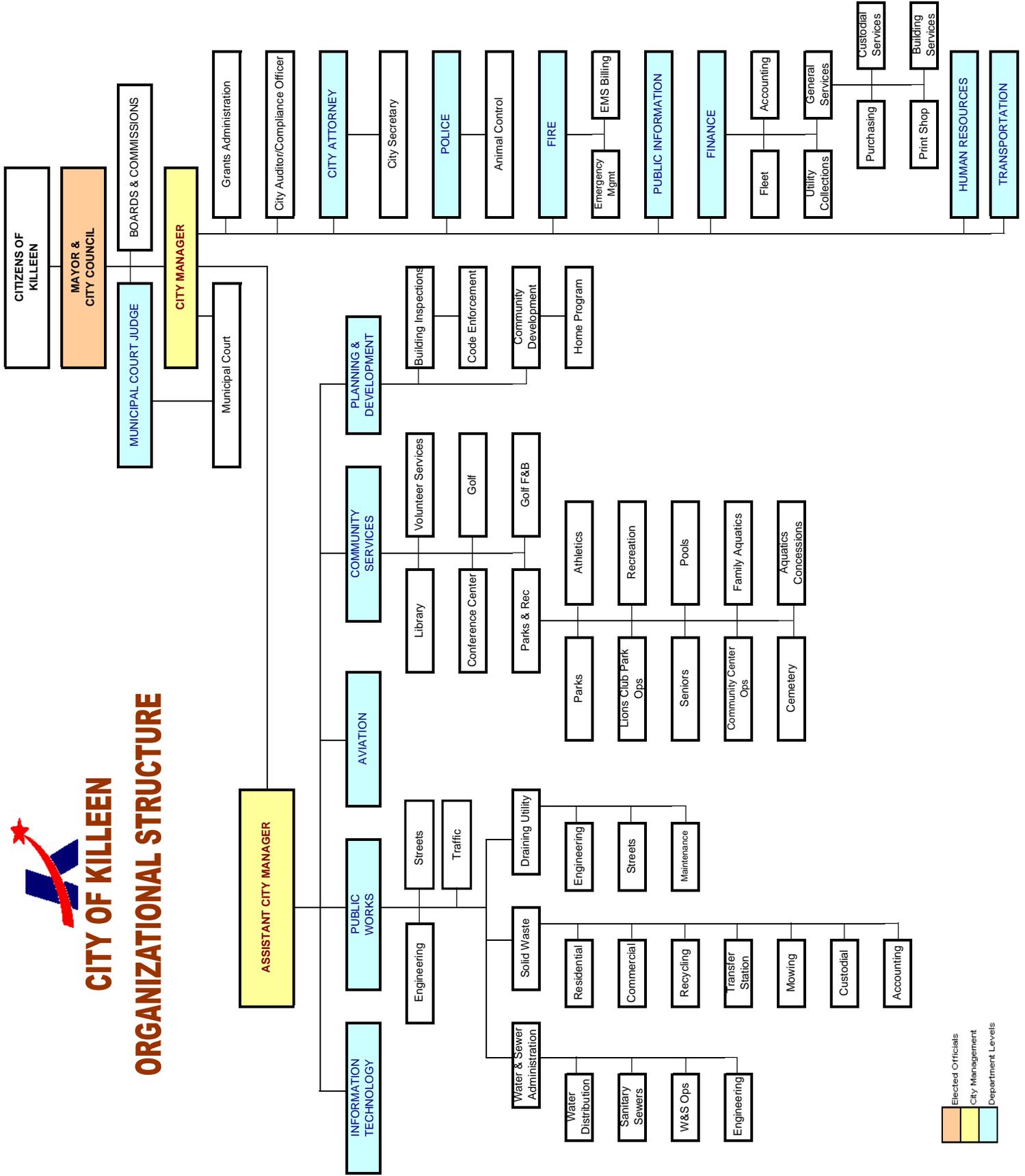
Barbara A. Gonzales
Chief Financial Officer



Glenn P. Morrison
Interim City Manager, Chief Executive Officer



CITY OF KILLEEN ORGANIZATIONAL STRUCTURE



Elected Officials
 City Management
 Department Levels

**CITY OF KILLEEN
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2011**

Mayor
Mayor Pro Tem
Councilman – District 1
Councilman – District 2
Councilman – District 3
Councilman – District 4
Councilman – At Large
Councilman – At Large
Interim City Manager
City Attorney
Chief of Police
Director of Aviation
Director of Finance
Director of Human Resources
Director of Information Technology
Director of Planning
Director of Public Information
Director of Public Works
Fire Chief
Presiding Municipal Judge

Timothy L. Hancock
Scott Cosper
Kenny Wells
Juan Rivera
Terry Clark
Michael R. Lower
Larry K. Cole
Billy C. Workman
Glenn Morrison
Kathryn Davis
Dennis Baldwin
John Sutton
Barbara Gonzales
Debbie Maynor
Donald Fine
Dr. Ray Shanaa
Hilary Shine
Richard Macchi
Jerry Gardner
William Gibson

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, 2010

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.



Linda C. Davison

President

Jeffrey R. Enow

Executive Director



Independent Auditors' Report

The Honorable Mayor and
City Council
City of Killeen, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the PFC quarterly reports of the City of Killeen, Texas as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Killeen's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Killeen Economic Development Corporation (KEDC). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Killeen Economic Development Corporation, is based on the report of the other auditors.

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 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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Killeen, Texas as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 24, 2012, on our consideration of the City of Killeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report
(continued)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedules contained in the required supplementary information, and budgetary comparison information for the general fund and the 2011 CO Bonds Capital Projects fund on pages 3 through 15, pages 83 through 85, and 86 through 87, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Killeen's financial statements as a whole. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and the schedule of expenditures of passenger facility charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion or provide any assurance on them.



April 24, 2012

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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, 2011. We encourage readers to consider the information presented here in conjunction with our letter of transmittal which can be found on pages iii - ix of this report and the basic financial statements that follow this section. This discussion and analysis includes comparative data to fiscal year ended September 30, 2010. All amounts, unless otherwise indicated, are expressed in dollars.

Fiscal Year 2010-11 Financial Highlights

City-wide:

- The City's total net assets were \$307.8 million at September 30, 2011, of which \$95.0 million were in Governmental Activities and \$212.8 million were in Business-type Activities.
- Total City revenues were \$145.7 million, of which \$81.0 million were derived from Governmental Activities and \$64.7 million were derived from Business-type Activities.
- Total City expenses were \$140.5 million, of which \$91.1 million were incurred by Governmental Activities and \$49.4 million were incurred by Business-type Activities.
- The total revenue and expense amounts stated above do not include transfers between funds.

Fund Level:

- Governmental funds reported combined ending fund balances of \$85.7 million at September 30, 2011. Of the combined ending fund balances, \$0.6 million is nonspendable, \$7.3 million is reserved for debt service, \$57.0 million is reserved in capital project funds, \$2.7 million is reserved for other purposes, \$0.1 million is committed, and \$18.0 million is unassigned.
- Governmental Fund revenues were \$80.9 million, an increase of \$7.6 million from fiscal year 2010's \$73.3 million. This is due mostly to an increase in tax revenue, intergovernmental revenue, and developer contributions during the fiscal year.
- Governmental Fund expenditures increased to \$103.3 million in fiscal year 2011, up \$5.9 million from the prior year.
- Enterprise fund operating revenues were \$58.4 million in fiscal year 2011, up \$7.2 million from the prior year.
- Enterprise fund operating expenses were \$47.6 million in fiscal year 2011, an increase of \$2.8 million from the prior year.
- Non-operating revenues, including capital contributions, were \$6.4 million in fiscal year 2011, an increase of \$1.0 million from the prior year.

General Fund:

- General Fund revenues were \$62.7 million, an increase of \$4.6 million from the prior year.
- General Fund expenditures were \$73.1 million, an increase of \$8.8 million from the prior year.
- Net transfers into the General Fund were \$7.5 million in fiscal year 2011, an increase of approximately \$2.0 million from the prior year.
- Unassigned fund balance for the general fund was \$18.0 million at September 30, 2011 or 24.6 percent of total general fund expenditures of \$73.1 million. The unassigned ending fund balance is down approximately \$1.1 million from the prior year.

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

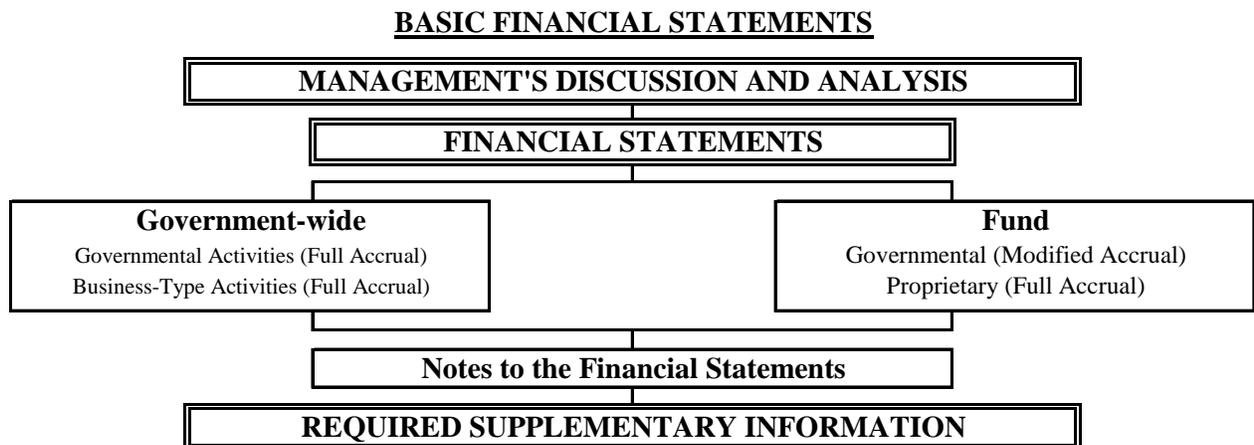
This Comprehensive Annual Financial Report consists of three sections: introductory, financial and statistical. As illustrated in the chart below, the financial section of this report has three components: management's discussion and analysis (this section), the basic financial statements and required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

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

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

The City implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) in 2011. The GASB Statement redefined governmental fund types, as well as governmental fund balance reporting classifications.

Components of the Financial Section:



OVERVIEW OF THE FINANCIAL STATEMENTS

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

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

Government-Wide Financial Statements

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

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

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

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

- **Governmental Activities** – Functions of the City that are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include General Government, Police, Fire, Public Works, Library, Parks and Recreation, Other Community Services, and Golf.
- **Business-type Activities** – Functions of the City that are intended to recover all or a significant portion of their costs through user fees and charges. The business-type activities of the City include Airport, Solid Waste, Water and Sewer and Drainage Utility operations.
- **Component Unit** – The City includes a separate legal entity in its report, the Killeen Economic Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for it.

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

Fund Financial Statements

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

Governmental Funds

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

CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation between changes in net assets and changes in fund balances is provided to facilitate this comparison between governmental 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 2011 C.O. bond fund because they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated column labeled as "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the "Combining Statements" section of this financial report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement (page 86) has been provided for the general fund to demonstrate compliance with the budget.

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

Enterprise Funds

Enterprise funds are generally used to account for services for which the City charges outside customers for services. Enterprise funds provide the same type of information as shown in the government-wide financial statements, only in more detail. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Airport, Solid Waste, Water and Sewer and Drainage Utility activities. All enterprise funds except Drainage Utility are considered to be major funds of the City in accordance with the major fund test. However, the City has elected to report the Drainage Utility fund as a major fund.

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning: General Fund – Budget vs. Actual (page 86), 2011 C.O. Bonds Capital

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

Projects Fund Budget vs. Actual (page 87), and the City's progress in funding its obligation to provide pension benefits and other post employment benefits to qualifying employees and retirees (pages 83-85).

Combining Statements

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

Government-Wide Financial Analysis:

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$307.8 million for the year ended September 30, 2011.

	Net Assets					
	<i>(in millions of dollars)</i>					
	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current and other assets	\$ 92.7	\$ 56.8	\$ 56.4	\$ 57.4	\$ 149.1	\$ 114.2
Capital Assets	183.5	175.7	233.1	229.0	416.6	404.7
Total Assets	<u>\$ 276.2</u>	<u>\$ 232.5</u>	<u>\$ 289.5</u>	<u>\$ 286.4</u>	<u>\$ 565.7</u>	<u>\$ 518.9</u>
Liabilities						
Long-term liabilities outstanding	\$ 175.4	\$ 127.5	\$ 71.0	\$ 76.5	\$ 246.4	\$ 204.0
Other liabilities	5.8	7.4	5.7	4.9	11.5	12.3
Total Liabilities	<u>181.2</u>	<u>134.9</u>	<u>76.7</u>	<u>81.4</u>	<u>257.9</u>	<u>216.3</u>
Net Assets						
Invested in capital assets, net of related debt	67.0	66.2	171.5	164.5	238.5	230.7
Restricted	15.9	14.9	18.6	22.5	34.5	37.4
Unrestricted	12.1	16.5	22.7	18.0	34.8	34.5
Total Net Assets	<u>95.0</u>	<u>97.6</u>	<u>212.8</u>	<u>205.0</u>	<u>307.8</u>	<u>302.6</u>
Total Liabilities and Net Assets	<u>\$ 276.2</u>	<u>\$ 232.5</u>	<u>\$ 289.5</u>	<u>\$ 286.4</u>	<u>\$ 565.7</u>	<u>\$ 518.9</u>

The largest portion of the City's net assets, \$238.5 million or 77.5 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.

CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011

An additional portion of the City's net assets, \$34.5 million or 11.2 percent, represent resources that are subject to external restrictions on how they may be used. These restrictions are detailed in debt covenants, unexpended construction contracts, intergovernmental agreements, and in the City of Killeen Charter. The remaining balance of unrestricted net assets, \$34.8 million or 11.3 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

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

Analysis of Changes in Net Assets

The City's net assets overall increased by \$5.23 million during the current fiscal year. These increments are explained in the governmental and business-type activities discussion in the following table.

	Changes in Net Assets					
	<i>(in millions of dollars)</i>					
	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
<i>Program revenues:</i>						
Charges for services	\$ 11.54	\$ 10.83	\$ 58.36	\$ 51.18	\$ 69.90	\$ 62.01
Operating grants and contributions	3.40	2.82	-	-	3.40	2.82
Capital grants and contributions	5.30	1.84	6.19	5.13	11.49	6.97
<i>General revenues:</i>						
Property taxes	33.37	31.03	-	-	33.37	31.03
Business taxes	6.74	5.92	-	-	6.74	5.92
Sales taxes	20.31	20.65	-	-	20.31	20.65
Proceeds from sale of capital assets	-	-	0.02	0.03	0.02	0.03
Lease revenue	-	-	0.04	-	0.04	-
Interest and investment income	0.35	0.21	0.13	0.20	0.48	0.41
Total Revenues	81.01	73.30	64.74	56.54	145.75	129.84
Expenses						
General	18.16	16.58	-	-	18.16	16.58
Police	26.23	24.50	-	-	26.23	24.50
Fire	18.23	16.35	-	-	18.23	16.35
Public Works	10.39	11.06	-	-	10.39	11.06
Library	1.61	1.48	-	-	1.61	1.48
Parks and Recreation	3.87	2.68	-	-	3.87	2.68
Community Services	5.33	5.71	-	-	5.33	5.71
Golf	1.88	1.71	-	-	1.88	1.71
Interest on Long-term Debt	5.42	5.28	-	-	5.42	5.28
Airport Operations	-	-	7.27	6.84	7.27	6.84
Solid Waste	-	-	12.52	12.24	12.52	12.24
Water and Sewer	-	-	26.69	25.59	26.69	25.59
Drainage Utility	-	-	2.92	2.33	2.92	2.33
Total Expenses	91.12	85.35	49.40	47.00	140.52	132.35
Change in net assets before transfers	(10.11)	(12.05)	15.34	9.54	5.23	(2.51)
Transfers	7.62	5.56	(7.62)	(5.56)	-	-
Change in net assets	(2.49)	(6.49)	7.72	3.98	5.23	(2.51)
Net assets at beginning of year	97.58	104.07	205.03	201.05	302.61	305.12
Net assets at end of year	\$ 95.09	\$ 97.58	\$ 212.75	\$ 205.03	\$ 307.84	\$ 302.61

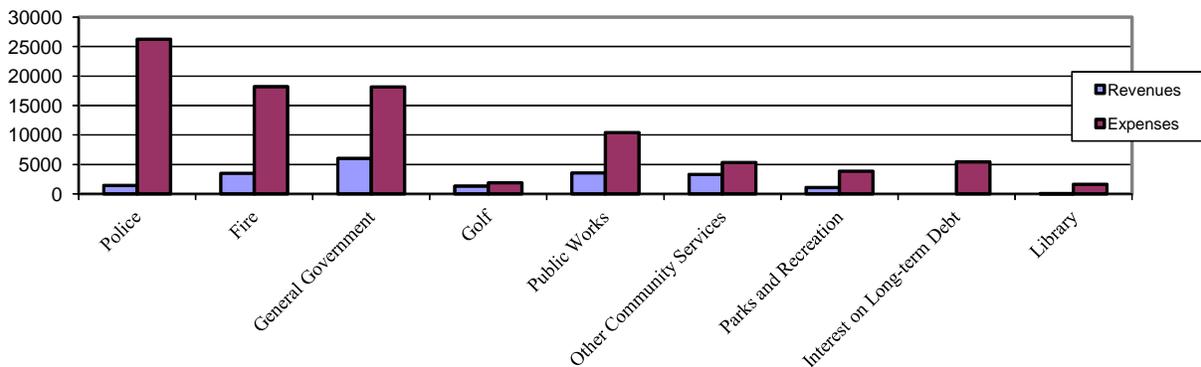
**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

Governmental Activities

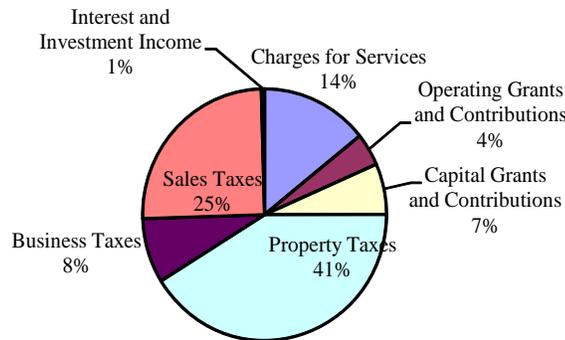
Governmental activities decreased the City's net assets by \$2.49 million. Key factors of this decrease are as follows:

The charts below illustrate the City's governmental expenses and revenues by function. As shown, police is the largest function in expense (\$26.23 million), followed by fire (\$18.23 million) and general government (\$18.16 million). General revenues such as sales, property, and business taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, property taxes are the largest single source of funds (\$33.37 million), followed by sales taxes (\$20.31 million) and charges for services (\$11.54 million). Property tax revenue increased by \$2.33 million, sales tax revenue decreased by \$0.34 million, and charges for services increased by \$0.71 million from the previous fiscal year.

**Program Revenues and Expenses - Governmental Activities
Fiscal Year 2010-11
(in thousands of dollars)**



**Revenue by Source - Governmental Activities
Fiscal Year 2010-11**



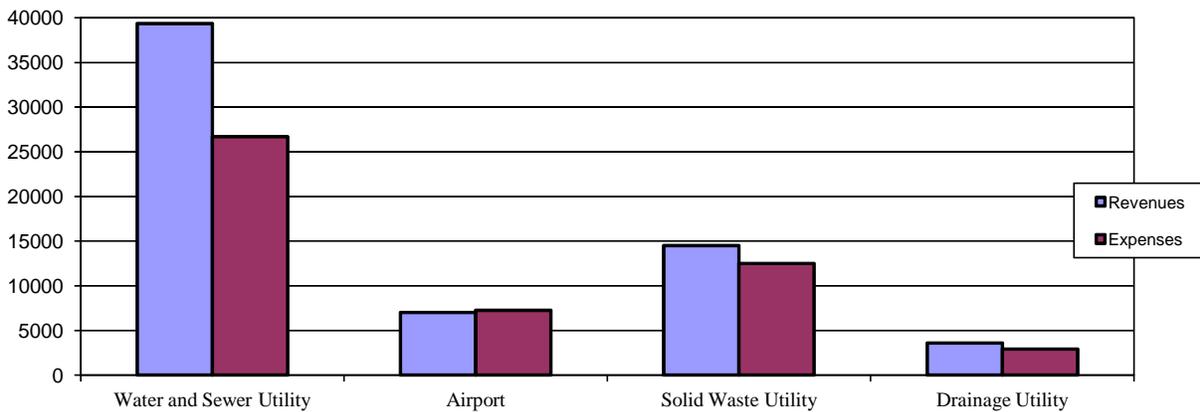
**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

Business-type Activities

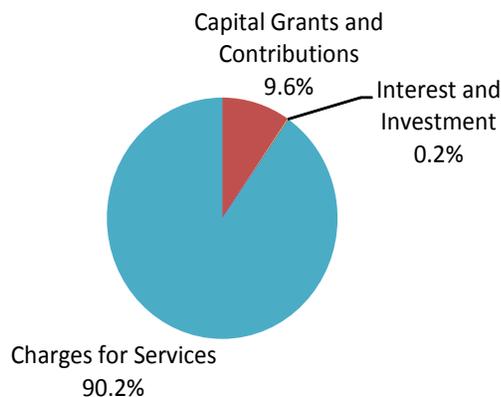
Business-type activities increased the City's net assets by \$7.72 million, accounting for the growth in the City's net assets. Key factors of this increase are as follows:

The charts following illustrate the City's business-type expenses and revenues by fund. The largest of the City's business-type activities, Water and Sewer, had expenses of \$26.69 million in fiscal year 2011, followed by Solid Waste with expenses of approximately \$12.52 million. Charges for services provided the largest share of revenues (90.2 percent) followed by capital grants and contributions (9.6 percent) for all business-type activities. Charges for services revenue increased by \$7.1 million this year, and operating expenses increased by \$2.4 million. Total revenues increased by \$8.1 million.

**Program Revenues and Expenses - Business Type Activities
Fiscal Year 2010-11
(in thousands of dollars)**



**Revenue by Source - Governmental Activities
Fiscal Year 2010-11**



**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. 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 \$85.7 million, an increase of \$37.6 million in comparison with the prior year. Approximately \$18.0 million (21.0 percent) of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is in nonspendable form, reserved for debt service, capital projects and other purposes, or committed for special purposes designated by the City.

Revenues for governmental functions overall totaled approximately \$80.9 million in the fiscal year ended September 30, 2011, which represents a \$7.6 million increase from the prior fiscal year. Expenditures for governmental functions totaling \$103.3 million increased by approximately \$5.9 million from the previous fiscal year. In the fiscal year ended September 30, 2011, expenditures for governmental functions exceeded revenues by approximately \$22.4 million.

The general fund is the chief operating fund of the City and one of two major governmental funds presented in the financial statements. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$18.0 million, while total fund balance was \$19.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.6 percent of total general fund expenditures, while total fund balance represents 26.3 percent of that same amount.

The 2011 C.O. Bond fund is the second major governmental fund presented in the financial statements. During the fiscal year, the City issued \$32.0 million in certificates of obligation to fund street/road projects. Since the fund was created with the issuance of the debt, the net change in fund balance is \$28.5 million for the 2011 fiscal year. As with the nature of any capital project fund, the fund balance will decrease significantly in the coming years as the bond proceeds are expended for their intended purposes.

General Fund Budgetary Highlights

The following is a brief review of the budgetary changes from the original to the final general fund budget. Operating revenue and expenditure budgets were increased in the following categories through budget amendments primarily due to the acceptance of a grant and unexpected expenditures.

- \$561 thousand increase in intergovernmental revenues
- \$628 thousand increase in general government expenditures
- \$1.22 million increase in public safety expenditures

During the fiscal year, the City began the process of issuing new debt (2011 Pass Thru Financing 190/2410). Although the new debt will not be issued until the fiscal year 2011-2012, the City had already begun work on

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

several of the public works projects that will be funded by the new debt. Therefore, the budget appears to have been over-expended by \$788 thousand in the public works division within the general fund. When the new debt is issued during fiscal year 2011-2012, it will reimburse the general fund for the expenditures it incurred on the projects, totaling \$1.5 million.

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 \$2.6 million, the Solid Waste Fund had \$3.4 million, the Water and Sewer Fund had \$15.1 million and the Drainage Utility Fund had \$1.6 in unrestricted net assets. The total growth in net assets for the enterprise funds was \$7.7 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2011, amount to \$416.6 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, vehicles, furniture, fixtures, equipment, construction in progress and infrastructure. The total increase in the City's capital assets (net of accumulated depreciation) for the current fiscal year was \$11.9 million (a 4.4 percent increase for governmental activities and a 1.8 percent increase for business-type activities) as shown in the table below.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 7.6	\$ 7.1	\$ 1.6	\$ 1.6	\$ 9.2	\$ 8.7
Buildings and						
Land Improvements	66.9	69.0	148.0	145.9	214.9	214.9
Improvements Other	-	-	74.7	70.2	74.7	70.2
Vehicles	4.6	4.6	3.0	2.8	7.6	7.4
Furniture, Fixtures,					-	-
Office Equipment	3.7	4.3	1.2	1.6	4.9	5.9
Construction in Progress	13.1	9.5	4.6	6.9	17.7	16.4
Infrastructure Assets	87.6	81.2	-	-	87.6	81.2
Total	\$ 183.5	\$ 175.7	\$ 233.1	\$ 229.0	\$ 416.6	\$ 404.7

CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011

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

- Business-type activities' Other Improvements increased by \$4.5 million due mostly to the addition of developer contributions to the Water and Sewer fund.
- Governmental activities' Infrastructure Assets increased by \$6.4 million due to the addition of developer contributions.

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

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$237.8 million. Of this amount, \$73.8 million is general obligation bonds backed by the full faith and credit of the City and \$69.3 million in revenue bonds, certificates of obligation or other obligations of the City's business enterprises. The remainder includes certificates of obligation and other obligations of \$93.5 million of governmental activities.

During fiscal year 2011, the City's total bonded debt increased by approximately \$41.4 million. The increase is the result of the issuance of new debt to fund street/road projects.

Outstanding Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 72.2	\$ 67.8	\$ 1.6	\$ 9.4	\$ 73.8	\$ 77.2
Revenue bonds (less deferred)	-	-	53.6	49.8	53.6	49.8
Certificates of obligation	93.3	52.9	15.7	16.3	109.0	69.2
Capital lease payable	0.2	0.4	-	-	0.2	0.4
Plus unamortized bond premiums/ (discounts)	2.7	0.3	1.5	1.2	4.2	1.5
Less deferred amounts on refunding	(0.9)	(0.8)	(2.1)	(0.9)	(3.0)	(1.7)
Total outstanding debt	<u>\$ 167.5</u>	<u>\$ 120.6</u>	<u>\$ 70.3</u>	<u>\$ 75.8</u>	<u>\$ 237.8</u>	<u>\$ 196.4</u>

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

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

The most recent debt issues of the City of Killeen earned ratings from Standard & Poors as follows:

**City of Killeen Bonded Debt Ratings
September 30, 2011**

Bond Type	Rating
General Obligation	AA
Utility Revenue Bond	AA
Certificates of Obligation	AA

The state limits the legal amount of general obligation debt of a governmental entity to \$1.25 per \$100 valuation. The City's 2011 debt levy equaled \$0.6232 per \$100 assessed valuation, or 49.8 percent of the maximum allowed. Additional information on the City's long-term debt can be found in Section IV, Note G, of the notes to the Financial Statements.

Economic Factors and Next Years' Budget and Rates

At the time this MD&A was written, most of the leading indicators such as the stock market, money supply, and the labor market were still showing signs of inflation remaining subdued for some time. Economic conditions are likely to warrant slow, but gradual economic recovery from the national recession. The housing sector has improved but household spending remains constrained by a weak labor market, sluggish income growth, lower housing wealth, and tight credit. A key to supporting economic growth will be labor market improvements in jobs and income. During the month of December, the national unemployment rate declined to 8.5 percent from 9.1 percent a year ago, while Killeen's unemployment rate remained at 8.4 percent in December as compared to 8.4 percent a year ago. Other local economic indicators in Killeen trigger concerns but also show a stable climate. Sales tax revenues for the month of December are below last year's numbers by 2.7%, while year-to-date sales tax revenue is comparable to the previous year. Hotel occupancy year-to-date tax revenues increased from last year's revenues by 0.4%. Additionally, the number of active utility customers in the city increased 2.5% over last year's number.

The 2011-2012 budget is submitted in accordance with the provisions of our City Charter which requires the City Manager to submit a proposed budget between forty-five and ninety days prior to the beginning of each fiscal year. Management believes that this budget formulates a plan of municipal services that reflects the general directions and concerns of the City Council and the input from citizens received during the public forums. Many factors were considered in preparing the City's budget for fiscal year 2011-12, 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 budget priorities for the 2011-12 fiscal year include:

- Continue to maintain current programs, services, and the ad valorem property tax rate.
- Reposition staff and staffing levels to better reflect the demands for service through the organization and the City.
- Continue adequate funding of infrastructure needs.
- Continue funding adequate pay and benefits to City employees.
- Continue to address the fleet replacement and maintenance programs.
- Adequately fund economic development activities to promote Killeen as an ideal place to live and to do business.

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2011**

The City remains committed to meet certain obligations, such as:

- Fully funding the City's share of financial obligations.
- Maintaining and improving the City's financial condition.
- Updating and maintaining the long-term financial models for each major fund.
- Continued investment in the City's basic infrastructure and public facilities, combined with a careful analysis of their operating costs.
- Maintaining 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. If there are any questions about this report or additional financial information is needed, contact:

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

Or visit our website at:
<http://www.killeentexas.gov>

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BASIC FINANCIAL STATEMENTS

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Killeen Economic Development Corp.
ASSETS				
Cash and cash equivalents	\$ 46,052,290	\$ 15,456,878	\$ 61,509,168	\$ 4,693,589
Investments	38,200,000	17,700,000	55,900,000	-
Receivables (net of allowances for uncollectibles):				
Grants	1,213,543	95,524	1,309,067	-
Taxes	4,154,468	-	4,154,468	-
Accounts	1,267,734	7,181,968	8,449,702	-
Notes	-	-	-	81,814
Accrued interest	16,157	9,099	25,256	-
Internal balances	45,678	(45,678)	-	-
Inventories	423,860	341,285	765,145	-
Prepaid items	-	625,000	625,000	-
Restricted assets:				
Cash and cash equivalents	82,510	11,879,662	11,962,172	-
Investments	-	2,500,000	2,500,000	-
Deferred charges	1,076,763	694,866	1,771,629	-
Other assets	170,891	-	170,891	136,038
Capital assets:				
Non-depreciable	20,684,718	6,247,011	26,931,729	2,303,392
Depreciable (net)	162,861,589	226,816,441	389,678,030	3,102,287
Total assets	<u>\$ 276,250,201</u>	<u>\$ 289,502,056</u>	<u>\$ 565,752,257</u>	<u>\$ 10,317,120</u>

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

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Killeen Economic Development Corp.
LIABILITIES				
Accounts payable	\$ 2,223,411	\$ 2,944,351	\$ 5,167,762	\$ -
Escrow payable	-	11,600	11,600	-
Due to other governments	560,153	-	560,153	-
Customer deposits	57,266	2,152,095	2,209,361	-
Accrued interest payable	1,261,922	348,436	1,610,358	-
Unearned revenue	717,932	16,516	734,448	-
Accrued salaries payable	927,030	243,212	1,170,242	-
Noncurrent liabilities				
Due within one year	6,496,609	4,830,402	11,327,011	846,513
Due in more than one year	168,918,457	66,201,048	235,119,505	-
Total liabilities	<u>181,162,780</u>	<u>76,747,660</u>	<u>257,910,440</u>	<u>846,513</u>
NET ASSETS				
Invested in capital assets, net of related debt	67,024,699	171,472,647	238,497,346	-
Restricted for:				
Debt service	6,033,367	7,963,550	13,996,917	-
Capital projects	7,134,634	10,665,886	17,800,520	-
Economic development	-	-	-	9,470,607
Other purposes	2,768,621	-	2,768,621	-
Unrestricted	<u>12,126,100</u>	<u>22,652,313</u>	<u>34,778,413</u>	<u>-</u>
Total net assets	<u>\$ 95,087,421</u>	<u>\$ 212,754,396</u>	<u>\$ 307,841,817</u>	<u>\$ 9,470,607</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 18,165,769	\$ 4,613,298	\$ 367,819	\$ 1,016,481
Police	26,236,271	898,164	275,589	267,322
Fire	18,226,647	2,886,744	109,036	489,358
Public works	10,395,353	-	-	3,524,674
Library	1,607,797	40,032	25,445	-
Parks and recreation	3,865,604	1,097,994	-	-
Community services	5,327,023	696,981	2,620,429	2,178
Golf	1,879,011	1,303,724	-	-
Interest on long-term debt	5,418,468	-	-	-
Total governmental activities	<u>91,121,943</u>	<u>11,536,937</u>	<u>3,398,318</u>	<u>5,300,013</u>
Business-type activities:				
Airport operations	7,266,448	4,699,432	-	2,327,570
Solid waste	12,522,011	14,405,513	-	114,000
Water and sewer	26,689,831	35,659,361	-	3,751,523
Drainage utility	2,926,201	3,597,206	-	1,978
Total business-type activities	<u>49,404,491</u>	<u>58,361,512</u>	<u>-</u>	<u>6,195,071</u>
Total primary government	<u>\$ 140,526,434</u>	<u>\$ 69,898,449</u>	<u>\$ 3,398,318</u>	<u>\$ 11,495,084</u>
Component Unit:				
Killeen Economic Development Corp.	<u>\$ 1,589,138</u>	<u>\$ 548,323</u>	<u>\$ 920,200</u>	<u>\$ -</u>

General revenues:
Taxes:
Ad valorem taxes
Penalties and interest
Beverage taxes
Franchise taxes
City Sales taxes
Bingo taxes
Investment income
Proceeds from sale of capital assets
Lease revenue
Transfers
Total general revenues and transfers

Change in net assets
Net assets - beginning
Net assets - ending

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

EXHIBIT A-2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business - Type Activities	Total	Killeen Economic Development Corp.
\$ (12,168,171)	\$ -	\$ (12,168,171)	\$ -
(24,795,196)	-	(24,795,196)	-
(14,741,509)	-	(14,741,509)	-
(6,870,679)	-	(6,870,679)	-
(1,542,320)	-	(1,542,320)	-
(2,767,610)	-	(2,767,610)	-
(2,007,435)	-	(2,007,435)	-
(575,287)	-	(575,287)	-
(5,418,468)	-	(5,418,468)	-
<u>(70,886,675)</u>	<u>-</u>	<u>(70,886,675)</u>	<u>-</u>
-	(239,446)	(239,446)	-
-	1,997,502	1,997,502	-
-	12,721,053	12,721,053	-
-	672,983	672,983	-
<u>-</u>	<u>15,152,092</u>	<u>15,152,092</u>	<u>-</u>
<u>(70,886,675)</u>	<u>15,152,092</u>	<u>(55,734,583)</u>	<u>-</u>
			<u>(120,615)</u>
33,109,001	-	33,109,001	-
256,765	-	256,765	-
254,405	-	254,405	-
6,277,179	-	6,277,179	-
20,306,910	-	20,306,910	-
213,972	-	213,972	-
353,738	128,751	482,489	-
-	21,334	21,334	-
-	49,613	49,613	-
7,623,512	(7,623,512)	-	-
<u>68,395,482</u>	<u>(7,423,814)</u>	<u>60,971,668</u>	<u>-</u>
(2,491,193)	7,728,278	5,237,085	(120,615)
97,578,614	205,026,118	302,604,732	9,591,222
<u>\$ 95,087,421</u>	<u>\$ 212,754,396</u>	<u>\$ 307,841,817</u>	<u>\$ 9,470,607</u>

CITY OF KILLEEN, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2011

	General Fund	2011 C.O. Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,816,874	\$ 13,878,226	\$ 27,357,190	\$ 46,052,290
Investments	12,700,000	15,000,000	10,500,000	38,200,000
Receivables (net of allowances for uncollectibles):				
Grants	235,421	-	978,122	1,213,543
Taxes	3,946,702	-	207,766	4,154,468
Accounts	1,254,764	-	12,970	1,267,734
Accrued interest	7,482	4,958	3,717	16,157
Inventories	417,664	-	6,196	423,860
Restricted assets:				
Cash and cash equivalents	58,668	-	23,842	82,510
Due from other funds	-	-	100,066	100,066
Prepaid assets	170,891	-	-	170,891
Total assets	<u>\$ 23,608,466</u>	<u>\$ 28,883,184</u>	<u>\$ 39,189,869</u>	<u>\$ 91,681,519</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 932,147	\$ 431,597	\$ 859,667	\$ 2,223,411
Due to other governments	508,707	-	51,446	560,153
Due to other funds	54,388	-	-	54,388
Customer deposits	57,266	-	-	57,266
Accrued salaries payable	909,978	-	17,052	927,030
Vacation and sick leave payable	13,898	-	-	13,898
Deferred revenue	1,881,591	-	233,880	2,115,471
Total liabilities	<u>4,357,975</u>	<u>431,597</u>	<u>1,162,045</u>	<u>5,951,617</u>
Fund balances:				
Nonspendable:				
Inventories	417,664	-	6,196	423,860
Prepaid assets	170,891	-	-	170,891
Restricted for:				
Debt service	240,171	-	7,055,118	7,295,289
Capital projects	-	28,451,587	28,540,298	56,991,885
Other purposes	380,641	-	2,387,980	2,768,621
Committed to:				
Vehicle replacement	63,383	-	-	63,383
Killeen Arts and Activities Center	-	-	38,232	38,232
Unassigned	17,977,741	-	-	17,977,741
Total fund balances	<u>19,250,491</u>	<u>28,451,587</u>	<u>38,027,824</u>	<u>85,729,902</u>
Total liabilities and fund balances	<u>\$ 23,608,466</u>	<u>\$ 28,883,184</u>	<u>\$ 39,189,869</u>	<u>\$ 91,681,519</u>

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

CITY OF KILLEEN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total fund balances - governmental funds balance sheet	\$ 85,729,902
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.	183,546,307
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(174,977,801)
The net increase in the Other Post Employment Benefit Obligation (OPEB) is not due and payable in the current period and, therefore, is not reported in the funds.	(608,526)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>1,397,539</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 95,087,421</u></u>

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

**CITY OF KILLEEN, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	General Fund	2011 C.O. Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 48,290,563	\$ -	\$ 12,037,582	\$ 60,328,145
Licenses and permits	1,284,569	-	-	1,284,569
Intergovernmental	638,832	-	4,075,708	4,714,540
Charges for services	5,422,747	-	474,242	5,896,989
Fines	2,550,388	-	952,886	3,503,274
Contributions	444,024	-	105,121	549,145
Developer contributions	3,375,908	-	-	3,375,908
Miscellaneous	650,178	7,053	563,065	1,220,296
Total revenues	<u>62,657,209</u>	<u>7,053</u>	<u>18,208,604</u>	<u>80,872,866</u>
EXPENDITURES				
Current expenditures:				
General government	9,114,615	-	1,679,684	10,794,299
Public safety	40,314,176	-	527,691	40,841,867
Public works	4,117,983	49,510	173,271	4,340,764
Community services	7,904,779	-	2,796,645	10,701,424
Miscellaneous	6,412,904	-	-	6,412,904
Capital outlay	4,968,038	3,938,341	10,281,152	19,187,531
Debt service:				
Principal	219,170	-	5,147,300	5,366,470
Interest	21,000	-	5,102,184	5,123,184
Fiscal charges	-	-	13,395	13,395
Costs of issuance	-	137,000	198,000	335,000
Deferred amount on refunding	-	-	140,981	140,981
Total expenditures	<u>73,072,665</u>	<u>4,124,851</u>	<u>26,060,303</u>	<u>103,257,819</u>
Deficiency of revenues under expenditures	<u>(10,415,456)</u>	<u>(4,117,798)</u>	<u>(7,851,699)</u>	<u>(22,384,953)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital-related debt	-	32,040,000	18,060,000	50,100,000
Refunding bonds issued	-	-	6,875,000	6,875,000
Premium/discount on issuance of debt	-	1,100,301	1,350,707	2,451,008
Refund to bond escrow agent	-	-	(7,090,000)	(7,090,000)
Transfers in	7,571,598	-	10,504,114	18,075,712
Transfers out	(107,089)	(570,916)	(9,774,195)	(10,452,200)
Total other financing sources (uses)	<u>7,464,509</u>	<u>32,569,385</u>	<u>19,925,626</u>	<u>59,959,520</u>
Net changes in fund balances	(2,950,947)	28,451,587	12,073,927	37,574,567
Fund balances, October 1	<u>22,201,438</u>	<u>-</u>	<u>25,953,897</u>	<u>48,155,335</u>
Fund balances, September 30	<u>\$ 19,250,491</u>	<u>\$ 28,451,587</u>	<u>\$ 38,027,824</u>	<u>\$ 85,729,902</u>

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

CITY OF KILLEEN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds	\$ 37,574,567
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This reconciling item represents the amount by which capital outlays exceeded depreciation in the current period.</p>	7,824,561
<p>The issuance of long-term debt (i.e. bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items.</p>	(46,502,730)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This reconciling item reflects the net of such expenses.</p>	(1,521,963)
<p>Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds. This reconciling item represents the total of such revenues.</p>	<u>134,372</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ (2,491,193)</u></u>

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

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2011**

ASSETS	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
Current assets:			
Cash and cash equivalents	\$ 2,807,090	\$ 1,520,343	\$ 9,282,705
Investments	-	1,500,000	12,200,000
Receivables (net of allowances for uncollectibles):			
Grants	95,524	-	-
Accounts	83,580	1,726,409	5,090,169
Accrued interest	-	528	6,476
Due from other funds	-	-	54,388
Inventories	93,039	-	248,246
Prepaid items	-	-	625,000
Restricted assets:			
Cash and cash equivalents	2,060,826	260,559	6,584,343
Investments	-	-	2,500,000
Deferred charges	-	105,948	498,346
Total current assets	<u>5,140,059</u>	<u>5,113,787</u>	<u>37,089,673</u>
Noncurrent assets:			
Property and equipment:			
Land	1,319,003	72,165	243,332
Buildings and improvements	98,219,149	11,741,288	93,034,109
Improvements other than buildings	-	-	81,661,352
Furniture and equipment	1,090,544	3,953,869	4,122,208
Vehicles	868,374	9,198,490	3,208,402
Construction in progress	-	-	4,612,511
Less accumulated depreciation	(27,275,568)	(13,624,304)	(43,774,005)
Net property and equipment	<u>74,221,502</u>	<u>11,341,508</u>	<u>143,107,909</u>
Total assets	<u>\$ 79,361,561</u>	<u>\$ 16,455,295</u>	<u>\$ 180,197,582</u>

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

EXHIBIT A-7

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 1,846,740	\$ 15,456,878
4,000,000	17,700,000
-	95,524
281,810	7,181,968
2,095	9,099
-	54,388
-	341,285
-	625,000
2,973,934	11,879,662
-	2,500,000
90,572	694,866
<u>9,195,151</u>	<u>56,538,670</u>
-	1,634,500
-	202,994,546
4,506,765	86,168,117
994,317	10,160,938
602,021	13,877,287
-	4,612,511
(1,710,570)	(86,384,447)
<u>4,392,533</u>	<u>233,063,452</u>
<u>\$ 13,587,684</u>	<u>\$ 289,602,122</u>

(Continued)

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS (CONTINUED)
SEPTEMBER 30, 2011**

LIABILITIES AND NET ASSETS	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
Liabilities:			
Current liabilities:			
Accounts payable	\$ 342,500	\$ 617,260	\$ 1,829,258
Escrow payable	11,600	-	-
Due to other funds	-	31,799	68,267
Customer deposits	-	-	2,152,095
Accrued salaries payable	39,156	78,876	103,575
Vacation and sick leave payable	6,302	14,603	17,972
Deferred revenue	1,575	12,455	2,486
Current portion of general obligation bonds payable	-	-	4,147,885
Current portion of certificate of obligation bonds payable	-	338,053	-
Restricted accrued interest payable	-	-	302,210
Total current liabilities	<u>401,133</u>	<u>1,093,046</u>	<u>8,623,748</u>
Noncurrent liabilities:			
Vacation and sick leave payable	98,732	228,774	281,564
General obligation bonds payable - long-term	-	-	50,597,520
Certificate of obligation bonds payable - long-term	-	9,135,038	-
Total non-current liabilities	<u>98,732</u>	<u>9,363,812</u>	<u>50,879,084</u>
Total liabilities	<u>499,865</u>	<u>10,456,858</u>	<u>59,502,832</u>
Net Assets:			
Investment in capital assets (net of related debt)	74,221,502	1,868,417	93,738,297
Restricted:			
Debt service	-	742,619	6,643,573
Capital projects	2,048,571	-	5,233,993
Unrestricted	2,591,623	3,387,401	15,078,887
Total net assets	<u>78,861,696</u>	<u>5,998,437</u>	<u>120,694,750</u>
Total liabilities and net assets	<u>\$ 79,361,561</u>	<u>\$ 16,455,295</u>	<u>\$ 180,197,582</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-7 (CONT'D)

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 155,333	\$ 2,944,351
-	11,600
-	100,066
-	2,152,095
21,605	243,212
2,015	40,892
-	16,516
-	4,147,885
303,572	641,625
46,226	348,436
<u>528,751</u>	<u>10,646,678</u>
31,568	640,638
-	50,597,520
<u>5,827,852</u>	<u>14,962,890</u>
<u>5,859,420</u>	<u>66,201,048</u>
<u>6,388,171</u>	<u>76,847,726</u>
1,644,431	171,472,647
577,358	7,963,550
3,383,322	10,665,886
1,594,402	22,652,313
<u>7,199,513</u>	<u>212,754,396</u>
<u>\$ 13,587,684</u>	<u>\$ 289,602,122</u>

CITY OF KILLEEN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
OPERATING REVENUES			
Charges for services	\$ 4,699,432	\$ 14,393,463	\$ 35,592,687
Miscellaneous	-	12,050	66,674
Total operating revenues	<u>4,699,432</u>	<u>14,405,513</u>	<u>35,659,361</u>
OPERATING EXPENSES			
Purchase of water	-	-	6,925,331
Sewage treatment	-	-	5,230,533
Salaries	1,658,090	3,618,921	4,474,664
Employee benefits	475,579	1,095,033	1,312,803
Repairs and maintenance	295,164	1,466,774	722,617
Supplies	101,614	854,901	662,367
Depreciation	3,406,289	1,416,948	4,265,480
Miscellaneous services and charges	1,329,712	346,490	2,032,507
Refuse disposal costs	-	3,296,780	-
Total operating expenses	<u>7,266,448</u>	<u>12,095,847</u>	<u>25,626,302</u>
Operating income (loss)	<u>(2,567,016)</u>	<u>2,309,666</u>	<u>10,033,059</u>
NON-OPERATING REVENUES (EXPENSES)			
Proceeds from sale of equipment	-	21,334	-
Lease revenue	-	49,613	-
Investment revenue	6,261	6,224	104,123
Industrial development	-	-	(781,771)
Interest and fiscal charges	-	(426,164)	(281,758)
Total non-operating revenues (expenses)	<u>6,261</u>	<u>(348,993)</u>	<u>(959,406)</u>
Income before contributions and transfers	<u>(2,560,755)</u>	<u>1,960,673</u>	<u>9,073,653</u>
CONTRIBUTIONS AND TRANSFERS			
Contributions - capital	2,327,570	114,000	3,751,523
Transfers in	-	137,170	-
Transfers out	(760,000)	(2,130,899)	(4,637,031)
Total contributions and transfers	<u>1,567,570</u>	<u>(1,879,729)</u>	<u>(885,508)</u>
Change in net assets	<u>(993,185)</u>	<u>80,944</u>	<u>8,188,145</u>
Beginning net assets, October 1	<u>79,854,881</u>	<u>5,917,493</u>	<u>112,506,605</u>
Ending net assets, September 30	<u>\$ 78,861,696</u>	<u>\$ 5,998,437</u>	<u>\$ 120,694,750</u>

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

EXHIBIT A-8

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 3,597,206	\$ 58,282,788
-	78,724
<u>3,597,206</u>	<u>58,361,512</u>
-	6,925,331
-	5,230,533
951,355	10,703,030
311,742	3,195,157
486,751	2,971,306
145,168	1,764,050
419,871	9,508,588
313,371	4,022,080
-	3,296,780
<u>2,628,258</u>	<u>47,616,855</u>
<u>968,948</u>	<u>10,744,657</u>
-	21,334
-	49,613
12,143	128,751
-	(781,771)
<u>(297,943)</u>	<u>(1,005,865)</u>
<u>(285,800)</u>	<u>(1,587,938)</u>
<u>683,148</u>	<u>9,156,719</u>
1,978	6,195,071
-	137,170
<u>(232,752)</u>	<u>(7,760,682)</u>
<u>(230,774)</u>	<u>(1,428,441)</u>
452,374	7,728,278
<u>6,747,139</u>	<u>205,026,118</u>
<u>\$ 7,199,513</u>	<u>\$ 212,754,396</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,560,191	\$ 14,449,019	\$ 35,140,489
Receipts from interfund services provided	-	-	(54,388)
Payments to suppliers	(1,537,895)	(5,872,129)	(15,266,306)
Payments to employees	(2,121,932)	(4,671,183)	(5,726,691)
Payments for interfund services used	(488)	(141,777)	(88,693)
Net cash provided by operating activities	<u>899,876</u>	<u>3,763,930</u>	<u>14,004,411</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Industrial development	-	-	(781,771)
Transfers in from other funds	-	137,170	-
Transfers out to other funds	(760,000)	(2,130,899)	(4,637,031)
Net cash used by noncapital financing activities	<u>(760,000)</u>	<u>(1,993,729)</u>	<u>(5,418,802)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions/grants	2,327,570	114,000	3,751,523
Purchase and construction of capital assets	(2,915,442)	(833,961)	(8,958,262)
Proceeds from sale of capital assets	-	21,334	-
Lease revenue	-	49,613	-
Proceeds from long-term debt	-	-	35,000
Principal paid on long-term debt	-	(320,000)	(4,092,700)
Interest and fees paid on long-term debt	-	(417,077)	(1,008,159)
Net cash used by capital and related financing activities	<u>(587,872)</u>	<u>(1,386,091)</u>	<u>(10,272,598)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	-	(1,500,000)	(5,164,497)
Interest and dividends on investments	6,261	6,224	104,123
Net cash provided (used) by investing activities	<u>6,261</u>	<u>(1,493,776)</u>	<u>(5,060,374)</u>
Net decrease in cash and cash equivalents	(441,735)	(1,109,666)	(6,747,363)
Cash and cash equivalents at beginning of year (including \$3,032,736, \$260,227, \$11,260,170, and \$6,965,339 for the Airport, Solid Waste, Water and Sewer, and Drainage Utility funds, respectively, reported in restricted cash accounts)	<u>5,309,651</u>	<u>2,890,568</u>	<u>22,614,411</u>
Cash and cash equivalents at end of year (including \$2,060,826, \$260,559, \$6,584,343, and \$2,973,934 for the Airport, Solid Waste, Water and Sewer, and Drainage Utility funds, respectively, reported in restricted cash accounts)	<u>\$ 4,867,916</u>	<u>\$ 1,780,902</u>	<u>\$ 15,867,048</u>

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

EXHIBIT A-9

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 3,558,869	\$ 57,708,568
-	(54,388)
(854,034)	(23,530,364)
(1,252,758)	(13,772,564)
-	(230,958)
<u>1,452,077</u>	<u>20,120,294</u>
-	(781,771)
-	137,170
(232,752)	(7,760,682)
<u>(232,752)</u>	<u>(8,405,283)</u>
1,978	6,195,071
(844,969)	(13,552,634)
-	21,334
-	49,613
-	35,000
(290,000)	(4,702,700)
(290,267)	(1,715,503)
<u>(1,423,258)</u>	<u>(13,669,819)</u>
(4,000,000)	(10,664,497)
12,143	128,751
<u>(3,987,857)</u>	<u>(10,535,746)</u>
(4,191,790)	(12,490,554)
<u>9,012,464</u>	<u>39,827,094</u>
<u>\$ 4,820,674</u>	<u>\$ 27,336,540</u>

(Continued)

**CITY OF KILLEEN, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (2,567,016)	\$ 2,309,666	\$ 10,033,059
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	3,406,289	1,416,948	4,265,480
Changes in assets and liabilities:			
Decrease (increase) in receivables	(139,241)	43,506	(519,899)
Decrease (increase) in due from other funds	-	-	(54,388)
Decrease (increase) in inventories	(31,851)	-	(22,876)
Decrease (increase) in other assets	-	-	-
Increase (decrease) in payables	220,446	92,816	288,204
Increase (decrease) in due to other funds	(488)	(141,777)	(88,693)
Increase (decrease) in customer deposits	-	-	41,721
Increase (decrease) in accrued salaries payable	14,189	26,398	38,976
Increase (decrease) in vacation and sick leave payable	(2,452)	16,373	21,800
Increase (decrease) in deferred revenue	-	-	1,027
Total adjustments	<u>3,466,892</u>	<u>1,454,264</u>	<u>3,971,352</u>
Net cash provided by operating activities	<u>\$ 899,876</u>	<u>\$ 3,763,930</u>	<u>\$ 14,004,411</u>

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

EXHIBIT A-9 (CONT'D)

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 968,948	\$ 10,744,657
419,871	9,508,588
(38,337)	(653,971)
-	(54,388)
-	(54,727)
-	-
91,256	692,722
-	(230,958)
-	41,721
7,806	87,369
2,533	38,254
-	1,027
<u>483,129</u>	<u>9,375,637</u>
<u>\$ 1,452,077</u>	<u>\$ 20,120,294</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
EMPLOYEE BENEFITS TRUST FUND
SEPTEMBER 30, 2011**

ASSETS

Cash and cash equivalents	\$ 32,484
Accounts receivable	452,243
Total assets	<u>\$ 484,727</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 463,142
Total liabilities	<u>463,142</u>

Net Assets:

Net assets held in trust for employee benefits	<u>21,585</u>
Total net assets	<u>21,585</u>

Total liabilities and net assets	<u>\$ 484,727</u>
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The accompanying notes are an integral part of this financial statement.

**CITY OF KILLEEN, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EMPLOYEE BENEFITS TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

ADDITIONS

Contributions:

Employer contributions	\$ 3,419,480
Employee contributions	1,723,558
Retiree contributions	275,084
COBRA contributions	91,576
Total contributions	<u>5,509,698</u>

DEDUCTIONS

Benefit payments	5,487,915
Administrative expenses	198
Total deductions	<u>5,488,113</u>

Net increase	21,585
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Net assets - beginning of the year	<u>-</u>
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Net assets - end of the year	<u>\$ 21,585</u>
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The accompanying notes are an integral part of this financial statement.

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

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), public works, community services, solid waste, water and sewer, airport, drainage and general administrative services. The financial statements of the City of Killeen, Texas, (the primary government) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Discretely presented component unit The Killeen Economic Development Corporation (KEDC) is a legally separate entity from the City. KEDC was created for the purpose of promoting economic development within the City of Killeen. The number of members may be increased or decreased by the City of Killeen City Council, and the members are also appointed by the City of Killeen City Council. There are three members nominated by and representing each of the following organizations: three from the City of Killeen Mayor and City Council, three from the Greater Killeen Chamber of Commerce, and three from the Killeen Industrial Foundation. Advisory members may be appointed by the City of Killeen City Council as ex officio members of KEDC, but they are non-voting members. KEDC has been included in the reporting entity as a non-major discretely presented component unit of the City because the City appoints a voting majority of the board, provides approximately 60% of funding for the board and maintains the ability to impose its will on the board. Complete financial statements for KEDC may be obtained at the entity's administrative offices, which are located at: One Santa Fe Plaza, P.O. Box 548, Killeen, TX 76540.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved "Basic Financial Statements and Management's 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 and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the fund financial statements, and are detailed in the combining section of the statements.

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition to the government-wide financial statements, the City has prepared governmental fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 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.

Proprietary funds and fiduciary 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. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. Enterprise 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 an enterprise fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste, drainage utility, and airport funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The City reports the following major governmental funds:

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

2011 Certificates of Obligation Bond Fund – is a capital projects fund that accounts for construction projects financed through bond proceeds.

Additionally, the City reports the following fund types:

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

Capital Projects Funds – are used to account for and report financial resources that are restricted, committed or assigned to be used for the acquisition or construction of major capital projects.

Debt Service Funds – are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term debt of governmental funds.

The City reports the following major enterprise funds:

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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.

Investments are stated at fair value based on quoted market values. The City is authorized to invest funds in the following:

- i. Obligations of the United States or its agencies and instrumentalities;
- ii. Direct obligations of the State of Texas or its agencies and instrumentalities;
- iii. Financial institution deposits with a state or national bank, savings and loan association, or credit union, with a main or branch office in the State of Texas;
- iv. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed with the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
- v. Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm of not less than A or its equivalent;
- vi. Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act;
- vii. Eligible investment pools in accordance with the Public Funds Investment Act;
- viii. Eligible money market mutual funds that are registered with and regulated by the Securities and Exchange Commission.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2) Interfund Transactions and Receivables and Payables

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

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

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

3) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the general fund and the special revenue funds. Encumbrances outstanding at year-end lapse and are rolled into the following fiscal year budget.

4) 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 government-wide and fund financial statements.

5) Restricted Assets

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6) Capital Assets

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

<u>Asset Class</u>	<u>Threshold</u>
Land/land improvements	Capitalize All
Buildings/building improvements	\$ 25,000
Facilities and other improvements	\$ 25,000
Infrastructure	\$ 25,000
Furniture, fixtures, equipment	\$ 5,000
Vehicles	\$ 5,000
Library books/materials (collections)	Capitalize All
Works of art/historical treasures	Capitalize All
Leasehold improvements	\$ 25,000

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. Interest is capitalized on enterprise 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 are 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.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7) Compensated Absences

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

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

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

8) Transactions Between Funds

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

9) Long-Term Obligations

In the government-wide financial statements and enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities.

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.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10) Fund Balances

Fund balance is classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

Nonspendable fund balance – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantors or contributors, laws or regulations of other governments, through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes, pursuant to constraints imposed and/or removed by formal action of the City Council.

Assigned fund balance – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has authorized the City Manager to assign, remove or modify fund balance assigned constraints to a specific purpose.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

For the classification of fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

The City Council has established a minimum fund balance guideline for the general fund and for the enterprise funds collectively. As a general practice, the City will strive to maintain fund balances equal to 22% or above of operating expenditures.

11) 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.

12) Pension Plans

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13) Deferred Revenues

Deferred revenues are those where an asset has been recognized for revenue that has been earned, but not yet available to finance expenditures of the current fiscal period. 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	\$ 611,844	\$ -	\$ 207,766	\$ 819,610
Miscellaneous	177,019	-	-	177,019
Ambulance fees receivable	577,929	-	-	577,929
Municipal court receivable	441,850	12,014	-	453,864
Intergovernmental	-	14,100	-	14,100
Parks and recreation	72,949	-	-	72,949
Total deferred revenue	<u>\$ 1,881,591</u>	<u>\$ 26,114</u>	<u>\$ 207,766</u>	<u>\$ 2,115,471</u>

14) Other Post-Employment Benefits

In the government-wide financial statements, other post-employment benefit (OPEB) liabilities are reported as liabilities for the amount that the annual required contribution exceeds the amount funded by the City on a cumulative basis. The City began reporting this liability for fiscal year 2009 on a prospective basis.

15) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Specifically, the actuarial calculations used to determine the annual required contributions and related liabilities of the City's post-employment obligation are based on assumptions about the possibility of events far into the future. Accordingly, actual results could differ from those estimates.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$174,977,801 difference are as follows:

General obligation bonds payable	\$ (72,163,200)
Certificates of obligation bonds payable	(93,250,000)
Capital lease payable	(229,602)
Less: Unamortized bond issuance costs - deferred charges	1,076,763
Less: Deferred amount on refunding	922,183
Plus: Unamortized premium (discount)	(2,735,003)
Accrued interest payable	(1,261,922)
Vacation and sick leave payable (in excess fund financial statement liability)	<u>(7,337,020)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ (174,977,801)</u></u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$7,824,561 difference are as follows:

Capital outlay	\$ 18,631,935
Depreciation expense	(11,147,518)
Reclassifications	<u>340,144</u>
 Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of governmental activities	 <u><u>\$ 7,824,561</u></u>

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

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

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

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have an effect on net assets. The details of this \$46,502,730 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (6,875,000)
Issuance of certificates of obligation bonds	(50,100,000)
Less: Deferred amount on refunding	140,981
Less: Bond issuance costs	325,500
Less: Bond discount/premium	(2,451,008)
Principal repayments:	
General obligation debt	2,522,300
Certificate of obligation debt	9,715,000
Capital lease payable	<u>219,497</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (46,502,730)</u></u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$1,521,963 difference are as follows:

Other Post Employment Benefits	\$ (211,025)
Vacation and sick leave	(775,709)
Accrued interest	(399,530)
Amortization of bond premium	11,803
Amortization of bond issuance costs	(99,221)
Amortization of amount deferred on refunding	<u>(48,281)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (1,521,963)</u></u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for budgeting current expenditures and capital outlay together by department and the use of encumbrances as discussed below. Annual appropriated budgets are adopted for the General, Special Revenue (except for Parks and Lion's Club Park) and Enterprise 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 lapse and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the fiscal year, the City began the process of issuing new debt (2011 Pass Thru Financing 190/2410). Although the new debt will not be issued until the fiscal year 2011-2012, the City had already begun work on several of the public works projects that will be funded by the new debt. Therefore, the budget appears to have been over-expended by \$788 thousand in the public works division within the general fund. When the new debt is issued during fiscal year 2011-2012, it will reimburse the general fund for the expenditures it incurred on the projects, totaling \$1.5 million.

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits

All of the City's demand depository accounts are held in a local banking institution under the terms of a written depository contract. The City's policy requires the depository bank to secure the City's funds on a day-to-day basis with approved pledged securities with a fair value equal to, but not less than, one hundred percent of the amount on deposit. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2011, the City's deposit balance was fully collateralized with securities held by the pledging financial institution. The City's policy is to maximize its earnings potential by keeping a majority of the City's funds on deposit with external investment pools. Funds are transferred from the pools, as needed, to ensure that the bank balance remains positive at all times.

Cash and Investments

Investments are made in accordance with the Investment Policy updated and adopted by the City on May 24, 2011 to comply with the Public Funds Investment Act. This policy, which is applicable to all City funds, permits investments that are in the Notes to the Financial Statements detailed at Note I. D. 1).

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; therefore, the City was not exposed to custodial credit risk during the fiscal year ended September 30, 2011.

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Investments (Continued)

Securities Board and reports to the Market Reports Division of New York. Therefore, the City is not exposed to custodial credit risk on its investments.

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

Credit risk – As of September 30, 2011, the City's investments had the following Standard and Poor's credit ratings:

TexPool – AAAm
TexStar – AAAm
TexasTerm – AAAf
Certificates of Deposit – AA+

Any other securities which may be added should meet the requirements of the State of Texas as permissible investments for municipal governments which are in compliance with the Public Funds Investment Act. Investment pools must be continually rated AAA by at least one nationally recognized rating service or not lower than investment grade by at least one nationally recognized rating service with a weighted average maturity not greater than 90 days. Market mutual funds must be registered with and regulated by the Securities and Exchange Commission and must provide the City with a prospectus and other information required by federal law. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Investments (Continued)

The following summarizes investments of City Funds:

	Fair Value	Weighted Average Maturity (years)
TexPool *	\$ 65,078,658	0.003
TexStar *	3,635,087	0.003
TexasTerm *	7,724,122	0.003
Certificates of Deposit	58,424,148	0.919
Total fair value	<u>\$ 134,862,015</u>	
Portfolio weighted average maturity		0.40

* External investment pools are considered cash and cash equivalents due to liquidity.

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

External Investment Pools:

The City uses the following external investment pools:

TexPool

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

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Cash 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 & Poors which monitors weekly the fund's compliance with its rating requirements.

TexStar operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The TexStar Cash Reserve Fund seeks to maintain a net asset value of \$1.00 per unit and provides participants with the investment of funds that require daily liquidity availability. All investments are stated at amortized cost, which closely approximates the fair value of the securities. All TexStar securities are marked to market on a daily basis.

TexasTerm

The TexasTerm Local Government Investment Pool was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, school districts and other public investors. TexasTerm offers participants two investment portfolio options: TexasTerm and TexasDaily. TexasTerm is a fixed rate, fixed term portfolio option rated AAAs by Standard and Poor's Corporation. Participants may lock in a fixed rate for a term of 60 to 365 days.

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.

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessed value for the roll of January 1, 2010, upon which the 2011 fiscal year levy was based, was \$4,598,247,312.

The tax assessment of October 1, 2010 set a tax levy at \$.7428 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, 2011, for the fiscal year 2011 tax levy, were 96.6 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, 2011, delinquent property taxes receivable were \$819,610, net of allowance for uncollectible accounts for \$273,203.

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, 2011 for the City's individual major governmental funds, in the aggregate non-major governmental funds, and proprietary funds, net of allowances for uncollectible accounts, consist of the following:

	General	2011 C.O. Bonds	Other Governmental Funds	Airport	Solid Waste	Water & Sewer	Drainage Utility	Total
Receivables:								
Grants	\$ 235,421	\$ -	\$ 978,122	\$ 95,524	\$ -	\$ -	\$ -	\$ 1,309,067
Taxes	3,946,702	-	207,766	-	-	-	-	4,154,468
Accounts	1,254,764	-	12,970	83,580	1,726,409	5,090,169	281,810	8,449,702
Accrued interest	7,482	4,958	3,717	-	528	6,476	2,095	25,256
Total Net								
Receivables	<u>\$ 5,444,369</u>	<u>\$ 4,958</u>	<u>\$ 1,202,575</u>	<u>\$ 179,104</u>	<u>\$ 1,726,937</u>	<u>\$ 5,096,645</u>	<u>\$ 283,905</u>	<u>\$ 13,938,493</u>

The enterprise fund accounts receivable include unbilled charges for services rendered at September 30, 2011.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS

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

Capital asset activity for the year ended September 30, 2011 was as follows:

Primary Government

	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,103,226	\$ 466,779	\$ -	\$ 7,570,005
Construction in progress	9,568,154	16,237,274	(12,690,715)	13,114,713
Total capital assets not being depreciated	<u>16,671,380</u>	<u>16,704,053</u>	<u>(12,690,715)</u>	<u>20,684,718</u>
Capital assets, being depreciated:				
Buildings and improvements	87,739,539	750,655	-	88,490,194
Vehicles	19,760,422	1,855,650	(340,144)	21,275,928
Furniture, fixtures, and equipment	22,637,124	896,640	-	23,533,764
Infrastructure Assets	179,294,985	11,455,796	-	190,750,781
Total capital assets being depreciated	<u>309,432,070</u>	<u>14,958,741</u>	<u>(340,144)</u>	<u>324,050,667</u>
Less accumulated depreciation for:				
Buildings and improvements	18,721,748	2,809,359	-	21,531,107
Vehicles	15,178,870	1,854,983	(340,144)	16,693,709
Furniture, fixtures, and equipment	18,376,919	1,473,772	-	19,850,691
Infrastructure assets	98,104,167	5,009,404	-	103,113,571
Total accumulated depreciation	<u>150,381,704</u>	<u>11,147,518</u>	<u>(340,144)</u>	<u>161,189,078</u>
Total capital assets being depreciated, net	<u>159,050,366</u>	<u>3,811,223</u>	<u>-</u>	<u>162,861,589</u>
Governmental activities capital assets, net	<u>\$ 175,721,746</u>	<u>\$ 20,515,276</u>	<u>\$ (12,690,715)</u>	<u>\$ 183,546,307</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2010	Additions	Deletions	Adjustments	Balance 9/30/2011
Airport activities:					
Capital assets not being depreciated:					
Land	\$ 1,319,003	\$ -	\$ -	\$ -	\$ 1,319,003
Construction in progress	334,702	-	(334,702)	-	-
Total capital assets not being depreciated	1,653,705	-	(334,702)	-	1,319,003
Capital assets being depreciated:					
Buildings and improvements	95,198,291	3,063,640	-	(42,782)	98,219,149
Furniture and equipment	961,962	85,800	-	42,782	1,090,544
Vehicles	767,670	100,704	-	-	868,374
Total capital assets being depreciated	96,927,923	3,250,144	-	-	100,178,067
Less accumulated depreciation for:					
Buildings and improvements	22,495,428	3,209,485	-	-	25,704,913
Furniture and equipment	711,661	109,785	-	-	821,446
Vehicles	662,190	87,019	-	-	749,209
Total accumulated depreciation	23,869,279	3,406,289	-	-	27,275,568
Total capital assets being depreciated, net	73,058,644	(156,145)	-	-	72,902,499
Aviation activities capital assets, net	\$ 74,712,349	\$ (156,145)	\$ (334,702)	\$ -	\$ 74,221,502

	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Solid Waste activities:				
Capital assets not being depreciated:				
Land	\$ 72,165	\$ -	\$ -	\$ 72,165
Total capital assets not being depreciated	72,165	-	-	72,165
Capital assets being depreciated:				
Buildings and improvements	11,741,288	-	-	11,741,288
Furniture and equipment	3,950,869	3,000	-	3,953,869
Vehicles	8,782,052	830,961	(414,523)	9,198,490
Total capital assets being depreciated	24,474,209	833,961	(414,523)	24,893,647
Less accumulated depreciation for:				
Buildings and improvements	2,385,968	398,241	-	2,784,209
Furniture and equipment	3,373,159	258,020	-	3,631,179
Vehicles	6,862,752	760,687	(414,523)	7,208,916
Total accumulated depreciation	12,621,879	1,416,948	(414,523)	13,624,304
Total capital assets being depreciated, net	11,852,330	(582,987)	-	11,269,343
Solid waste activities capital assets, net	\$ 11,924,495	\$ (582,987)	\$ -	\$ 11,341,508

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Water and Sewer activities:				
Capital assets not being depreciated:				
Land	\$ 243,332	\$ -	\$ -	\$ 243,332
Construction in progress	6,576,810	3,907,325	(5,871,624)	4,612,511
Total capital assets not being depreciated	<u>6,820,142</u>	<u>3,907,325</u>	<u>(5,871,624)</u>	<u>4,855,843</u>
Capital assets being depreciated:				
Buildings and improvements	88,506,559	4,527,550	-	93,034,109
Improvements - other	75,789,728	5,871,624	-	81,661,352
Furniture and equipment	3,936,830	185,727	(349)	4,122,208
Vehicles	3,077,173	337,660	(206,431)	3,208,402
Total capital assets being depreciated	<u>171,310,290</u>	<u>10,922,561</u>	<u>(206,780)</u>	<u>182,026,071</u>
Less accumulated depreciation for:				
Buildings and improvements	24,733,064	1,803,208	-	26,536,272
Improvements - other	8,835,636	2,028,772	-	10,864,408
Furniture and equipment	3,483,110	210,080	(349)	3,692,841
Vehicles	2,663,495	223,420	(206,431)	2,680,484
Total accumulated depreciation	<u>39,715,305</u>	<u>4,265,480</u>	<u>(206,780)</u>	<u>43,774,005</u>
Total capital assets being depreciated, net	<u>131,594,985</u>	<u>6,657,081</u>	<u>-</u>	<u>138,252,066</u>
Water and Sewer activities capital assets, net	<u>\$ 138,415,127</u>	<u>\$ 10,564,406</u>	<u>\$ (5,871,624)</u>	<u>\$ 143,107,909</u>
	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Drainage Utility activities:				
Capital assets being depreciated:				
Improvements - other	\$ 3,688,598	\$ 818,167	\$ -	\$ 4,506,765
Furniture and equipment	967,515	26,802	-	994,317
Vehicles	602,021	-	-	602,021
Total capital assets being depreciated	<u>5,258,134</u>	<u>844,969</u>	<u>-</u>	<u>6,103,103</u>
Less accumulated depreciation for:				
Improvements - other	462,963	187,618	-	650,581
Furniture and equipment	621,993	151,465	-	773,458
Vehicles	205,743	80,788	-	286,531
Total accumulated depreciation	<u>1,290,699</u>	<u>419,871</u>	<u>-</u>	<u>1,710,570</u>
Total capital assets being depreciated, net	<u>3,967,435</u>	<u>425,098</u>	<u>-</u>	<u>4,392,533</u>
Drainage Utility activities capital assets, net	<u>\$ 3,967,435</u>	<u>\$ 425,098</u>	<u>\$ -</u>	<u>\$ 4,392,533</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2010	Additions	Deletions	Adjustments	Balance 9/30/2011
Total Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,634,500	\$ -	\$ -	\$ -	\$ 1,634,500
Construction in progress	6,911,512	3,907,325	(6,206,326)	-	4,612,511
Total capital assets not being depreciated	<u>8,546,012</u>	<u>3,907,325</u>	<u>(6,206,326)</u>	<u>-</u>	<u>6,247,011</u>
Capital assets being depreciated:					
Buildings and improvements	195,446,138	7,591,190	-	(42,782)	202,994,546
Improvements - other	79,478,326	6,689,791	-	-	86,168,117
Furniture and equipment	9,817,176	301,329	(349)	42,782	10,160,938
Vehicles	13,228,916	1,269,325	(620,954)	-	13,877,287
Total capital assets being depreciated	<u>297,970,556</u>	<u>15,851,635</u>	<u>(621,303)</u>	<u>-</u>	<u>313,200,888</u>
Less accumulated depreciation for:					
Buildings and improvements	49,614,460	5,410,934	-	-	55,025,394
Improvements - other	9,298,599	2,216,390	-	-	11,514,989
Furniture and equipment	8,189,923	729,350	(349)	-	8,918,924
Vehicles	10,394,180	1,151,914	(620,954)	-	10,925,140
Total accumulated depreciation	<u>77,497,162</u>	<u>9,508,588</u>	<u>(621,303)</u>	<u>-</u>	<u>86,384,447</u>
Total capital assets being depreciated, net	<u>220,473,394</u>	<u>6,343,047</u>	<u>-</u>	<u>-</u>	<u>226,816,441</u>
Business-type activities capital assets, net	<u>\$ 229,019,406</u>	<u>\$ 10,250,372</u>	<u>\$ (6,206,326)</u>	<u>\$ -</u>	<u>\$ 233,063,452</u>

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

Governmental activities:	
General government	\$ 660,026
Police	2,000,734
Fire	1,332,375
Public works	5,361,333
Community services	716,765
Parks and recreation	708,169
Library	239,209
Golf	128,907
Total governmental activities	<u>\$ 11,147,518</u>
Business-type activities:	
Airport	\$ 3,406,289
Solid waste	1,416,948
Water and sewer	4,265,480
Drainage utility	419,871
Total business-type activities	<u>\$ 9,508,588</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

Construction Commitments

The City had active Water and Sewer, Drainage Utility, Aviation, and Governmental construction projects as of September 30, 2011. At year-end the City's commitments with contractors were as follows:

	Contract Amount	Spent-to-Date	Remaining Commitment
Water and Sewer	\$ 2,060,171	\$ 894,314	\$ 1,165,857
Drainage Utility	2,004,581	825,565	1,179,016
Aviation	3,107,170	2,462,863	644,307
Governmental Funds	13,807,389	10,028,730	3,778,659
	<u>\$ 20,979,311</u>	<u>\$ 14,211,472</u>	<u>\$ 6,767,839</u>

Discretely presented component unit

	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Killeen Economic Development Corp. (KEDC)				
Capital assets not being depreciated:				
Land				
KEDC - owned	\$ 280,007	\$ -	\$ -	\$ 280,007
Industrial Park	1,723,082	-	-	1,723,082
Convergys	110,000	-	-	110,000
Enterprise	100,000	-	-	100,000
First National Bank	90,303	-	-	90,303
Total capital assets not being depreciated	<u>2,303,392</u>	<u>-</u>	<u>-</u>	<u>2,303,392</u>
Capital assets being depreciated:				
Buildings				
Convergys	3,109,791	-	-	3,109,791
First National Bank	1,837,080	-	-	1,837,080
Entrance Sign	31,382	-	-	31,382
Total capital assets being depreciated	<u>4,978,253</u>	<u>-</u>	<u>-</u>	<u>4,978,253</u>
Less accumulated depreciation for:				
Buildings	1,743,396	132,570	-	1,875,966
Total accumulated depreciation	<u>1,743,396</u>	<u>132,570</u>	<u>-</u>	<u>1,875,966</u>
Total capital assets being depreciated, net	<u>3,234,857</u>	<u>(132,570)</u>	<u>-</u>	<u>3,102,287</u>
KEDC capital assets, net	<u>\$ 5,538,249</u>	<u>\$ (132,570)</u>	<u>\$ -</u>	<u>\$ 5,405,679</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables represent short term advances primarily to support debt service and operations of funds. A summary of interfund receivables and payables at September 30, 2011 is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 54,388
Other Governmental Funds:		
Debt Service:		
Tax Interest and Sinking 2005	31,799	-
Refunding Bonds 2009	68,267	-
Total Governmental Funds	<u>100,066</u>	<u>54,388</u>
Enterprise Funds:		
Solid Waste	-	31,799
Water & Sewer	54,388	68,267
Total Enterprise Funds	<u>54,388</u>	<u>100,066</u>
Totals	<u>\$ 154,454</u>	<u>\$ 154,454</u>

Transfers between funds were primarily to support debt service and operations of funds. Transfers during the year ended September 30, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 7,571,598	\$ 107,089
2011 C.O. Bonds	-	570,916
Other Governmental Funds:		
Special Revenue:		
Hotel Occupancy Tax	-	695,300
CDBG HOME Program	29,468	-
Fire Department	503,591	-
Debt Service:		
Tax Interest and Sinking 2003	7,830,000	-
Certificates of Obligation 2009	-	137,170
Refunding Bond 2010	603,100	-
Certificates of Obligation 2011	92,200	-
Refunding Bond 2011	-	7,070,000
Pass Thru Financing 2011	1,383,425	-
Capital Project:		
2004 G.O. Bonds	-	421,117
2007 G.O. & C.O. Bonds	-	67,183
2011 Pass Thru Financing 195/201	-	1,383,425
2011 Pass Thru Financing 190/2410	62,330	-
Total Other Governmental Funds	<u>10,504,114</u>	<u>9,774,195</u>
Total Governmental Funds	<u>18,075,712</u>	<u>10,452,200</u>
Enterprise:		
Airport	-	760,000
Solid Waste	137,170	2,130,899
Water & Sewer	-	4,637,031
Drainage Utility	-	232,752
Total Enterprise Funds	<u>137,170</u>	<u>7,760,682</u>
Totals	<u>\$ 18,212,882</u>	<u>\$ 18,212,882</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2011 is as follows:

Primary government:

	September 30, 2010	Additions	Deletions	September 30, 2011	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 67,810,500	\$ 6,875,000	\$ (2,522,300)	\$ 72,163,200	\$ 2,825,500
Certificates of obligation	52,865,000	50,100,000	(9,715,000)	93,250,000	2,520,000
Unamortized bond premiums/(discounts)	295,798	2,451,008	(11,803)	2,735,003	136,181
Deferred amount on refunding	(829,483)	(140,981)	48,281	(922,183)	(60,030)
Total bonds payable	120,141,815	59,285,027	(12,200,822)	167,226,020	5,421,651
Compensated absences	6,592,851	3,899,317	(3,141,250)	7,350,918	845,356
Net OPEB Obligation	397,501	464,038	(253,013)	608,526	-
Capital lease payable	449,099	-	(219,497)	229,602	229,602
Governmental activity long-term debt	<u>\$ 127,581,266</u>	<u>\$ 63,648,382</u>	<u>\$ (15,814,582)</u>	<u>\$ 175,415,066</u>	<u>\$ 6,496,609</u>
Business-Type Activities:					
Revenue bonds	\$ 56,640,000	\$ 11,135,000	\$ (14,205,000)	\$ 53,570,000	\$ 3,280,000
General obligation bonds	2,614,500	-	(987,700)	1,626,800	954,500
Certificates of obligation	16,320,000	-	(610,000)	15,710,000	635,000
Unamortized bond premiums/(discounts)	1,238,245	1,068,675	(735,421)	1,571,499	158,449
Deferred amount on refunding	(976,962)	(1,274,035)	122,618	(2,128,379)	(238,439)
Total bonds payable	75,835,783	10,929,640	(16,415,503)	70,349,920	4,789,510
Compensated absences	643,276	519,469	(481,215)	681,530	40,892
Business-type activity long-term debt	<u>\$ 76,479,059</u>	<u>\$ 11,449,109</u>	<u>\$ (16,896,718)</u>	<u>\$ 71,031,450</u>	<u>\$ 4,830,402</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2011 is comprised of the following:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Governmental Fund						
General Obligation Bonds:						
2004 Refunding	2.00-5.00	10/01/04	08/01/29	\$ 24,325,000	\$ 10,350,000	\$ 13,975,000
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	10,000,000	1,320,000	8,680,000
2007 Various purpose	4.00-4.63	10/01/07	08/01/32	17,665,000	990,000	16,675,000
2009 Refunding	1.00-2.00	08/15/09	08/01/13	744,600	411,400	333,200
2009 Various purpose	3.00-4.80	08/15/09	08/01/34	13,175,000	285,000	12,890,000
2010 Refunding HOT	2.00-4.00	05/15/10	08/01/30	8,500,000	475,000	8,025,000
2010 Refunding	2.00-4.00	05/15/10	08/01/30	4,830,000	120,000	4,710,000
2011 Refunding	3.25-5.00	07/01/11	08/01/23	6,875,000	-	6,875,000
Total General Obligation Bonds				<u>86,114,600</u>	<u>13,951,400</u>	<u>72,163,200</u>
Tax/Revenue Certificates of Obligation:						
2001 Various purpose	4.60-6.10	06/15/01	08/01/26	6,000,000	6,000,000	-
2002 Golf Course	2.70-4.50	12/01/02	08/01/12	2,000,000	1,745,000	255,000
2003 Various purpose	3.25-5.00	06/15/03	02/01/23	9,000,000	8,515,000	485,000
2004 Various purpose	2.00-4.75	10/01/04	08/01/29	6,000,000	2,375,000	3,625,000
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	11,500,000	990,000	10,510,000
2007 Various purpose	4.00-5.00	10/01/07	08/01/32	24,120,000	2,185,000	21,935,000
2009 Various purpose	2.75-4.35	08/15/09	08/01/29	6,500,000	160,000	6,340,000
2011 Various purpose	2.00-5.00	06/15/11	08/01/36	32,040,000	-	32,040,000
2011 PTF 195/201	2.00-5.00	06/15/11	08/01/34	18,060,000	-	18,060,000
Total Tax/Revenue Certificates of Obligation				<u>115,220,000</u>	<u>21,970,000</u>	<u>93,250,000</u>
Total Governmental Funds				<u>\$201,334,600</u>	<u>\$ 35,921,400</u>	<u>\$165,413,200</u>
Proprietary Funds						
Revenue Bonds:						
2001 Various purpose	4.75-5.75	06/15/01	08/15/21	\$ 8,700,000	\$ 8,700,000	\$ -
2004 Various purpose	2.25-5.00	10/01/04	08/15/24	20,200,000	13,845,000	6,355,000
2005 Refunding	3.25-4.50	09/15/05	08/15/19	16,875,000	4,970,000	11,905,000
2007 Various purpose	4.00-5.00	10/01/07	08/15/27	21,165,000	3,710,000	17,455,000
2010 Refunding	2.00-4.00	05/15/10	08/15/21	6,870,000	150,000	6,720,000
2011 Refunding	3.75-5.00	07/01/11	08/15/22	11,135,000	-	11,135,000
Total Revenue Bonds				<u>84,945,000</u>	<u>31,375,000</u>	<u>53,570,000</u>
General Obligation Bonds:						
2009 Refunding	1.00-2.00	08/15/09	08/01/13	3,635,400	2,008,600	1,626,800
Total General Obligation Bonds				<u>3,635,400</u>	<u>2,008,600</u>	<u>1,626,800</u>
Tax/Revenue Certificates of Obligation:						
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	9,100,000	1,465,000	7,635,000
2009 Various purpose	2.75-4.35	08/15/09	08/01/29	2,000,000	110,000	1,890,000
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	8,000,000	1,815,000	6,185,000
Total Tax/Revenue Certificates of Obligation				<u>19,100,000</u>	<u>3,390,000</u>	<u>15,710,000</u>
Total Proprietary Funds				<u>\$107,680,400</u>	<u>\$ 36,773,600</u>	<u>\$ 70,906,800</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

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

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 2,825,500	\$ 3,028,359	\$ 954,500	\$ 25,813
2013	3,402,700	2,912,070	672,300	6,723
2014	3,375,000	2,803,443	-	-
2015	3,565,000	2,683,543	-	-
2016	3,150,000	2,553,543	-	-
2017-2021	17,945,000	10,790,713	-	-
2022-2026	19,850,000	6,712,981	-	-
2027-2031	14,200,000	2,688,103	-	-
2032-2034	3,850,000	312,999	-	-
Total	<u>\$ 72,163,200</u>	<u>\$ 34,485,754</u>	<u>\$ 1,626,800</u>	<u>\$ 32,536</u>

Capital Lease Payable

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2012	\$ 229,602	\$ 10,569
Total	<u>\$ 229,602</u>	<u>\$ 10,569</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

The City also issues bonds where the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue Bond debt service requirements to maturity are as follows:

Year Ending September 30	Business-type Activities	
	Principal	Interest
2012	\$ 3,280,000	\$ 2,383,260
2013	3,735,000	2,203,019
2014	4,500,000	2,069,219
2015	4,690,000	1,876,219
2016	4,885,000	1,686,194
2017-2021	18,425,000	5,604,394
2022-2026	12,145,000	2,040,713
2027	1,910,000	88,338
Total	<u>\$ 53,570,000</u>	<u>\$ 17,951,356</u>

Tax and Revenue Certificates of Obligation

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

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 2,520,000	\$ 4,543,171	\$ 635,000	\$ 694,539
2013	1,910,000	4,150,563	665,000	670,301
2014	1,995,000	4,079,100	690,000	645,701
2015	2,640,000	4,001,825	720,000	619,451
2016	3,105,000	3,918,950	755,000	588,701
2017-2021	17,520,000	17,667,038	4,290,000	2,439,499
2022-2026	22,025,000	13,288,141	5,355,000	1,426,134
2027-2031	25,505,000	7,567,773	2,600,000	407,685
2032-2036	16,030,000	2,016,488	-	-
Total	<u>\$ 93,250,000</u>	<u>\$ 61,233,049</u>	<u>\$ 15,710,000</u>	<u>\$ 7,492,011</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

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

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

During fiscal year ended 2011, the City issued \$18,010,000 in General Obligation/Revenue Refunding Bonds with an average interest rate of 3.0% to refund and legally defease \$7,090,000 of Certificates of Obligation Bonds, Series 2003, and \$11,100,000 of Water & Sewer Revenue Bonds, Series 2004. The net proceeds of \$19,605,016 (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 refunding portion of the series bonds referred to above. It is bond counsel's opinion that the current refunding is a legal defeasance.

Due to the refunding, the City's debt service requirements are decreased by \$2,412,282 over a period beginning fiscal year 2011-2012 and ending with the fiscal year 2023-2024. This refunding allowed the City of Killeen to obtain an economic gain of \$1,415,016.

The City also issued \$32,040,000 of Certificates of Obligation Bonds and \$18,060,000 of Pass Thru Financing Bonds in order to fund various street/road projects.

V. OTHER INFORMATION

A. RISK MANAGEMENT

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

V. OTHER INFORMATION (CONTINUED)

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

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

C. EMPLOYEE BENEFITS

EMPLOYEE PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees, except firemen, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

Plan Description (Continued)

referred to as an updated service credit, a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

	<u>Plan Year 2011</u>	<u>Plan Year 2010</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%, Transfers	100%, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City 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 serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset), including the funded status as of December 31, 2010, under the two separate actuarial valuations, are as follows in a three year trend format:

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

Contributions (Continued)

Schedule of Actuarial Liabilities and Funding Progress

	<u>12/31/2010</u>			
	<u>Restructured</u>	<u>Prior to Restructuring</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Actuarial Valuation Date				
Actuarial Value of Assets	\$ 100,826,919	\$ 65,024,518	\$ 58,701,014	\$ 52,494,308
Actuarial Accrued Liability	\$ 110,601,375	\$ 84,152,140	\$ 77,607,313	\$ 69,404,995
Percentage Funded	91.16%	77.27%	75.64%	75.63%
Unfunded (Over funded) Actuarial Accrued Liability (UAAL)	\$ 9,774,456	\$ 19,127,622	\$ 18,906,299	\$ 16,910,687
Annual Covered Payroll	\$ 38,174,700	\$ 38,174,700	\$ 36,579,718	\$ 34,856,263
UAAL as a Percentage of Covered Payroll	25.60%	50.11%	51.69%	48.52%

Schedule of Net Pension Obligation

	<u>9/30/2011</u>	<u>9/30/2010</u>	<u>9/30/2009</u>
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	4,132,298	4,567,683	4,388,259
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Subtotal	<u>4,132,298</u>	<u>4,567,683</u>	<u>4,388,259</u>
Contributions Made	4,132,298	4,567,683	4,388,259
Increase in NPO	-	-	-
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

Contributions (Continued)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	<u>12/31/2010</u> <u>Restructured</u>	<u>12/31/10 - Prior to</u> <u>Restructuring</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	20.3 years; closed period	21.2 years; closed period	23 years; closed period	24 years; closed period
Amortization Period for New Gains/Losses	25 years	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	Amotized Cost
Actuarial Assumptions:				
Investment Rate of Return *	7.0%	7.5%	7.5%	7.5%
Project Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0%	0%	0%	0%

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

SUPPLEMENTAL DEATH BENEFITS FUND

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB; additionally, retirees are responsible for 100% of premiums paid for the benefit.

Your city offers supplemental death to:	<u>Plan Year 2011</u>	<u>Plan Year 2010</u>
Active employees	Yes	Yes
Retirees	Yes	Yes

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contribution to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$103,072, \$98,765, and \$93,757, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates:
(RETIREE - only portion of the rate)**

<u>Plan/Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2009	0.03%	0.03%	100.00%
2010	0.03%	0.03%	100.00%
2011	0.03%	0.03%	100.00%

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

DEFERRED COMPENSATION FUND

Plan Description

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by one trustee: Nationwide Retirement Solutions. In accordance with the requirements of GASB Statement No. 32, "Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" and recent tax law changes, the City has amended its trust agreement which establishes that all assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. Due to the implementation of these changes, the City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustee. Accordingly, the City has not presented the assets and income from the plan in these financial statements. Deferred compensation investments are held by an outside trustee, and plan investments are chosen by the individual participant (employee).

The plan, available to all permanent City employees, permits them to defer until future years up to 100% of annual gross earnings not to exceed \$16,500. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

FIREFIGHTER'S RELIEF AND RETIREMENT SYSTEM

Plan Description

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 pension fund is a trust fund.

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, 2010, the date of the most recent actuarial valuation.

	September 30, 2010
1. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	56
2. Current employees	
a. Fully vested	23
b. Partially vested	31
c. Nonvested	148
3. Total	258

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

FIREFIGHTER'S RELIEF AND RETIREMENT SYSTEM (CONTINUED)

Plan Description (Continued)

The Killeen Firefighter's Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits for both paid and volunteer firefighters. These benefits fully vest after 20 years of credited service. Paid firefighters may retire at the earlier of age 55 with 20 years of service or age 50 with 25 years of service. A partially vested benefit is provided for paid firefighters with at least 10 years of service. Volunteer firefighters may retire at age 55 with 20 years of service. The Plan effective July 1, 2007 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 2.275% 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, 2010 and ended September 30, 2011. 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.

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 contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is determined using an open, level percentage of payroll method. The costs of administering the plan are financed from the fund.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

FIREFIGHTER'S RELIEF AND RETIREMENT SYSTEM (CONTINUED)

Contributions Required and Contributions Made (Continued)

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

For the fiscal year ending September 30, 2011, the City of Killeen's Annual Pension Cost (APC) was \$1,425,767 for the Killeen Firefighter's Relief and Retirement Fund. Based on the results of the September 30, 2010 actuarial valuation of the Plan effective July 1, 2007, the Board's actuary found that the fund has an adequate contribution arrangement based on the current level of the firefighter and City of Killeen contribution rates as discussed above. The schedules of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements in the required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

The annual required contributions (ARC) by the city for the fiscal year ending September 30, 2011 were based on the results of the September 30, 2010 actuarial valuation and were determined in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 27 parameters. The entry age actuarial cost method was used, with the normal cost calculated as a level 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 120% or less than 80% of the market value of assets. The actuarial assumptions included an investment return assumption of 7.75% per year (net of expenses), projected salary increases of 4% per year as a general salary increase, with annual promotion and longevity increases ranging from 0% to 7%, 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 unfunded actuarial accrued liability (UAAL) is amortized with the excess of the total contribution rate over the normal cost rate. The number of years needed to amortize the UAAL is determined using an open, level percentage of payroll method, assuming that the payroll will increase 4% per year. The number of years needed to amortize the UAAL was determined to be 27 years as of the September 30, 2010 actuarial valuation based on the plan provisions effective July 1, 2007 and reflecting assumed city contributions of 13% of pay for paid firefighters, \$102 per year per active volunteer firefighter, and \$16,010 per year for all active and retired volunteer firefighters. The following is a schedule of the funding progress for the Firefighter's Relief and Retirement fund for the three most recent actuarial valuations that presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. This information is also included in the required supplementary information immediately following the notes.

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

FIREFIGHTER'S RELIEF AND RETIREMENT SYSTEM (CONTINUED)

Contributions Required and Contributions Made (Continued)

Schedule of Actuarial Liabilities and Funding Progress							
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll ¹	UAAL as a Percentage of Covered Payroll	
9/30/2006	2.3 \$ 15,842,065	\$ 26,998,706	58.7%	\$ 11,156,641	\$ 8,245,812	135.3%	
9/30/2008	2.4 20,223,436	31,663,825	63.9%	11,440,389	9,534,549	120.0%	
9/30/2010	2.4 23,980,822	37,161,946	64.5%	13,181,124	10,564,186	124.8%	

¹ The covered payroll is based on estimated annualized salaries for the year following the valuation date.

² Economic and demographic assumptions were revised.

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

⁴ Reflects plan benefit provisions effective July 1, 2007.

Schedule of Net Pension Obligation

Reporting Year Ended September 30	Annual Pension Cost (APC)	% Funded	Net Pension Obligation
2009	\$ 1,282,647	100%	\$ -
2010	1,368,243	100%	-
2011	1,425,767	100%	-

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Effective for fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)" prospectively (no beginning Net OPEB Obligation). A separate, audited GAAP-basis postemployment benefit plan report is not available.

Program Description

In addition to the pension benefits described in Note V. D., as required by state law and defined by City Policy, the City makes available health care benefits to all employees who retire from the City and who are receiving benefits from a City sponsored retirement program (Texas Municipal Retirement System and Firefighter's Relief and Retirement) through a single-employer defined benefit healthcare plan. This healthcare plan provides lifetime insurance or until age 65 if eligible for Medicare to eligible retirees, their spouses and dependents through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established by management.

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

V. OTHER INFORMATION (CONTINUED)

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Program Description (Continued)

Current retirees in the health plan at retirement are eligible to remain in the health plan at the total blended contribution rate for active and retiree participants.

Funding Policy

Current retirees contribute to the health plan 100% of the total blended premium for active and retired participants. Retiree contributions rates for fiscal year 2011 were \$4,249 to \$16,702 per year depending on coverage levels selected.

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2011, is as follows:

Annual required contribution (ARC)	\$ 462,723
Interest on OPEB obligation	17,888
Adjustment to ARC	<u>(16,573)</u>
End of year annual OPEB cost (expense)	464,038
Net estimated employer contributions	<u>(253,013)</u>
Increase in net OPEB obligation	211,025
Net OPEB Obligation, beginning of year	<u>397,501</u>
Net OPEB Obligation, end of year	<u><u>\$ 608,526</u></u>

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Oligation
9/30/2009	\$ 414,614	\$ -	0.0%	\$ 414,614
9/30/2010	427,762	444,875	104.0%	397,501
9/30/2011	464,038	285,338	54.5%	608,526

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2010 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ -	\$ 3,227,494	\$ 3,227,494	0.0%	\$ 44,390,812	7.3%
12/31/2010	-	4,409,664	4,409,664	0.0%	48,738,886	9.0%

The schedule of funding progress presented above is also presented as Required Supplementary Information following the notes to the financial statements and presents multi-year trend information. The actuarial accrued liability of \$4,409,664 includes \$3,263,151 for active employees and \$1,146,513 for retirees.

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011**

V. OTHER INFORMATION (CONTINUED)

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Valuations

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	OPEB
Actuarial valuation date	December 31, 2010
Inflation rate	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll growth	3.00% per annum
Health care cost trend rate	Initial rate of 9% for 2011 declining to an ultimate rate of 4.5% after 9 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011**

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED):**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2008	\$ 52,494,308	\$ 69,404,995	75.6%	\$ 16,910,687	\$ 34,856,263	48.5%
12/31/2009	58,701,014	77,607,313	75.6%	18,906,299	36,579,718	51.7%
12/31/2010 ¹	65,024,518	84,152,140	77.3%	19,127,622	38,174,700	50.1%
12/31/2010 ²	100,826,919	110,601,375	91.2%	9,774,456	38,174,700	25.6%

¹ Actuarial valuation performed under the original fund structure

² Actuarial valuation performed under the new fund structure

FIREFIGHTER'S RELIEF AND RETIREMENT FUND (UNAUDITED):**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll ¹	UAAL as a Percentage of Covered Payroll
9/30/2006 ^{2,3}	\$ 15,842,065	\$ 26,998,706	58.7%	\$ 11,156,641	\$ 8,245,812	135.3%
9/30/2008 ^{2,4}	20,223,436	31,663,825	63.9%	11,440,389	9,534,549	120.0%
9/30/2010 ^{2,4}	23,980,822	37,161,946	64.5%	13,181,124	10,564,186	124.8%

¹ The covered payroll is based on estimated annualized salaries for the year following the valuation date.

² Economic and demographic assumptions were revised.

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

⁴ Reflects plan benefit provisions effective July 1, 2007.

**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011**

FIREFIGHTER'S RELIEF AND RETIREMENT FUND (UNAUDITED) (CONTINUED):**Schedule of Employer Contributions**

Reporting Year Ended September 30	Annual Required Contribution (ARC) ¹	Actual Contribution	Percentage of Required Contribution Contributed ²
2009	\$ 1,282,647	\$ 1,282,647	100%
2010	1,368,243	1,368,243	100%
2011	1,425,767	1,425,767	100%

- ¹ The annual required contributions (ARC) is equal to the actual city contributions equal to the budgeted contribution rate times the actual covered payroll for paid firefighters plus \$16,010 for volunteer firefighters plus \$102 per active volunteer firefighter.
- ² The percentage of the ARC contributed should be determine by dividing the actual contribution by the ARC.

Notes to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation

Valuation date	September 30, 2010
Actuarial cost method	Entry Age
Amortization method	Level percentage of projected payroll, open
Amotization period	27 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80% / 120% corridor on market

Actuarial assumptions:

- Investment rate of return, net of expenses	7.75% per year
- Inflation	4.00% per year
- Projected salary increases	
- general salary increase	4.00% per year
- promotion and longevity increase	0% to 7% per year
- total increase	4.00% to 11.28% per year
- Payroll growth rate	4.00% per year
- Postretirement cost-of-living adjustments	None

**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011**

OTHER POST EMPLOYMENT BENEFITS (UNAUDITED):**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ -	\$ 3,227,494	\$ 3,227,494	0.0%	\$ 44,390,812	7.3%
12/31/2010	-	4,409,664	4,409,664	0.0%	48,738,886	9.0%

Note: GASB 45 requires three years of data in this table; however, the City implemented this standard in 2008, and has had two actuarial studies between 2008 and 2011 as required. Additional years will be added to the disclosure as they become available. The most recent actuarial valuation was December 31, 2010.

CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$48,290,563	\$ 48,927,127	\$48,927,127	\$ (636,564)
Licenses and permits	1,284,569	1,382,900	1,382,900	(98,331)
Intergovernmental	638,832	419,755	981,065	(342,233)
Charges for services	5,422,747	5,554,531	5,554,531	(131,784)
Fines	2,550,388	2,478,881	2,478,881	71,507
Contributions	444,024	-	-	444,024
Miscellaneous	650,178	552,674	552,674	97,504
Total revenues	<u>59,281,301</u>	<u>59,315,868</u>	<u>59,877,178</u>	<u>(595,877)</u>
EXPENDITURES				
General government	15,486,333	15,595,066	16,223,066	736,733
Public safety	40,774,223	39,846,640	41,063,788	289,565
Public works	4,832,849	4,949,883	4,949,883	117,034
Community services	7,967,569	8,836,088	8,836,088	868,519
Total expenditures	<u>69,060,974</u>	<u>69,227,677</u>	<u>71,072,825</u>	<u>2,011,851</u>
Deficiency of revenues under expenditures	(9,779,673)	(9,911,809)	(11,195,647)	1,415,974
OTHER FINANCING SOURCES (USES)				
Transfers in	7,571,598	7,000,682	7,000,682	570,916
Transfers out	(107,089)	(77,708)	(77,708)	(29,381)
Total other financing sources (uses)	<u>7,464,509</u>	<u>6,922,974</u>	<u>6,922,974</u>	<u>541,535</u>
Net change in fund balance	(2,315,164)	<u>\$ (2,988,835)</u>	<u>\$ (4,272,673)</u>	<u>\$ 1,957,509</u>
Fund balance, October 1	22,201,438			
Prior year encumbrances	<u>(635,783)</u>			
Adjusted fund balance	<u>21,565,655</u>			
Fund balance, September 30	<u><u>\$19,250,491</u></u>			

CITY OF KILLEEN, TEXAS
2011 C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 7,053	\$ -	\$ -	\$ 7,053
Total revenues	7,053	-	-	7,053
EXPENDITURES				
Public works	49,510	-	43,006	(6,504)
Capital outlay	3,938,341	-	32,885,484	28,947,143
Costs of issuance	137,000	-	137,000	-
Total expenditures	4,124,851	-	33,065,490	28,940,639
Deficiency of revenues under expenditures	(4,117,798)	-	(33,065,490)	28,947,692
OTHER FINANCING SOURCES (USES)				
Issuance of debt	32,040,000	-	32,040,000	-
Premium on issuance of debt	1,100,301	-	1,100,301	-
Transfers out	(570,916)	-	-	(570,916)
Total other financing sources (uses)	32,569,385	-	33,140,301	(570,916)
Net change in fund balance	28,451,587	\$ -	\$ 74,811	\$28,376,776
Fund balance, October 1	-			
Fund balance, September 30	\$28,451,587			

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COMBINING STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS				
Cash and cash equivalents	\$ 2,388,698	\$ 5,347,680	\$ 19,620,812	\$ 27,357,190
Investments	-	1,000,000	9,500,000	10,500,000
Receivables (net of allowances for uncollectibles):				
Grants	940,044	-	38,078	978,122
Taxes	-	207,766	-	207,766
Accounts	12,970	-	-	12,970
Accrued interest	-	275	3,442	3,717
Inventories	6,196	-	-	6,196
Restricted assets:				
Cash and cash equivalents	23,842	-	-	23,842
Due from other funds	-	100,066	-	100,066
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,371,750</u>	<u>\$ 6,655,787</u>	<u>\$ 29,162,332</u>	<u>\$ 39,189,869</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 237,530	\$ 103	\$ 622,034	\$ 859,667
Due to other governments	51,446	-	-	51,446
Accrued salaries payable	17,052	-	-	17,052
Deferred revenue	26,114	207,766	-	233,880
Total liabilities	<u>332,142</u>	<u>207,869</u>	<u>622,034</u>	<u>1,162,045</u>
Fund Balances:				
Nonspendable:				
Inventories	6,196	-	-	6,196
Restricted for:				
Debt Service	607,200	6,447,918	-	7,055,118
Capital projects	-	-	28,540,298	28,540,298
Other purposes	2,387,980	-	-	2,387,980
Committed to:				
Killeen Arts and Activities Center	38,232	-	-	38,232
Total fund balances	<u>3,039,608</u>	<u>6,447,918</u>	<u>28,540,298</u>	<u>38,027,824</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 3,371,750</u>	<u>\$ 6,655,787</u>	<u>\$ 29,162,332</u>	<u>\$ 39,189,869</u>

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES				
Taxes	\$ 1,899,408	\$ 10,138,174	\$ -	\$ 12,037,582
Intergovernmental	3,926,942	-	148,766	4,075,708
Charges for services	474,242	-	-	474,242
Fines	952,886	-	-	952,886
Contributions	-	-	105,121	105,121
Miscellaneous	273,245	260,411	29,409	563,065
Total revenues	<u>7,526,723</u>	<u>10,398,585</u>	<u>283,296</u>	<u>18,208,604</u>
EXPENDITURES				
Current:				
General government	1,679,684	-	-	1,679,684
Public safety	527,691	-	-	527,691
Public works	-	-	173,271	173,271
Community services	2,796,645	-	-	2,796,645
Capital outlay	2,842,932	-	7,438,220	10,281,152
Debt service:				
Principal	-	5,147,300	-	5,147,300
Interest	-	5,102,184	-	5,102,184
Fiscal charges	-	13,395	-	13,395
Costs of issuance	-	76,000	122,000	198,000
Deferred amount on refunding	-	140,981	-	140,981
Total expenditures	<u>7,846,952</u>	<u>10,479,860</u>	<u>7,733,491</u>	<u>26,060,303</u>
Deficiency of revenues over expenditures	<u>(320,229)</u>	<u>(81,275)</u>	<u>(7,450,195)</u>	<u>(7,851,699)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital-related debt	-	-	18,060,000	18,060,000
Refunding bonds issued	-	6,875,000	-	6,875,000
Premium on issuance of debt	-	412,361	938,346	1,350,707
Refund to bond escrow agent	-	(7,090,000)	-	(7,090,000)
Transfers in	533,059	9,908,725	62,330	10,504,114
Transfers out	(695,300)	(7,207,170)	(1,871,725)	(9,774,195)
Total other financing sources (uses)	<u>(162,241)</u>	<u>2,898,916</u>	<u>17,188,951</u>	<u>19,925,626</u>
Net changes in fund balances	(482,470)	2,817,641	9,738,756	12,073,927
Fund balances, October 1	<u>3,522,078</u>	<u>3,630,277</u>	<u>18,801,542</u>	<u>25,953,897</u>
Fund balances, September 30	<u>\$ 3,039,608</u>	<u>\$ 6,447,918</u>	<u>\$ 28,540,298</u>	<u>\$ 38,027,824</u>

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SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

Tax Increment Fund: To account for the ad valorem tax revenues collected from the taxable property in the tax increment zone. This fund also accounts for expenditures on projects that take place in the tax increment zone.

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

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

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

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

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

KAAC: To account for revenues and expenditures related to the Killeen Arts & Activity Center.

Grants: To account for various programs and projects utilizing Federal, State and Local grants.

Fire Department: To account for special revenue and expenditures to include certain nonemergency transport fees as well as certain grant programs.

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011**

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management	Hotel Occupancy Tax
ASSETS					
Cash and cash equivalents	\$ 73,674	\$ 40,785	\$ 18,633	\$ 74,863	\$ 803,098
Receivables (net of allowances for uncollectibles):					
Grants	-	-	-	-	-
Accounts	-	-	-	-	956
Inventories	-	-	-	-	6,196
Restricted assets:					
Cash and cash equivalents	-	-	-	-	23,842
Total assets	<u>\$ 73,674</u>	<u>\$ 40,785</u>	<u>\$ 18,633</u>	<u>\$ 74,863</u>	<u>\$ 834,092</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 8,256	\$ -	\$ -	\$ -	\$ 93,000
Due to other governments	51,446	-	-	-	-
Accrued salaries payable	-	-	-	-	12,383
Deferred revenue	9,100	-	-	5,000	-
Total liabilities	<u>68,802</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>105,383</u>
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	-	6,196
Restricted for:					
Debt service	-	-	-	-	607,200
Other purposes	4,872	40,785	18,633	69,863	115,313
Committed to:					
Killeen Arts and Activities Center	-	-	-	-	-
Total fund balances	<u>4,872</u>	<u>40,785</u>	<u>18,633</u>	<u>69,863</u>	<u>728,709</u>
Total liabilities and fund balances	<u>\$ 73,674</u>	<u>\$ 40,785</u>	<u>\$ 18,633</u>	<u>\$ 74,863</u>	<u>\$ 834,092</u>

EXHIBIT C-3

<u>Special Events Center</u>	<u>Cablesystem Improvements</u>	<u>Library Memorial</u>	<u>Parks</u>	<u>Community Development</u>	<u>CDBG Home Program</u>	<u>Tax Increment</u>
\$ 89,099	\$ 525,276	\$ 32,013	\$ 12,328	\$ (45,367)	\$ (98,610)	\$ 22,489
-	-	-	-	71,253	137,710	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 89,099</u>	<u>\$ 525,276</u>	<u>\$ 32,013</u>	<u>\$ 12,328</u>	<u>\$ 25,886</u>	<u>\$ 39,100</u>	<u>\$ 22,489</u>
\$ 17,340	\$ 98	\$ 2,132	\$ -	\$ 19,330	\$ 24,974	\$ -
-	-	-	-	-	-	-
-	2,693	-	-	1,436	540	-
-	-	-	-	-	-	-
<u>17,340</u>	<u>2,791</u>	<u>2,132</u>	<u>-</u>	<u>20,766</u>	<u>25,514</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
71,759	522,485	29,881	12,328	5,120	13,586	22,489
-	-	-	-	-	-	-
<u>71,759</u>	<u>522,485</u>	<u>29,881</u>	<u>12,328</u>	<u>5,120</u>	<u>13,586</u>	<u>22,489</u>
<u>\$ 89,099</u>	<u>\$ 525,276</u>	<u>\$ 32,013</u>	<u>\$ 12,328</u>	<u>\$ 25,886</u>	<u>\$ 39,100</u>	<u>\$ 22,489</u>

(CONTINUED)

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
SEPTEMBER 30, 2011**

	Lion's Club Park	Court Technology	Court Security	Juvenile Case Manager	Photo Red Light Enforcement
ASSETS					
Cash and cash equivalents	\$ 1,359	\$ 471,169	\$ 126,506	\$ 277,344	\$ 584,488
Receivables (net of allowances for uncollectibles):					
Grants	-	-	-	-	-
Accounts	-	360	2,504	9,150	-
Inventories	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 1,359</u>	<u>\$ 471,529</u>	<u>\$ 129,010</u>	<u>\$ 286,494</u>	<u>\$ 584,488</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	-	360	2,504	9,150	-
Total liabilities	<u>-</u>	<u>360</u>	<u>2,504</u>	<u>9,150</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Other purposes	1,359	471,169	126,506	277,344	584,488
Committed to:					
Killeen Arts and Activities Center	-	-	-	-	-
Total fund balances	<u>1,359</u>	<u>471,169</u>	<u>126,506</u>	<u>277,344</u>	<u>584,488</u>
Total liabilities and fund balances	<u>\$ 1,359</u>	<u>\$ 471,529</u>	<u>\$ 129,010</u>	<u>\$ 286,494</u>	<u>\$ 584,488</u>

EXHIBIT C-3 (CONT'D)

<u>KAAC</u>	<u>Grants</u>	<u>Fire Department</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 38,232	\$ (398,681)	\$ (260,000)	\$ 2,388,698
-	471,081	260,000	940,044
-	-	-	12,970
-	-	-	6,196
-	-	-	23,842
<u>\$ 38,232</u>	<u>\$ 72,400</u>	<u>\$ -</u>	<u>\$ 3,371,750</u>
\$ -	\$ 72,400	\$ -	\$ 237,530
-	-	-	51,446
-	-	-	17,052
-	-	-	26,114
<u>-</u>	<u>72,400</u>	<u>-</u>	<u>332,142</u>
-	-	-	6,196
-	-	-	607,200
-	-	-	2,387,980
<u>38,232</u>	<u>-</u>	<u>-</u>	<u>38,232</u>
<u>38,232</u>	<u>-</u>	<u>-</u>	<u>3,039,608</u>
<u>\$ 38,232</u>	<u>\$ 72,400</u>	<u>\$ -</u>	<u>\$ 3,371,750</u>

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management	Hotel Occupancy Tax
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,636,001
Intergovernmental	178,152	51,144	942	-	-
Charges for services	-	-	-	-	422,533
Fines	-	-	-	-	-
Miscellaneous	-	100	15	80	156,709
Total revenues	<u>178,152</u>	<u>51,244</u>	<u>957</u>	<u>80</u>	<u>2,215,243</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	1,606,911
Public safety	135,967	590	-	-	-
Community services	-	-	-	-	264,559
Capital outlay	42,199	126,610	9,532	-	87,959
Total expenditures	<u>178,166</u>	<u>127,200</u>	<u>9,532</u>	<u>-</u>	<u>1,959,429</u>
Excess (deficiency) of revenues over expenditures	<u>(14)</u>	<u>(75,956)</u>	<u>(8,575)</u>	<u>80</u>	<u>255,814</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(695,300)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(695,300)</u>
Net changes in fund balances	(14)	(75,956)	(8,575)	80	(439,486)
Fund balances, October 1	<u>4,886</u>	<u>116,741</u>	<u>27,208</u>	<u>69,783</u>	<u>1,168,195</u>
Fund balances, September 30	<u>\$ 4,872</u>	<u>\$ 40,785</u>	<u>\$ 18,633</u>	<u>\$ 69,863</u>	<u>\$ 728,709</u>

EXHIBIT C-4

Special Events Center	Cablesystem Improvements	Library Memorial	Parks	Community Development	CDBG Home Program	Tax Increment
\$ -	\$ 246,419	\$ -	\$ -	\$ -	\$ -	\$ 16,988
-	-	15,348	-	1,550,819	648,997	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
244	439	10,097	-	16,037	40,218	-
<u>244</u>	<u>246,858</u>	<u>25,445</u>	<u>-</u>	<u>1,566,856</u>	<u>689,215</u>	<u>16,988</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,839	139,941	16,961	-	1,570,787	783,864	-
-	-	2,825	-	-	-	-
<u>6,839</u>	<u>139,941</u>	<u>19,786</u>	<u>-</u>	<u>1,570,787</u>	<u>783,864</u>	<u>-</u>
<u>(6,595)</u>	<u>106,917</u>	<u>5,659</u>	<u>-</u>	<u>(3,931)</u>	<u>(94,649)</u>	<u>16,988</u>
-	-	-	-	-	29,468	-
-	-	-	-	-	-	-
-	-	-	-	-	29,468	-
<u>(6,595)</u>	<u>106,917</u>	<u>5,659</u>	<u>-</u>	<u>(3,931)</u>	<u>(65,181)</u>	<u>16,988</u>
<u>78,354</u>	<u>415,568</u>	<u>24,222</u>	<u>12,328</u>	<u>9,051</u>	<u>78,767</u>	<u>5,501</u>
<u>\$ 71,759</u>	<u>\$ 522,485</u>	<u>\$ 29,881</u>	<u>\$ 12,328</u>	<u>\$ 5,120</u>	<u>\$ 13,586</u>	<u>\$ 22,489</u>

(CONTINUED)

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Lion's Club Park	Court Technology	Court Security	Juvenile Case Manager	Photo Red Light Enforcement
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines	-	83,295	62,611	102,760	704,220
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>83,295</u>	<u>62,611</u>	<u>102,760</u>	<u>704,220</u>
EXPENDITURES					
Current:					
General government	-	-	25,794	46,979	-
Public safety	-	-	-	-	391,134
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	536,967
Total expenditures	<u>-</u>	<u>-</u>	<u>25,794</u>	<u>46,979</u>	<u>928,101</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>83,295</u>	<u>36,817</u>	<u>55,781</u>	<u>(223,881)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	83,295	36,817	55,781	(223,881)
Fund balances, October 1	<u>1,359</u>	<u>387,874</u>	<u>89,689</u>	<u>221,563</u>	<u>808,369</u>
Fund balances, September 30	<u>\$ 1,359</u>	<u>\$ 471,169</u>	<u>\$ 126,506</u>	<u>\$ 277,344</u>	<u>\$ 584,488</u>

EXHIBIT C-4 (CONT'D)

<u>KAAC</u>	<u>Grants</u>	<u>Fire Department</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-2)</u>
\$ -	\$ -	\$ -	\$ 1,899,408
-	1,013,800	467,740	3,926,942
-	-	51,709	474,242
-	-	-	952,886
49,306	-	-	273,245
<u>49,306</u>	<u>1,013,800</u>	<u>519,449</u>	<u>7,526,723</u>
-	-	-	1,679,684
-	-	-	527,691
13,694	-	-	2,796,645
-	1,013,800	1,023,040	2,842,932
<u>13,694</u>	<u>1,013,800</u>	<u>1,023,040</u>	<u>7,846,952</u>
<u>35,612</u>	<u>-</u>	<u>(503,591)</u>	<u>(320,229)</u>
-	-	503,591	533,059
-	-	-	(695,300)
-	-	503,591	(162,241)
35,612	-	-	(482,470)
<u>2,620</u>	<u>-</u>	<u>-</u>	<u>3,522,078</u>
<u>\$ 38,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,039,608</u>

CITY OF KILLEEN, TEXAS
LAW ENFORCEMENT GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 178,152	\$ 270,164	\$ 270,164	\$ (92,012)
Total revenues	178,152	270,164	270,164	(92,012)
EXPENDITURES				
Current:				
Public safety	135,967	5,000	95,798	(40,169)
Capital outlay	37,313	265,164	174,366	137,053
Total expenditures	173,280	270,164	270,164	96,884
Net change in fund balance	4,872	\$ -	\$ -	\$ 4,872
Fund balance, October 1	4,886			
Prior year encumbrances	(4,886)			
Adjusted fund balance	-			
Fund balance, September 30	\$ 4,872			

CITY OF KILLEEN, TEXAS
STATE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive - (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 51,144	\$ 70,000	\$ 70,000	\$ (18,856)
Miscellaneous	100	300	300	(200)
Total revenues	<u>51,244</u>	<u>70,300</u>	<u>70,300</u>	<u>(19,056)</u>
EXPENDITURES				
Current:				
Public safety	590	4,000	590	-
Capital outlay	99,631	75,980	124,800	25,169
Total expenditures	<u>100,221</u>	<u>79,980</u>	<u>125,390</u>	<u>25,169</u>
Net change in fund balance	(48,977)	<u>\$ (9,680)</u>	<u>\$ (55,090)</u>	<u>\$ 6,113</u>
Fund balance, October 1	116,741			
Prior year encumbrances	<u>(26,979)</u>			
Adjusted fund balance	<u>89,762</u>			
Fund balance, September 30	<u>\$ 40,785</u>			

**CITY OF KILLEEN, TEXAS
FEDERAL SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 942	\$ 14,800	\$ 14,800	\$ (13,858)
Miscellaneous	15	25	25	(10)
Total revenues	957	14,825	14,825	(13,868)
EXPENDITURES				
Capital outlay	-	14,800	14,800	14,800
Total expenditures	-	14,800	14,800	14,800
Net change in fund balance	957	\$ 25	\$ 25	\$ 932
Fund balance, October 1	27,208			
Prior year encumbrances	(9,532)			
Adjusted fund balance	17,676			
Fund balance, September 30	\$ 18,633			

CITY OF KILLEEN, TEXAS
EMERGENCY MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 80	\$ -	\$ -	\$ 80
Total revenues	80	-	-	80
EXPENDITURES				
General government	-	42,349	42,349	42,349
Total expenditures	-	42,349	42,349	42,349
Net change in fund balance	80	\$ (42,349)	\$ (42,349)	\$ 42,429
Fund balance, October 1	69,783			
Fund balance, September 30	\$ 69,863			

CITY OF KILLEEN, TEXAS
HOTEL OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,636,001	\$ 1,715,000	\$ 1,715,000	\$ (78,999)
Charges for services	422,533	462,500	462,500	(39,967)
Miscellaneous	156,709	242,900	242,900	(86,191)
Total revenues	<u>2,215,243</u>	<u>2,420,400</u>	<u>2,420,400</u>	<u>(205,157)</u>
EXPENDITURES				
Current:				
General government	1,421,519	1,798,550	1,754,550	333,031
Community services	264,559	296,375	296,375	31,816
Capital outlay	73,759	38,917	82,917	9,158
Total expenditures	<u>1,759,837</u>	<u>2,133,842</u>	<u>2,133,842</u>	<u>374,005</u>
Excess of revenues over expenditures	<u>455,406</u>	<u>286,558</u>	<u>286,558</u>	<u>168,848</u>
OTHER FINANCING USES				
Transfers out	<u>(695,300)</u>	<u>(765,000)</u>	<u>(765,000)</u>	<u>69,700</u>
Total other financing uses	<u>(695,300)</u>	<u>(765,000)</u>	<u>(765,000)</u>	<u>69,700</u>
Net change in fund balance	<u>(239,894)</u>	<u>\$ (478,442)</u>	<u>\$ (478,442)</u>	<u>\$ 238,548</u>
Fund balance, October 1	1,168,195			
Prior year encumbrances	<u>(199,592)</u>			
Adjusted fund balance	<u>968,603</u>			
Fund balance, September 30	<u>\$ 728,709</u>			

CITY OF KILLEEN, TEXAS
SPECIAL EVENTS CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 244	\$ 50	\$ 50	\$ 194
Total revenues	244	50	50	194
EXPENDITURES				
Current:				
Community services	6,839	78,356	78,356	71,517
Total expenditures	6,839	78,356	78,356	71,517
Net change in fund balance	(6,595)	\$ (78,306)	\$ (78,306)	\$ 71,711
Fund balance, October 1	78,354			
Fund balance, September 30	\$ 71,759			

CITY OF KILLEEN, TEXAS
CABLESYSTEM IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 246,419	\$ 227,000	\$ 227,000	\$ 19,419
Miscellaneous	439	1,000	1,000	(561)
Total revenues	<u>246,858</u>	<u>228,000</u>	<u>228,000</u>	<u>18,858</u>
EXPENDITURES				
Current:				
Community services	139,941	196,742	197,607	57,666
Capital outlay	-	400,000	399,135	399,135
Total expenditures	<u>139,941</u>	<u>596,742</u>	<u>596,742</u>	<u>456,801</u>
Net change in fund balance	106,917	<u>\$ (368,742)</u>	<u>\$ (368,742)</u>	<u>\$ 475,659</u>
Fund balance, October 1	<u>415,568</u>			
Fund balance, September 30	<u>\$ 522,485</u>			

**CITY OF KILLEEN, TEXAS
LIBRARY MEMORIAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 15,348	\$ 14,500	\$ 16,356	\$ (1,008)
Miscellaneous	10,097	9,250	9,250	847
Total revenues	<u>25,445</u>	<u>23,750</u>	<u>25,606</u>	<u>(161)</u>
EXPENDITURES				
Current:				
Community services	14,171	12,000	26,059	11,888
Capital outlay	2,560	8,500	2,628	68
Total expenditures	<u>16,731</u>	<u>20,500</u>	<u>28,687</u>	<u>11,956</u>
Net change in fund balance	8,714	<u>\$ 3,250</u>	<u>\$ (3,081)</u>	<u>\$ 11,795</u>
Fund balance, October 1	24,222			
Prior year encumbrances	<u>(3,055)</u>			
Adjusted fund balance	<u>21,167</u>			
Fund balance, September 30	<u>\$ 29,881</u>			

CITY OF KILLEEN, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 1,550,819	\$ 1,722,013	\$ 1,722,013	\$ (171,194)
Miscellaneous	16,037	2,000	2,000	14,037
Total revenues	<u>1,566,856</u>	<u>1,724,013</u>	<u>1,724,013</u>	<u>(157,157)</u>
EXPENDITURES				
Current:				
Community Services	1,570,787	1,719,621	1,944,355	373,568
Capital outlay	-	2,425	-	-
Total expenditures	<u>1,570,787</u>	<u>1,722,046</u>	<u>1,944,355</u>	<u>373,568</u>
Net change in fund balance	(3,931)	<u>\$ 1,967</u>	<u>\$ (220,342)</u>	<u>\$ 216,411</u>
Fund balance, October 1	<u>9,051</u>			
Fund balance, September 30	<u>\$ 5,120</u>			

CITY OF KILLEEN, TEXAS
CDBG HOME PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 648,997	\$ 1,186,553	\$ 1,186,553	\$ (537,556)
Miscellaneous	40,218	37,634	37,634	2,584
Total revenues	<u>689,215</u>	<u>1,224,187</u>	<u>1,224,187</u>	<u>(534,972)</u>
EXPENDITURES				
Current:				
Community services	783,864	1,241,112	1,211,058	427,194
Total expenditures	<u>783,864</u>	<u>1,241,112</u>	<u>1,211,058</u>	<u>427,194</u>
Deficiency of revenues under expenditures	<u>(94,649)</u>	<u>(16,925)</u>	<u>13,129</u>	<u>(107,778)</u>
OTHER FINANCING SOURCES				
Transfers in	29,468	77,708	77,708	(48,240)
Total other financing sources	<u>29,468</u>	<u>77,708</u>	<u>77,708</u>	<u>(48,240)</u>
Net change in fund balance	(65,181)	<u>\$ 60,783</u>	<u>\$ 90,837</u>	<u>\$ (156,018)</u>
Fund balance, October 1	<u>78,767</u>			
Fund balance, September 30	<u>\$ 13,586</u>			

**CITY OF KILLEEN, TEXAS
TAX INCREMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 16,988	\$ 6,225	\$ 6,225	\$ 10,763
Total revenues	16,988	6,225	6,225	10,763
EXPENDITURES				
General government	-	12,450	12,450	12,450
Total expenditures	-	12,450	12,450	12,450
Net change in fund balance	16,988	\$ (6,225)	\$ (6,225)	\$ 23,213
Fund balance, October 1	5,501			
Fund balance, September 30	\$ 22,489			

**CITY OF KILLEEN, TEXAS
COURT TECHNOLOGY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 83,295	\$ 76,000	\$ 76,000	\$ 7,295
Total revenues	83,295	76,000	76,000	7,295
EXPENDITURES				
Capital outlay	-	10,000	10,000	10,000
Total expenditures	-	10,000	10,000	10,000
Net change in fund balance	83,295	\$ 66,000	\$ 66,000	\$ 17,295
Fund balance, October 1	387,874			
Fund balance, September 30	\$ 471,169			

CITY OF KILLEEN, TEXAS
COURT SECURITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 62,611	\$ 50,000	\$ 50,000	\$ 12,611
Total revenues	62,611	50,000	50,000	12,611
EXPENDITURES				
General government	25,794	31,190	31,190	5,396
Total expenditures	25,794	31,190	31,190	5,396
Net change in fund balance	36,817	\$ 18,810	\$ 18,810	\$ 18,007
Fund balance, October 1	89,689			
Fund balance, September 30	\$ 126,506			

CITY OF KILLEEN, TEXAS
JUVENILE CASE MANAGER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 102,760	\$ 87,000	\$ 87,000	\$ 15,760
Total revenues	102,760	87,000	87,000	15,760
EXPENDITURES				
General government	46,979	47,762	47,762	783
Total expenditures	46,979	47,762	47,762	783
Net change in fund balance	55,781	\$ 39,238	\$ 39,238	\$ 16,543
Fund balance, October 1	221,563			
Fund balance, September 30	\$ 277,344			

CITY OF KILLEEN, TEXAS
PHOTO RED LIGHT ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 704,220	\$ 700,000	\$ 700,000	\$ 4,220
Total revenues	<u>704,220</u>	<u>700,000</u>	<u>700,000</u>	<u>4,220</u>
EXPENDITURES				
Public safety	391,134	587,044	587,044	195,910
Capital outlay	536,967	405,000	540,263	3,296
Total expenditures	<u>928,101</u>	<u>992,044</u>	<u>1,127,307</u>	<u>199,206</u>
Net change in fund balance	(223,881)	<u>\$ (292,044)</u>	<u>\$ (427,307)</u>	<u>\$ 203,426</u>
Fund balance, October 1	<u>808,369</u>			
Fund balance, September 30	<u>\$ 584,488</u>			

CITY OF KILLEEN, TEXAS
KAAC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 49,306	\$ 55,186	\$ 55,186	\$ (5,880)
Total revenues	49,306	55,186	55,186	(5,880)
EXPENDITURES				
Community services	13,694	55,186	55,186	41,492
Total expenditures	13,694	55,186	55,186	41,492
Net change in fund balance	35,612	\$ -	\$ -	\$ 35,612
Fund balance, October 1	2,620			
Fund balance, September 30	\$ 38,232			

CITY OF KILLEEN, TEXAS
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 1,013,800	\$ 1,027,000	\$ 1,027,000	\$ (13,200)
Total revenues	1,013,800	1,027,000	1,027,000	(13,200)
EXPENDITURES				
Capital outlay	1,013,800	1,027,000	1,027,000	13,200
Total expenditures	1,013,800	1,027,000	1,027,000	13,200
Net change in fund balance	-	\$ -	\$ -	\$ -
Fund balance, October 1	-			
Fund balance, September 30	\$ -			

**CITY OF KILLEEN, TEXAS
FIRE DEPARTMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 467,740	\$ 467,740	\$ 467,740	\$ -
Charges for services	51,709	1,235,000	67,000	(15,291)
Total revenues	<u>519,449</u>	<u>1,702,740</u>	<u>534,740</u>	<u>(15,291)</u>
EXPENDITURES				
Public safety	-	501,279	-	-
Capital outlay	1,023,040	1,023,040	1,023,040	-
Total expenditures	<u>1,023,040</u>	<u>1,524,319</u>	<u>1,023,040</u>	<u>-</u>
Deficiency of revenues under expenditures	<u>(503,591)</u>	<u>178,421</u>	<u>(488,300)</u>	<u>(15,291)</u>
OTHER FINANCING SOURCES				
Transfers in	503,591	392,370	488,300	15,291
Total other financing sources	<u>503,591</u>	<u>392,370</u>	<u>488,300</u>	<u>15,291</u>
Net change in fund balance	-	<u>\$ 570,791</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, October 1	<u>-</u>			
Fund balance, September 30	<u>\$ -</u>			

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DEBT SERVICE FUNDS

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

- ❖ Certificates of Obligation 2001
- ❖ Tax Interest and Sinking 2002
- ❖ Tax Interest and Sinking 2003
- ❖ Tax Interest and Sinking 2004
- ❖ General Obligation Interest and Sinking 2004
- ❖ Tax Interest and Sinking 2005
- ❖ Tax Interest and Sinking 2006
- ❖ General Obligation 2007
- ❖ Certificates of Obligation 2007
- ❖ General Obligation 2009
- ❖ Certificates of Obligation 2009
- ❖ Refunding Bond 2009
- ❖ Refunding Bond 2010
- ❖ Certificates of Obligation 2011
- ❖ Refunding Bond 2011
- ❖ Pass Thru Financing 195/201 2011

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2011**

	Certificates of Obligation 2001	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Tax Interest and Sinking 2004	General Obligation Interest and Sinking 2004	Tax Interest and Sinking 2005	Tax Interest and Sinking 2006	General Obligation 2007
ASSETS								
Cash and cash equivalents	\$ 12,230	\$ 57,479	\$ 136,796	\$ 125,475	\$ 236,506	\$ 340,962	\$ 210,505	\$ 210,706
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Taxes	10,063	7,016	7,819	13,919	46,881	16,134	18,809	18,833
Accrued interest	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	31,799	-	-
Total assets	<u>\$ 22,293</u>	<u>\$ 64,495</u>	<u>\$ 144,615</u>	<u>\$ 139,394</u>	<u>\$ 283,387</u>	<u>\$ 388,895</u>	<u>\$ 229,314</u>	<u>\$ 229,539</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	10,063	7,016	7,819	13,919	46,881	16,134	18,809	18,833
Total liabilities	<u>10,063</u>	<u>7,016</u>	<u>7,819</u>	<u>13,919</u>	<u>46,881</u>	<u>16,134</u>	<u>18,809</u>	<u>18,833</u>
Fund balances:								
Restricted for:								
Debt service	12,230	57,479	136,796	125,475	236,506	372,761	210,505	210,706
Total fund balances	<u>12,230</u>	<u>57,479</u>	<u>136,796</u>	<u>125,475</u>	<u>236,506</u>	<u>372,761</u>	<u>210,505</u>	<u>210,706</u>
Total liabilities and fund balances	<u>\$ 22,293</u>	<u>\$ 64,495</u>	<u>\$ 144,615</u>	<u>\$ 139,394</u>	<u>\$ 283,387</u>	<u>\$ 388,895</u>	<u>\$ 229,314</u>	<u>\$ 229,539</u>

EXHIBIT C-23

Certificates of Obligation 2007	General Obligation 2009	Certificates of Obligation 2009	Refunding Bond 2009	Refunding Bond 2010	Certificates of Obligation 2011	Refunding Bond 2011	Pass Thru Financing 195/201 2011	Total Nonmajor Debt Service Funds (See Exhibit C-1)
\$ 322,400	\$ 155,193	\$ 118,520	\$ 384,552	\$ 208,653	\$ 1,341,384	\$ 21,286	\$ 1,465,033	\$ 5,347,680
-	-	-	-	-	1,000,000	-	-	1,000,000
30,389	9,561	1,573	2,985	2,762	21,022	-	-	207,766
-	-	-	-	-	275	-	-	275
-	-	-	68,267	-	-	-	-	100,066
<u>\$ 352,789</u>	<u>\$ 164,754</u>	<u>\$ 120,093</u>	<u>\$ 455,804</u>	<u>\$ 211,415</u>	<u>\$ 2,362,681</u>	<u>\$ 21,286</u>	<u>\$ 1,465,033</u>	<u>\$ 6,655,787</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103	\$ -	\$ -	\$ 103
30,389	9,561	1,573	2,985	2,762	21,022	-	-	207,766
<u>30,389</u>	<u>9,561</u>	<u>1,573</u>	<u>2,985</u>	<u>2,762</u>	<u>21,125</u>	<u>-</u>	<u>-</u>	<u>207,869</u>
322,400	155,193	118,520	452,819	208,653	2,341,556	21,286	1,465,033	6,447,918
<u>322,400</u>	<u>155,193</u>	<u>118,520</u>	<u>452,819</u>	<u>208,653</u>	<u>2,341,556</u>	<u>21,286</u>	<u>1,465,033</u>	<u>6,447,918</u>
<u>\$ 352,789</u>	<u>\$ 164,754</u>	<u>\$ 120,093</u>	<u>\$ 455,804</u>	<u>\$ 211,415</u>	<u>\$ 2,362,681</u>	<u>\$ 21,286</u>	<u>\$ 1,465,033</u>	<u>\$ 6,655,787</u>

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Certificates of Obligation 2001	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Tax Interest and Sinking 2004	General Obligation Interest and Sinking 2004	Tax Interest and Sinking 2005	Tax Interest and Sinking 2006	General Obligation 2007
REVENUES								
Taxes	\$ 132,511	\$ 249,300	\$ 5,348	\$ 627,684	\$ 1,095,727	\$ 777,228	\$ 1,190,518	\$ 1,094,613
Miscellaneous	202	285	271	646	1,097	864	1,184	1,006
Total revenues	<u>132,713</u>	<u>249,585</u>	<u>5,619</u>	<u>628,330</u>	<u>1,096,824</u>	<u>778,092</u>	<u>1,191,702</u>	<u>1,095,619</u>
EXPENDITURES								
Debt service:								
Principal	195,000	245,000	465,000	470,000	515,000	355,000	815,000	380,000
Interest	11,895	18,750	316,675	171,223	644,825	477,486	415,691	742,876
Fiscal charges	1,260	300	1,560	630	930	1,560	1,405	1,560
Costs of issuance	-	-	-	-	-	-	-	-
Deferred amount on refunding	-	-	-	-	-	-	-	-
Total expenditures	<u>208,155</u>	<u>264,050</u>	<u>783,235</u>	<u>641,853</u>	<u>1,160,755</u>	<u>834,046</u>	<u>1,232,096</u>	<u>1,124,436</u>
Excess (deficiency) of revenues over expenditures	(75,442)	(14,465)	(777,616)	(13,523)	(63,931)	(55,954)	(40,394)	(28,817)
OTHER FINANCING SOURCES (USES)								
Refunding bonds issued	-	-	-	-	-	-	-	-
Premium on refunding	-	-	-	-	-	-	-	-
Refund to bond escrow agent	-	-	(7,090,000)	-	-	-	-	-
Transfers in	-	-	7,830,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>740,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(75,442)	(14,465)	(37,616)	(13,523)	(63,931)	(55,954)	(40,394)	(28,817)
Fund balances, October 1	<u>87,672</u>	<u>71,944</u>	<u>174,412</u>	<u>138,998</u>	<u>300,437</u>	<u>428,715</u>	<u>250,899</u>	<u>239,523</u>
Fund balances, September 30	<u>\$ 12,230</u>	<u>\$ 57,479</u>	<u>\$ 136,796</u>	<u>\$ 125,475</u>	<u>\$ 236,506</u>	<u>\$ 372,761</u>	<u>\$ 210,505</u>	<u>\$ 210,706</u>

EXHIBIT C-24

Certificates of Obligation 2007	General Obligation 2009	Certificates of Obligation 2009	Refunding Bond 2009	Refunding Bond 2010	Certificates of Obligation 2011	Refunding Bond 2011	Pass Thru Financing 195/201 2011	Total Nonmajor Debt Service Funds (See Exhibit C-1)
\$ 1,702,168	\$ 614,131	\$ 69,585	\$ 199,003	\$ 276,417	\$ 2,103,941	\$ -	\$ -	\$ 10,138,174
1,596	960	497	660	3,214	145,415	20,906	81,608	260,411
<u>1,703,764</u>	<u>615,091</u>	<u>70,082</u>	<u>199,663</u>	<u>279,631</u>	<u>2,249,356</u>	<u>20,906</u>	<u>81,608</u>	<u>10,398,585</u>
735,000	285,000	160,000	202,300	325,000	-	-	-	5,147,300
1,012,654	556,413	241,913	9,333	482,450	-	-	-	5,102,184
300	634	633	708	1,915	-	-	-	13,395
-	-	-	-	-	-	76,000	-	76,000
-	-	-	-	-	-	140,981	-	140,981
<u>1,747,954</u>	<u>842,047</u>	<u>402,546</u>	<u>212,341</u>	<u>809,365</u>	<u>-</u>	<u>216,981</u>	<u>-</u>	<u>10,479,860</u>
(44,190)	(226,956)	(332,464)	(12,678)	(529,734)	2,249,356	(196,075)	81,608	(81,275)
-	-	-	-	-	-	6,875,000	-	6,875,000
-	-	-	-	-	-	412,361	-	412,361
-	-	-	-	-	-	-	-	(7,090,000)
-	-	-	-	603,100	92,200	-	1,383,425	9,908,725
-	-	(137,170)	-	-	-	(7,070,000)	-	(7,207,170)
-	-	(137,170)	-	603,100	92,200	217,361	1,383,425	2,898,916
(44,190)	(226,956)	(469,634)	(12,678)	73,366	2,341,556	21,286	1,465,033	2,817,641
366,590	382,149	588,154	465,497	135,287	-	-	-	3,630,277
<u>\$ 322,400</u>	<u>\$ 155,193</u>	<u>\$ 118,520</u>	<u>\$ 452,819</u>	<u>\$ 208,653</u>	<u>\$ 2,341,556</u>	<u>\$ 21,286</u>	<u>\$ 1,465,033</u>	<u>\$ 6,447,918</u>

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2001 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 132,511	\$ 130,000	\$ 130,000	\$ 2,511
Miscellaneous	202	400	400	(198)
Total revenues	<u>132,713</u>	<u>130,400</u>	<u>130,400</u>	<u>2,313</u>
EXPENDITURES				
Debt service:				
Principal	195,000	195,000	195,000	-
Interest	11,895	11,895	11,895	-
Fiscal charges	1,260	3,825	3,825	2,565
Total expenditures	<u>208,155</u>	<u>210,720</u>	<u>210,720</u>	<u>2,565</u>
Net change in fund balance	(75,442)	<u>\$ (80,320)</u>	<u>\$ (80,320)</u>	<u>\$ 4,878</u>
Fund balance, October 1	<u>87,672</u>			
Fund balance, September 30	<u>\$ 12,230</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2002 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 249,300	\$ 250,000	\$ 250,000	\$ (700)
Miscellaneous	285	400	400	(115)
Total revenues	<u>249,585</u>	<u>250,400</u>	<u>250,400</u>	<u>(815)</u>
EXPENDITURES				
Debt service:				
Principal	245,000	245,000	245,000	-
Interest	18,750	18,750	18,750	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>264,050</u>	<u>267,750</u>	<u>267,750</u>	<u>3,700</u>
Net change in fund balance	(14,465)	<u>\$ (17,350)</u>	<u>\$ (17,350)</u>	<u>\$ 2,885</u>
Fund balance, October 1	<u>71,944</u>			
Fund balance, September 30	<u>\$ 57,479</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2003 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 5,348	\$ -	\$ -	\$ 5,348
Miscellaneous	271	700	700	(429)
Total revenues	<u>5,619</u>	<u>700</u>	<u>700</u>	<u>4,919</u>
EXPENDITURES				
Debt service:				
Principal	465,000	465,000	465,000	-
Interest	316,675	316,675	316,675	-
Fiscal charges	1,560	4,000	4,000	2,440
Total expenditures	<u>783,235</u>	<u>785,675</u>	<u>785,675</u>	<u>2,440</u>
Deficiency of revenues under expenditures	(777,616)	(784,975)	(784,975)	7,359
OTHER FINANCING SOURCES (USES)				
Refund to bond escrow agent	(7,090,000)	-	(20,000)	(7,070,000)
Transfers in	7,830,000	760,000	760,000	7,070,000
Total other financing sources (uses)	<u>740,000</u>	<u>760,000</u>	<u>740,000</u>	<u>-</u>
Net change in fund balance	(37,616)	<u>\$ (24,975)</u>	<u>\$ (44,975)</u>	<u>\$ 7,359</u>
Fund balance, October 1	<u>174,412</u>			
Fund balance, September 30	<u>\$ 136,796</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2004 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 627,684	\$ 630,000	\$ 630,000	\$ (2,316)
Miscellaneous	646	800	800	(154)
Total revenues	<u>628,330</u>	<u>630,800</u>	<u>630,800</u>	<u>(2,470)</u>
EXPENDITURES				
Debt service:				
Principal	470,000	470,000	470,000	-
Interest	171,223	171,223	171,223	-
Fiscal charges	630	4,000	4,000	3,370
Total expenditures	<u>641,853</u>	<u>645,223</u>	<u>645,223</u>	<u>3,370</u>
Net change in fund balance	(13,523)	<u>\$ (14,423)</u>	<u>\$ (14,423)</u>	<u>\$ 900</u>
Fund balance, October 1	<u>138,998</u>			
Fund balance, September 30	<u>\$ 125,475</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION INTEREST & SINKING SERIES 2004 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,095,727	\$ 1,090,000	\$ 1,090,000	\$ 5,727
Miscellaneous	1,097	2,500	2,500	(1,403)
Total revenues	<u>1,096,824</u>	<u>1,092,500</u>	<u>1,092,500</u>	<u>4,324</u>
EXPENDITURES				
Debt service:				
Principal	515,000	515,000	515,000	-
Interest	644,825	644,825	644,825	-
Fiscal charges	930	4,000	4,000	3,070
Total expenditures	<u>1,160,755</u>	<u>1,163,825</u>	<u>1,163,825</u>	<u>3,070</u>
Net change in fund balance	(63,931)	<u>\$ (71,325)</u>	<u>\$ (71,325)</u>	<u>\$ 7,394</u>
Fund balance, October 1	<u>300,437</u>			
Fund balance, September 30	<u>\$ 236,506</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2005 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 777,228	\$ 780,000	\$ 780,000	\$ (2,772)
Miscellaneous	864	1,500	1,500	(636)
Total revenues	<u>778,092</u>	<u>781,500</u>	<u>781,500</u>	<u>(3,408)</u>
EXPENDITURES				
Debt service:				
Principal	355,000	610,000	610,000	255,000
Interest	477,486	824,286	824,286	346,800
Fiscal charges	1,560	4,000	4,000	2,440
Total expenditures	<u>834,046</u>	<u>1,438,286</u>	<u>1,438,286</u>	<u>604,240</u>
Deficiency of revenues under expenditures	(55,954)	(656,786)	(656,786)	600,832
OTHER FINANCING SOURCES				
Transfers in	-	570,000	570,000	(570,000)
Total other financing sources	<u>-</u>	<u>570,000</u>	<u>570,000</u>	<u>(570,000)</u>
Net change in fund balance	(55,954)	<u>\$ (86,786)</u>	<u>\$ (86,786)</u>	<u>\$ 30,832</u>
Fund balance, October 1	<u>428,715</u>			
Fund balance, September 30	<u>\$ 372,761</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2006 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,190,518	\$ 1,200,000	\$ 1,200,000	\$ (9,482)
Miscellaneous	1,184	1,000	1,000	184
Total revenues	<u>1,191,702</u>	<u>1,201,000</u>	<u>1,201,000</u>	<u>(9,298)</u>
EXPENDITURES				
Debt service:				
Principal	815,000	815,000	815,000	-
Interest	415,691	415,692	415,692	1
Fiscal charges	1,405	4,000	4,000	2,595
Total expenditures	<u>1,232,096</u>	<u>1,234,692</u>	<u>1,234,692</u>	<u>2,596</u>
Net change in fund balance	(40,394)	<u>\$ (33,692)</u>	<u>\$ (33,692)</u>	<u>\$ (6,702)</u>
Fund balance, October 1	<u>250,899</u>			
Fund balance, September 30	<u>\$ 210,505</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION SERIES 2007 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,094,613	\$ 1,100,000	\$ 1,100,000	\$ (5,387)
Miscellaneous	1,006	1,200	1,200	(194)
Total revenues	<u>1,095,619</u>	<u>1,101,200</u>	<u>1,101,200</u>	<u>(5,581)</u>
EXPENDITURES				
Debt service:				
Principal	380,000	380,000	380,000	-
Interest	742,876	742,877	742,877	1
Fiscal charges	1,560	4,000	4,000	2,440
Total expenditures	<u>1,124,436</u>	<u>1,126,877</u>	<u>1,126,877</u>	<u>2,441</u>
Net change in fund balance	(28,817)	<u>\$ (25,677)</u>	<u>\$ (25,677)</u>	<u>\$ (3,140)</u>
Fund balance, October 1	<u>239,523</u>			
Fund balance, September 30	<u>\$ 210,706</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2007 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,702,168	\$ 1,710,000	\$ 1,710,000	\$ (7,832)
Miscellaneous	1,596	2,000	2,000	(404)
Total revenues	<u>1,703,764</u>	<u>1,712,000</u>	<u>1,712,000</u>	<u>(8,236)</u>
EXPENDITURES				
Debt service:				
Principal	735,000	735,000	735,000	-
Interest	1,012,654	1,012,654	1,012,654	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>1,747,954</u>	<u>1,751,654</u>	<u>1,751,654</u>	<u>3,700</u>
Net change in fund balance	(44,190)	<u>\$ (39,654)</u>	<u>\$ (39,654)</u>	<u>\$ (4,536)</u>
Fund balance, October 1	<u>366,590</u>			
Fund balance, September 30	<u>\$ 322,400</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION SERIES 2009 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 614,131	\$ 620,000	\$ 620,000	\$ (5,869)
Miscellaneous	960	2,000	2,000	(1,040)
Total revenues	<u>615,091</u>	<u>622,000</u>	<u>622,000</u>	<u>(6,909)</u>
EXPENDITURES				
Debt service				
Principal	285,000	285,000	285,000	-
Interest	556,413	556,413	556,413	-
Fiscal charges	634	4,000	4,000	3,366
Total expenditures	<u>842,047</u>	<u>845,413</u>	<u>845,413</u>	<u>3,366</u>
Net change in fund balance	(226,956)	<u>\$ (223,413)</u>	<u>\$ (223,413)</u>	<u>\$ (3,543)</u>
Fund balance, October 1	<u>382,149</u>			
Fund balance, September 30	<u>\$ 155,193</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2009 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 69,585	\$ 70,000	\$ 70,000	\$ (415)
Miscellaneous	497	600	600	(103)
Total revenues	<u>70,082</u>	<u>70,600</u>	<u>70,600</u>	<u>(518)</u>
EXPENDITURES				
Debt service				
Principal	160,000	225,000	225,000	65,000
Interest	241,913	314,083	314,083	72,170
Fiscal charges	633	4,000	4,000	3,367
Total expenditures	<u>402,546</u>	<u>543,083</u>	<u>543,083</u>	<u>140,537</u>
Deficiency of revenues under expenditures	<u>(332,464)</u>	<u>(472,483)</u>	<u>(472,483)</u>	<u>140,019</u>
OTHER FINANCING USES				
Transfers out	(137,170)	-	-	(137,170)
Total other financing uses	<u>(137,170)</u>	<u>-</u>	<u>-</u>	<u>(137,170)</u>
Net change in fund balance	(469,634)	<u>\$ (472,483)</u>	<u>\$ (472,483)</u>	<u>\$ 2,849</u>
Fund balance, October 1	<u>588,154</u>			
Fund balance, September 30	<u>\$ 118,520</u>			

CITY OF KILLEEN, TEXAS
REFUNDING BOND SERIES 2009 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 199,003	\$ 200,000	\$ 200,000	\$ (997)
Miscellaneous	660	600	600	60
Total revenues	<u>199,663</u>	<u>200,600</u>	<u>200,600</u>	<u>(937)</u>
EXPENDITURES				
Debt service				
Principal	202,300	1,190,000	1,190,000	987,700
Interest	9,333	54,900	54,900	45,567
Fiscal charges	708	4,000	4,000	3,292
Total expenditures	<u>212,341</u>	<u>1,248,900</u>	<u>1,248,900</u>	<u>1,036,559</u>
Deficiency of revenues under expenditures	<u>(12,678)</u>	<u>(1,048,300)</u>	<u>(1,048,300)</u>	<u>1,035,622</u>
OTHER FINANCING SOURCES				
Transfers in	-	965,000	965,000	(965,000)
Total other financing sources	<u>-</u>	<u>965,000</u>	<u>965,000</u>	<u>(965,000)</u>
Net change in fund balance	(12,678)	<u>\$ (83,300)</u>	<u>\$ (83,300)</u>	<u>\$ 70,622</u>
Fund balance, October 1	<u>465,497</u>			
Fund balance, September 30	<u>\$ 452,819</u>			

CITY OF KILLEEN, TEXAS
REFUNDING BOND SERIES 2010 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 276,417	\$ 280,000	\$ 280,000	\$ (3,583)
Miscellaneous	3,214	400	400	2,814
Total revenues	<u>279,631</u>	<u>280,400</u>	<u>280,400</u>	<u>(769)</u>
EXPENDITURES				
Debt service				
Principal	325,000	325,000	325,000	-
Interest	482,450	482,450	482,450	-
Fiscal charges	1,915	4,000	4,000	2,085
Total expenditures	<u>809,365</u>	<u>811,450</u>	<u>811,450</u>	<u>2,085</u>
Deficiency of revenues under expenditures	<u>(529,734)</u>	<u>(531,050)</u>	<u>(531,050)</u>	<u>1,316</u>
OTHER FINANCING SOURCES				
Transfers in	<u>603,100</u>	<u>620,000</u>	<u>620,000</u>	<u>(16,900)</u>
Total other financing sources	<u>603,100</u>	<u>620,000</u>	<u>620,000</u>	<u>(16,900)</u>
Net change in fund balance	73,366	<u>\$ 88,950</u>	<u>\$ 88,950</u>	<u>\$ (15,584)</u>
Fund balance, October 1	<u>135,287</u>			
Fund balance, September 30	<u>\$ 208,653</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2011 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 2,103,941	\$ 2,130,000	\$ 2,130,000	\$ (26,059)
Miscellaneous	145,415	-	-	145,415
Total revenues	<u>2,249,356</u>	<u>2,130,000</u>	<u>2,130,000</u>	<u>119,356</u>
EXPENDITURES				
Debt service				
Interest	-	878,917	878,917	878,917
Fiscal charges	-	8,000	8,000	8,000
Total expenditures	<u>-</u>	<u>886,917</u>	<u>886,917</u>	<u>886,917</u>
Excess of revenues over expenditures	<u>2,249,356</u>	<u>1,243,083</u>	<u>1,243,083</u>	<u>1,006,273</u>
OTHER FINANCING SOURCES				
Transfers in	92,200	-	-	92,200
Total other financing sources	<u>92,200</u>	<u>-</u>	<u>-</u>	<u>92,200</u>
Net change in fund balance	2,341,556	<u>\$ 1,243,083</u>	<u>\$ 1,243,083</u>	<u>\$ 1,098,473</u>
Fund balance, October 1	<u>-</u>			
Fund balance, September 30	<u>\$ 2,341,556</u>			

CITY OF KILLEEN, TEXAS
REFUNDING BOND SERIES 2011 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 20,906	\$ -	\$ 20,904	\$ 2
Total revenues	20,906	-	20,904	2
EXPENDITURES				
Debt service				
Bond issuance costs	76,000	-	76,000	-
Deferred amount on refunding	140,981	-	140,982	1
Total expenditures	216,981	-	216,982	1
Deficiency of revenues under expenditures	(196,075)	-	(196,078)	3
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	6,875,000	-	6,875,000	-
Premium on refunding bonds issued	412,361	-	412,361	-
Transfers out	(7,070,000)	-	(7,070,000)	-
Total other financing sources (uses)	217,361	-	217,361	-
Net change in fund balance	21,286	\$ -	\$ 21,283	\$ 3
Fund balance, October 1	-			
Fund balance, September 30	\$ 21,286			

CITY OF KILLEEN, TEXAS
PASS THRU FINANCING 195/201 SERIES 2011 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 81,608	\$ -	\$ 81,609	\$ (1)
Total revenues	81,608	-	81,609	(1)
OTHER FINANCING SOURCES				
Transfers in	1,383,425	-	1,383,425	-
Total other financing sources	1,383,425	-	1,383,425	-
Net change in fund balance	1,465,033	\$ -	\$ 1,465,034	\$ (1)
Fund balance, October 1	-			
Fund balance, September 30	\$ 1,465,033			

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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 (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 (2000 Limited Tax Note): To account for expenditures of funds to be used for street improvements.

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

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

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

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

Capital Projects Fund (2007 G.O. and C.O. Bonds): To account for expenditures for the construction of various projects. Financing was provided by the sale of \$17,665,000 of general obligation bonds and \$24,120,000 of certificates of obligation bonds. This fund is presented as a major fund; therefore, it is not presented in the following non-major combining statements.

Capital Projects Fund (2009 G.O. Bonds): To account for expenditures of funds to be used for street improvements and parks and recreation building and facility improvements. Financing was provided by the sale of \$13,175,000 of general obligation bonds.

Capital Projects Fund (2009 C.O. Bonds): To account for expenditures of funds to be used for street improvements, acquiring and purchasing vehicles and equipment for public works, improving city parks and recreation facilities, acquiring and purchasing information technology, and improving the city landfill. Financing was provided by the sale of \$8,500,000 of certificates of obligations bonds.

Capital Projects Fund (2011 Pass Thru Financing 195/201): To account for expenditures of funds to be used for improving roads on the state highway system located in the City, or as a continuation of the project or facility, adjacent to the City.

Capital Projects Fund (2011 Pass Thru Financing 190/2410): To account for expenditures of funds to be used for improving roads on the state highway system located in the City, or as a continuation of the project or facility, adjacent to the City.

Capital Projects Fund (2011 C.O. Bonds): To account for expenditures of funds to be used for street improvements. This fund is presented as a major fund; therefore, it is not presented in the following non-major combining statements.

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2011**

	1993	1995	2000 Limited	2004	2004	2005
	<u>G.O. Bonds</u>	<u>G.O. Bonds</u>	<u>Tax Note</u>	<u>C.O. Bonds</u>	<u>G.O. Bonds</u>	<u>C.O. Bonds</u>
ASSETS						
Assets:						
Cash and cash equivalents	\$ 7,057	\$ 41,909	\$ 1,670,583	\$ 331,151	\$ 787,477	\$ 794,420
Investments	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):						
Grants	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Total assets	<u>\$ 7,057</u>	<u>\$ 41,909</u>	<u>\$ 1,670,583</u>	<u>\$ 331,151</u>	<u>\$ 787,477</u>	<u>\$ 794,420</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 266,044	\$ -	\$ -	\$ 910
Total liabilities	<u>-</u>	<u>-</u>	<u>266,044</u>	<u>-</u>	<u>-</u>	<u>910</u>
Fund balances:						
Restricted for:						
Capital projects	<u>7,057</u>	<u>41,909</u>	<u>1,404,539</u>	<u>331,151</u>	<u>787,477</u>	<u>793,510</u>
Total fund balances	<u>7,057</u>	<u>41,909</u>	<u>1,404,539</u>	<u>331,151</u>	<u>787,477</u>	<u>793,510</u>
Total liabilities and fund balances	<u>\$ 7,057</u>	<u>\$ 41,909</u>	<u>\$ 1,670,583</u>	<u>\$ 331,151</u>	<u>\$ 787,477</u>	<u>\$ 794,420</u>

EXHIBIT C-41

<u>2006 G.O. Bonds</u>	<u>2007 G.O. & C.O. Bonds</u>	<u>2009 G.O. Bonds</u>	<u>2009 C.O. Bonds</u>	<u>2011 Pass Thru Financing 195/201</u>	<u>2011 Pass Thru Financing 190/2410</u>	<u>Total Nonmajor Capital Projects funds (See Exhibit C-1)</u>
\$ 79,537	\$ 1,394,202	\$ 1,668,104	\$ 813,576	\$ 12,023,525	\$ 9,271	\$ 19,620,812
-	1,000,000	2,500,000	1,000,000	5,000,000	-	9,500,000
-	-	38,078	-	-	-	38,078
-	419	1,479	419	1,125	-	3,442
<u>\$ 79,537</u>	<u>\$ 2,394,621</u>	<u>\$ 4,207,661</u>	<u>\$ 1,813,995</u>	<u>\$ 17,024,650</u>	<u>\$ 9,271</u>	<u>\$ 29,162,332</u>
<u>\$ 33,280</u>	<u>\$ 180,998</u>	<u>\$ 75,248</u>	<u>\$ 55,862</u>	<u>\$ 421</u>	<u>\$ 9,271</u>	<u>\$ 622,034</u>
<u>33,280</u>	<u>180,998</u>	<u>75,248</u>	<u>55,862</u>	<u>421</u>	<u>9,271</u>	<u>622,034</u>
<u>46,257</u>	<u>2,213,623</u>	<u>4,132,413</u>	<u>1,758,133</u>	<u>17,024,229</u>	<u>-</u>	<u>28,540,298</u>
<u>46,257</u>	<u>2,213,623</u>	<u>4,132,413</u>	<u>1,758,133</u>	<u>17,024,229</u>	<u>-</u>	<u>28,540,298</u>
<u>\$ 79,537</u>	<u>\$ 2,394,621</u>	<u>\$ 4,207,661</u>	<u>\$ 1,813,995</u>	<u>\$ 17,024,650</u>	<u>\$ 9,271</u>	<u>\$ 29,162,332</u>

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	1993	1995	2000	2004	2004	2005
	G.O. Bonds	G.O. Bonds	Limited Tax Note	C.O. Bonds	G.O. Bonds	C.O. Bonds
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-	-	105,121
Miscellaneous	82	51	2,967	431	1,605	2,902
Total revenues	<u>82</u>	<u>51</u>	<u>2,967</u>	<u>431</u>	<u>1,605</u>	<u>108,023</u>
EXPENDITURES						
Public works	-	-	29,546	-	-	-
Capital outlay	113,458	-	1,090,967	12,549	106,094	2,112,805
Costs of issuance	-	-	-	-	-	-
Total expenditures	<u>113,458</u>	<u>-</u>	<u>1,120,513</u>	<u>12,549</u>	<u>106,094</u>	<u>2,112,805</u>
Excess (deficiency) of revenues over expenditures	<u>(113,376)</u>	<u>51</u>	<u>(1,117,546)</u>	<u>(12,118)</u>	<u>(104,489)</u>	<u>(2,004,782)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(421,117)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(421,117)</u>	<u>-</u>
Net change in fund balance	(113,376)	51	(1,117,546)	(12,118)	(525,606)	(2,004,782)
Fund balances, October 1	<u>120,433</u>	<u>41,858</u>	<u>2,522,085</u>	<u>343,269</u>	<u>1,313,083</u>	<u>2,798,292</u>
Fund balances, September 30	<u>\$ 7,057</u>	<u>\$ 41,909</u>	<u>\$ 1,404,539</u>	<u>\$ 331,151</u>	<u>\$ 787,477</u>	<u>\$ 793,510</u>

EXHIBIT C-42

2006 G.O. Bonds	2007 G.O. & C.O. Bonds	2009 G.O. Bonds	2009 C.O. Bonds	2011 Pass Thru Financing 195/201	2011 Pass Thru Financing 190/2410	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -	\$ -	\$ 148,766	\$ -	\$ -	\$ -	\$ 148,766
-	-	-	-	-	-	105,121
168	6,910	7,633	3,432	3,228	-	29,409
168	6,910	156,399	3,432	3,228	-	283,296
30,850	8,287	-	21,953	29,805	52,830	173,271
91,376	143,218	2,416,720	899,418	451,615	-	7,438,220
-	-	-	-	112,500	9,500	122,000
122,226	151,505	2,416,720	921,371	593,920	62,330	7,733,491
(122,058)	(144,595)	(2,260,321)	(917,939)	(590,692)	(62,330)	(7,450,195)
-	-	-	-	18,060,000	-	18,060,000
-	-	-	-	938,346	-	938,346
-	-	-	-	-	62,330	62,330
-	(67,183)	-	-	(1,383,425)	-	(1,871,725)
-	(67,183)	-	-	17,614,921	62,330	17,188,951
(122,058)	(211,778)	(2,260,321)	(917,939)	17,024,229	-	9,738,756
168,315	2,425,401	6,392,734	2,676,072	-	-	18,801,542
\$ 46,257	\$ 2,213,623	\$ 4,132,413	\$ 1,758,133	\$ 17,024,229	\$ -	\$ 28,540,298

CITY OF KILLEEN, TEXAS
1993 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 82	\$ 180	\$ 180	\$ (98)
Total revenues	<u>82</u>	<u>180</u>	<u>180</u>	<u>(98)</u>
EXPENDITURES				
Capital outlay	<u>113,458</u>	<u>126,000</u>	<u>120,320</u>	<u>6,862</u>
Total expenditures	<u>113,458</u>	<u>126,000</u>	<u>120,320</u>	<u>6,862</u>
Net change in fund balance	(113,376)	<u>\$ (125,820)</u>	<u>\$ (120,140)</u>	<u>\$ 6,764</u>
Fund balance, October 1	<u>120,433</u>			
Fund balance, September 30	<u>\$ 7,057</u>			

CITY OF KILLEEN, TEXAS
1995 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 51	\$ 65	\$ 65	\$ (14)
Total revenues	<u>51</u>	<u>65</u>	<u>65</u>	<u>(14)</u>
EXPENDITURES				
Capital outlay	-	-	16,500	16,500
Total expenditures	<u>-</u>	<u>-</u>	<u>16,500</u>	<u>16,500</u>
Net change in fund balance	51	<u>\$ 65</u>	<u>\$ (16,435)</u>	<u>\$ 16,486</u>
Fund balance, October 1	<u>41,858</u>			
Fund balance, September 30	<u>\$ 41,909</u>			

CITY OF KILLEEN, TEXAS
2000 LIMITED TAX NOTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 2,967	\$ 3,500	\$ 3,500	\$ (533)
Total revenues	<u>2,967</u>	<u>3,500</u>	<u>3,500</u>	<u>(533)</u>
EXPENDITURES				
Public works	29,546	-	1,000,000	970,454
Capital outlay	1,090,967	2,524,850	1,524,850	433,883
Total expenditures	<u>1,120,513</u>	<u>2,524,850</u>	<u>2,524,850</u>	<u>1,404,337</u>
Net change in fund balance	(1,117,546)	<u>\$ (2,521,350)</u>	<u>\$ (2,521,350)</u>	<u>\$ 1,403,804</u>
Fund balance, October 1	<u>2,522,085</u>			
Fund balance, September 30	<u>\$ 1,404,539</u>			

CITY OF KILLEEN, TEXAS
2004 C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 431	\$ 525	\$ 525	\$ (94)
Total revenues	431	525	525	(94)
EXPENDITURES				
Capital outlay	12,549	342,791	343,585	331,036
Total expenditures	12,549	342,791	343,585	331,036
Net change in fund balance	(12,118)	<u>\$ (342,266)</u>	<u>\$ (343,060)</u>	<u>\$ 330,942</u>
Fund balance, October 1	<u>343,269</u>			
Fund balance, September 30	<u>\$ 331,151</u>			

CITY OF KILLEEN, TEXAS
2004 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 1,605	\$ 3,000	\$ 3,000	\$ (1,395)
Total revenues	1,605	3,000	3,000	(1,395)
EXPENDITURES				
Capital outlay	106,094	894,413	956,187	850,093
Total expenditures	106,094	894,413	956,187	850,093
Deficiency of revenues under expenditures	(104,489)	(891,413)	(953,187)	848,698
OTHER FINANCING USES				
Transfers out	(421,117)	(392,370)	(421,117)	-
Total other financing uses	(421,117)	(392,370)	(421,117)	-
Net change in fund balance	(525,606)	<u>\$(1,283,783)</u>	<u>\$(1,374,304)</u>	<u>\$ 848,698</u>
Fund balance, October 1	<u>1,313,083</u>			
Fund balance, September 30	<u>\$ 787,477</u>			

CITY OF KILLEEN, TEXAS
2005 C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Contributions	\$ 105,121	\$ -	\$ -	\$ 105,121
Miscellaneous	2,902	5,000	5,000	(2,098)
Total revenues	<u>108,023</u>	<u>5,000</u>	<u>5,000</u>	<u>103,023</u>
EXPENDITURES				
Capital outlay	<u>2,112,805</u>	<u>2,510,686</u>	<u>3,009,336</u>	<u>896,531</u>
Total expenditures	<u>2,112,805</u>	<u>2,510,686</u>	<u>3,009,336</u>	<u>896,531</u>
Net change in fund balance	(2,004,782)	<u>\$ (2,505,686)</u>	<u>\$(3,004,336)</u>	<u>\$ 999,554</u>
Fund balance, October 1	<u>2,798,292</u>			
Fund balance, September 30	<u>\$ 793,510</u>			

CITY OF KILLEEN, TEXAS
2006 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 168	\$ 200	\$ 200	\$ (32)
Total revenues	168	200	200	(32)
EXPENDITURES				
Public works	30,850	10,850	30,850	-
Capital outlay	91,376	158,736	138,736	47,360
Total expenditures	122,226	169,586	169,586	47,360
Net change in fund balance	(122,058)	\$ (169,386)	\$ (169,386)	\$ 47,328
Fund balance, October 1	168,315			
Fund balance, September 30	\$ 46,257			

CITY OF KILLEEN, TEXAS
2007 G.O. & C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 6,910	\$ 54,000	\$ 54,000	\$ (47,090)
Total revenues	6,910	54,000	54,000	(47,090)
EXPENDITURES				
Public works	8,287	5,575	13,886	5,599
Capital outlay	143,218	2,431,068	3,140,773	2,997,555
Total expenditures	151,505	2,436,643	3,154,659	3,003,154
Deficiency of revenues under expenditures	(144,595)	(2,382,643)	(3,100,659)	2,956,064
OTHER FINANCING USES				
Transfers out	(67,183)	-	(67,183)	-
Total other financing uses	(67,183)	-	(67,183)	-
Net change in fund balance	(211,778)	\$ (2,382,643)	\$ (3,167,842)	\$ 2,956,064
Fund balance, October 1	2,425,401			
Fund balance, September 30	\$ 2,213,623			

CITY OF KILLEEN, TEXAS
2009 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental revenue	\$ 148,766	\$ 126,000	\$ 126,000	\$ 22,766
Miscellaneous	7,633	22,000	22,000	(14,367)
Total revenues	<u>156,399</u>	<u>148,000</u>	<u>148,000</u>	<u>8,399</u>
EXPENDITURES				
Capital outlay	<u>2,416,720</u>	<u>5,060,251</u>	<u>6,794,691</u>	<u>4,377,971</u>
Total expenditures	<u>2,416,720</u>	<u>5,060,251</u>	<u>6,794,691</u>	<u>4,377,971</u>
Net change in fund balance	(2,260,321)	<u>\$ (4,912,251)</u>	<u>\$ (6,646,691)</u>	<u>\$ 4,386,370</u>
Fund balance, October 1	<u>6,392,734</u>			
Fund balance, September 30	<u>\$ 4,132,413</u>			

CITY OF KILLEEN, TEXAS
2009 C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 3,432	\$ 5,600	\$ 5,600	\$ (2,168)
Total revenues	<u>3,432</u>	<u>5,600</u>	<u>5,600</u>	<u>(2,168)</u>
EXPENDITURES				
Public works	21,953	18,756	48,817	26,864
Capital outlay	899,418	2,664,053	2,768,668	1,869,250
Total expenditures	<u>921,371</u>	<u>2,682,809</u>	<u>2,817,485</u>	<u>1,896,114</u>
Net change in fund balance	(917,939)	<u>\$ (2,677,209)</u>	<u>\$ (2,811,885)</u>	<u>\$ 1,893,946</u>
Fund balance, October 1	<u>2,676,072</u>			
Fund balance, September 30	<u>\$ 1,758,133</u>			

CITY OF KILLEEN, TEXAS
2011 PASS THRU FINANCING 195/201 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 3,228	\$ -	\$ -	\$ 3,228
Total revenues	3,228	-	-	3,228
EXPENDITURES				
Public works	29,805	-	29,815	10
Capital outlay	451,615	-	19,413,609	18,961,994
Costs of issuance	112,500	-	112,500	-
Total expenditures	593,920	-	19,555,924	18,962,004
Deficiency of revenues under expenditures	(590,692)	-	(19,555,924)	18,965,232
OTHER FINANCING SOURCES (USES)				
Issuance of debt	18,060,000	-	18,060,000	-
Premium on issuance of debt	938,346	-	938,346	-
Transfers out	(1,383,425)	-	(1,383,425)	-
Total other financing sources (uses)	17,614,921	-	17,614,921	-
Net change in fund balance	17,024,229	\$ -	\$ (1,941,003)	\$ 18,965,232
Fund balance, October 1	-			
Fund balance, September 30	\$17,024,229			

CITY OF KILLEEN, TEXAS
2011 PASS THRU FINANCING 190/2410 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Public works	52,830	20,669,291	20,659,791	20,606,961
Capital outlay	-	48,750	48,750	48,750
Costs of issuance	9,500	-	9,500	-
Total expenditures	62,330	20,718,041	20,718,041	20,655,711
Deficiency of revenues under expenditures	(62,330)	(20,718,041)	(20,718,041)	20,655,711
OTHER FINANCING SOURCES				
Issuance of debt	-	20,718,041	20,718,041	(20,718,041)
Transfers in	62,330	-	-	62,330
Total other financing sources	62,330	20,718,041	20,718,041	(20,655,711)
Net change in fund balance	-	\$ -	\$ -	\$ -
Fund balance, October 1	-			
Fund balance, September 30	\$ -			

**CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Taxes:				
Ad valorem	\$ 22,861,994	\$ 23,178,281	\$ 23,178,281	\$ (316,287)
Penalty and interest	258,524	255,000	255,000	3,524
Beverage	254,405	302,724	302,724	(48,319)
Franchise	6,030,760	5,282,284	5,282,284	748,476
City sales	18,670,908	19,686,838	19,686,838	(1,015,930)
Bingo	213,972	222,000	222,000	(8,028)
Total taxes	<u>48,290,563</u>	<u>48,927,127</u>	<u>48,927,127</u>	<u>(636,564)</u>
Licenses, permits and fees:				
Building permits and inspections	576,228	650,000	650,000	(73,772)
Electrical permits and inspections	118,937	107,000	107,000	11,937
Plumbing permits and inspections	131,535	105,000	105,000	26,535
Miscellaneous licenses	228,042	252,500	252,500	(24,458)
Taxi operators licenses	4,405	4,400	4,400	5
Food handlers permits	19,785	21,000	21,000	(1,215)
Trailer court licenses	9,195	9,000	9,000	195
Building plans review	92,742	94,000	94,000	(1,258)
Mechanical inspections	42,045	45,000	45,000	(2,955)
Code enforcement abatement	61,655	95,000	95,000	(33,345)
Total licenses, permits and fees	<u>1,284,569</u>	<u>1,382,900</u>	<u>1,382,900</u>	<u>(98,331)</u>
Intergovernmental:				
Bell County contribution - ambulance service	-	3,500	3,500	(3,500)
Civil defense matching funds	24,505	21,309	21,309	3,196
Community assistance	388,278	329,946	329,946	58,332
Public safety	226,049	65,000	626,310	(400,261)
Total intergovernmental	<u>638,832</u>	<u>419,755</u>	<u>981,065</u>	<u>(342,233)</u>
Charges for Services:				
Ambulance service fees	2,790,750	2,864,265	2,864,265	(73,515)
Miscellaneous police receipts	81,997	78,250	78,250	3,747
Planning and zoning fees	36,090	30,000	30,000	6,090
Cemetery lots	40,270	30,000	30,000	10,270
Golf course receipts	1,303,725	1,275,780	1,275,780	27,945
Recreation receipts	750,115	699,300	699,300	50,815
Family aquatics center	306,090	478,386	478,386	(172,296)
Library charges and contributions	40,032	36,500	36,500	3,532
Swimming pool receipts and lessons	73,678	62,000	62,000	11,678
Graffiti removal	-	50	50	(50)
Total charges for services	<u>5,422,747</u>	<u>5,554,531</u>	<u>5,554,531</u>	<u>(131,784)</u>
Fines:				
Municipal court fines	2,075,513	2,049,507	2,049,507	26,006
Arrest fines	354,543	300,000	300,000	54,543
Parking fines	14,593	35,000	35,000	(20,407)
Court tax service fee	105,739	94,374	94,374	11,365
Total fines	<u>2,550,388</u>	<u>2,478,881</u>	<u>2,478,881</u>	<u>71,507</u>
Miscellaneous:				
Contributions	444,024	-	-	444,024
Miscellaneous receipts	650,178	552,674	552,674	97,504
Total miscellaneous	<u>1,094,202</u>	<u>552,674</u>	<u>552,674</u>	<u>541,528</u>
Totals	<u>\$ 59,281,301</u>	<u>\$ 59,315,868</u>	<u>\$ 59,877,178</u>	<u>\$ (595,877)</u>

CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
General Government:				
City council	\$ 40,145	\$ 62,193	\$ 62,193	\$ 22,048
City manager	343,167	479,222	362,222	19,055
Assistant city manager	279,414	290,022	290,022	10,608
City auditor	105,319	105,528	105,528	209
Municipal court	926,642	945,697	945,697	19,055
Public information	142,660	157,139	157,139	14,479
City attorney	800,229	841,291	841,291	41,062
City secretary	94,584	99,677	99,677	5,093
Financial services	2,021,618	2,209,591	2,209,591	187,973
Human resources	909,570	969,888	969,888	60,318
Information systems	903,062	983,670	983,670	80,608
Planning and development	2,573,010	2,794,303	2,794,303	221,293
Non-departmental	6,346,913	5,656,845	6,401,845	54,932
Total general government	15,486,333	15,595,066	16,223,066	736,733
Public Safety:				
Police	23,776,809	22,889,423	23,859,640	82,831
Animal control	531,038	591,584	613,584	82,546
Fire	16,466,376	16,365,633	16,590,564	124,188
Total public safety	40,774,223	39,846,640	41,063,788	289,565
Public Works:				
Public works	1,023,854	231,709	235,549	(788,305)
Traffic	811,969	851,755	992,566	180,597
Street	2,764,821	3,583,785	3,439,134	674,313
Engineering	232,205	282,634	282,634	50,429
Total public works	4,832,849	4,949,883	4,949,883	117,034
Community Services:				
Senior citizens	315,382	381,550	361,550	46,168
Library	1,560,567	1,629,030	1,629,030	68,463
Parks	2,856,991	3,161,517	3,185,964	328,973
Recreation	248,839	304,039	304,039	55,200
Athletics	371,587	440,433	424,510	52,923
Swimming pools	38,731	137,653	54,054	15,323
Family aquatics center	461,259	564,092	647,691	186,432
Golf course	1,610,583	1,701,883	1,701,883	91,300
Cemetery	329,694	350,062	350,062	20,368
Volunteer services	173,936	165,829	177,305	3,369
Total community services	7,967,569	8,836,088	8,836,088	868,519
Totals	\$69,060,974	\$ 69,227,677	\$71,072,825	\$ 2,011,851

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STATISTICAL SECTION

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

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

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Financial Trends	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	166
Revenue Capacity	
These schedules contain information to help the reader assess the City’s significant local revenue sources, the property and sales tax.	178
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City’s currently outstanding debt and the City’s ability to issue additional debt in the future.	184
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	194
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information contained in the City’s financial report relates to the services the City provides and the activities it performs.	196

Sources: Unless otherwise noted, the information in these schedules is derived from the City’s comprehensive annual financial reports for the relevant year.

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 6,925,605	\$ 6,214,132	\$ 61,202,734	\$ 64,943,647
Restricted for:				
Debt service	966,333	1,770,519	1,805,892	1,834,087
Capital projects	1,975,672	1,319,532	1,959,944	3,375,187
Other purposes	-	-	1,045,638	1,753,412
Unrestricted	3,461,394	2,351,308	15,361,775	17,089,942
Total governmental activities net assets	<u>\$ 13,329,004</u>	<u>\$ 11,655,491</u>	<u>\$ 81,375,983</u>	<u>\$ 88,996,275</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 74,670,451	\$ 103,780,206	\$ 122,964,598	\$ 146,389,308
Restricted for:				
Debt service	2,319,315	3,258,464	6,130,078	8,246,358
Capital projects	1,614,967	1,542,978	9,067,780	3,836,414
Unrestricted	22,632,162	23,524,097	16,045,497	23,048,333
Total business-type activities net assets	<u>\$ 101,236,895</u>	<u>\$ 132,105,745</u>	<u>\$ 154,207,953</u>	<u>\$ 181,520,413</u>
Primary government				
Invested in capital assets, net of related debt	\$ 81,596,056	\$ 109,994,338	\$ 184,167,332	\$ 211,332,955
Restricted for:				
Debt service	3,285,648	5,028,983	7,935,970	10,080,445
Capital projects	3,590,639	2,862,510	11,027,724	7,211,601
Other purposes	-	-	1,045,638	1,753,412
Unrestricted	26,093,556	25,875,405	31,407,272	40,138,275
Total primary government activities net assets	<u>\$ 114,565,899</u>	<u>\$ 143,761,236</u>	<u>\$ 235,583,936</u>	<u>\$ 270,516,688</u>

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

The City implemented GASB Statement 34 in 2003. Schedules presenting government-wide information include information beginning in that year.

Additionally, the City began reporting infrastructure assets in the governmental funds in 2005.

TABLE I

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 66,407,909	\$ 71,779,033	\$ 70,086,573	\$ 66,697,447	\$ 67,024,699
2,358,132	3,440,517	3,359,077	3,008,055	6,033,367
5,336,131	5,073,720	9,269,562	8,085,411	7,134,634
1,976,662	2,976,016	3,944,130	3,271,170	2,768,621
<u>17,780,708</u>	<u>19,250,157</u>	<u>17,417,463</u>	<u>16,516,531</u>	<u>12,126,100</u>
<u>\$ 93,859,542</u>	<u>\$ 102,519,443</u>	<u>\$ 104,076,805</u>	<u>\$ 97,578,614</u>	<u>\$ 95,087,421</u>
\$ 153,152,207	\$ 157,885,676	\$ 160,788,607	\$ 164,542,836	\$ 171,472,647
6,277,051	6,466,505	9,025,106	7,987,426	7,963,550
-	-	3,016,080	14,536,005	10,665,886
<u>32,582,310</u>	<u>36,562,391</u>	<u>28,216,103</u>	<u>17,959,851</u>	<u>22,652,313</u>
<u>\$ 192,011,568</u>	<u>\$ 200,914,572</u>	<u>\$ 201,045,896</u>	<u>\$ 205,026,118</u>	<u>\$ 212,754,396</u>
\$ 219,560,116	\$ 229,664,709	\$ 230,875,180	\$ 231,240,283	\$ 238,497,346
8,635,183	9,907,022	12,384,183	10,995,481	13,996,917
5,336,131	5,073,720	12,285,642	22,621,416	17,800,520
1,976,662	2,976,016	3,944,130	3,271,170	2,768,621
<u>50,363,018</u>	<u>55,812,548</u>	<u>45,633,566</u>	<u>34,476,382</u>	<u>34,778,413</u>
<u>\$ 285,871,110</u>	<u>\$ 303,434,015</u>	<u>\$ 305,122,701</u>	<u>\$ 302,604,732</u>	<u>\$ 307,841,817</u>

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

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

Note: The data in this table is extracted from Exhibit A-2.

The City implemented GASB Statement 34 in 2003. Schedules presenting government-wide information include information beginning in that year.

TABLE II

	2007	2008	2009	2010	2011
\$	13,059,352	\$ 14,662,853	\$ 13,873,564	\$ 16,580,327	\$ 18,165,769
	18,035,487	20,397,809	21,808,286	24,495,756	26,236,271
	11,732,401	14,337,399	16,272,177	16,345,268	18,226,647
	8,835,018	8,982,754	10,655,648	11,062,840	10,395,353
	1,324,670	1,454,180	1,683,583	1,481,728	1,607,797
	2,602,046	3,016,481	3,472,513	2,684,980	3,865,604
	1,470,975	1,671,261	1,879,877	1,714,427	1,879,011
	1,402,169	1,116,316	-	-	-
	4,201,866	4,499,962	5,625,155	5,711,591	5,327,023
	-	566,497	-	-	-
	-	-	-	-	-
	3,526,706	5,229,662	5,092,447	5,280,410	5,418,468
	66,190,690	75,935,174	80,363,250	85,357,327	91,121,943
	6,032,956	6,945,205	6,788,224	6,843,195	7,266,448
	-	-	-	-	-
	9,923,685	11,119,731	11,811,015	12,239,129	12,522,011
	21,805,817	23,228,947	24,610,252	25,586,685	26,689,831
	1,354,988	1,792,628	2,405,678	2,336,704	2,926,201
	39,117,446	43,086,511	45,615,169	47,005,713	49,404,491
\$	105,308,136	\$ 119,021,685	\$ 125,978,419	\$ 132,363,040	\$ 140,526,434
\$	1,845,447	\$ 2,262,954	\$ 4,501,278	\$ 4,185,056	\$ 4,613,298
	240,764	466,590	1,442,079	877,344	898,164
	2,371,608	2,548,848	2,674,030	2,724,017	2,886,744
	41,944	48,501	39,973	42,879	40,032
	233,265	244,901	756,496	1,049,252	1,097,994
	1,084,479	1,267,776	1,294,705	1,210,900	1,303,724
	1,414,929	1,450,396	-	-	-
	-	33,029	272,237	741,400	696,981
	-	67,685	-	-	-
	-	-	-	-	-
	5,088,196	3,402,527	3,079,605	2,816,838	3,398,318
	4,293,671	6,400,992	2,348,835	1,842,757	5,300,013
\$	16,614,303	\$ 18,194,199	\$ 16,409,238	\$ 15,490,443	\$ 20,235,268

(CONTINUED)

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

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

TABLE II (CONT'D)

2007	2008	2009	2010	2011
\$ 4,182,662	\$ 4,349,157	\$ 4,165,638	\$ 4,632,837	\$ 4,699,432
-	-	-	-	-
11,541,857	11,669,439	11,688,896	13,530,501	14,405,513
26,898,319	30,195,389	30,603,258	30,001,656	35,659,361
2,124,081	2,807,992	2,909,004	3,016,767	3,597,206
25,304	49,885	-	-	-
8,981,423	6,263,495	4,590,343	5,125,074	6,195,071
<u>53,753,646</u>	<u>55,335,357</u>	<u>53,957,139</u>	<u>56,306,835</u>	<u>64,556,583</u>
<u>\$ 70,367,949</u>	<u>\$ 73,529,556</u>	<u>\$ 70,366,377</u>	<u>\$ 71,797,278</u>	<u>\$ 84,791,851</u>
\$ (49,576,387)	\$ (57,740,975)	\$ (63,954,012)	\$ (69,866,884)	\$ (70,886,675)
14,636,200	12,248,846	8,341,970	9,301,122	15,152,092
<u>\$ (34,940,187)</u>	<u>\$ (45,492,129)</u>	<u>\$ (55,612,042)</u>	<u>\$ (60,565,762)</u>	<u>\$ (55,734,583)</u>
\$ 23,692,133	\$ 26,916,750	\$ 29,735,458	\$ 30,779,266	\$ 33,109,001
205,665	222,122	238,617	250,000	256,765
240,268	310,536	268,902	293,119	254,405
4,960,867	5,078,001	5,203,332	5,406,007	6,277,179
20,009,130	21,220,074	19,850,152	20,648,682	20,306,910
199,589	222,237	221,231	220,694	213,972
3,722,650	3,380,735	1,013,032	211,699	353,738
-	-	-	-	-
4,013,454	5,877,838	7,697,188	5,559,226	7,623,512
<u>57,043,756</u>	<u>63,228,293</u>	<u>64,227,912</u>	<u>63,368,693</u>	<u>68,395,482</u>
2,920,129	2,500,202	747,651	203,576	128,751
-	31,794	22,353	34,750	21,334
-	-	-	-	49,613
<u>(4,013,454)</u>	<u>(5,877,838)</u>	<u>(7,697,188)</u>	<u>(5,559,226)</u>	<u>(7,623,512)</u>
<u>(1,093,325)</u>	<u>(3,345,842)</u>	<u>(6,927,184)</u>	<u>(5,320,900)</u>	<u>(7,423,814)</u>
<u>\$ 55,950,431</u>	<u>\$ 59,882,451</u>	<u>\$ 57,300,728</u>	<u>\$ 58,047,793</u>	<u>\$ 60,971,668</u>
\$ 7,467,369	\$ 5,487,318	\$ 273,900	\$ (6,498,191)	\$ (2,491,193)
13,542,875	8,903,004	1,414,786	3,980,222	7,728,278
<u>\$ 21,010,244</u>	<u>\$ 14,390,322</u>	<u>\$ 1,688,686</u>	<u>\$ (2,517,969)</u>	<u>\$ 5,237,085</u>

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TABLE III

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

<u>Fiscal Year</u>	<u>Ad Valorem Taxes*</u>	<u>Penalty and Interest</u>	<u>City Sales Tax</u>	<u>Beverage Tax</u>	<u>Franchise Tax</u>	<u>Bingo</u>	<u>Total</u>
2002	\$ 10,912,106	\$ 85,576	\$ 12,800,703	\$ 135,846	\$ 4,007,147	\$ 98,180	\$ 28,039,558
2003	11,643,486	150,039	13,321,622	144,208	4,114,949	105,742	29,480,046
2004	12,846,085	150,943	14,659,223	163,675	3,933,838	129,452	31,883,216
2005	13,702,865	173,518	16,240,984	183,734	4,231,603	159,132	34,691,836
2006	14,750,670	172,446	18,452,935	188,977	4,739,736	199,000	38,503,764
2007	23,692,133	205,665	20,009,130	240,268	4,960,867	199,589	49,307,652
2008	26,916,750	222,122	21,220,074	310,536	5,078,001	222,237	53,969,720
2009	29,735,458	238,617	19,850,152	268,902	5,203,332	221,231	55,517,692
2010	30,779,266	250,000	20,648,682	293,119	5,406,007	220,694	57,597,768
2011	33,109,001	256,765	20,306,910	254,405	6,277,179	213,972	60,418,232

*Includes General Fund tax revenues only for 2002-2006.

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

	Fiscal Year			
	2002	2003	2004	2005
General fund				
Reserved				
Encumbrances	\$ 790,589	\$ 306,008	\$ 528,803	\$ 1,194,710
Non-current portion of notes receivable	31,716	15,858	15,858	-
Inventories	427,735	433,794	485,253	291,166
Prepaid expenditures	13,842	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated	1,525,000	1,525,000	1,525,000	1,525,000
Undesignated	13,173,508	13,240,969	12,954,178	14,880,099
Nonspendable:				
Inventories	-	-	-	-
Prepaid assets	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Other purposes	-	-	-	-
Committed to:				
Vehicle replacement	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 15,962,390</u>	<u>\$ 15,521,629</u>	<u>\$ 15,509,092</u>	<u>\$ 17,890,975</u>
All other governmental funds:				
Reserved for:				
Encumbrances	\$ 283,235	\$ 164,417	\$ 337,535	\$ 465,248
Inventories	-	-	-	-
Debt service	843,058	966,333	1,770,519	2,157,576
Capital projects	5,537,541	13,744,301	5,261,012	24,509,045
Unreserved:				
Other governmental funds	-	-	-	1,045,638
Undesignated - special revenue	1,261,161	809,805	757,107	-
Nonspendable:				
Inventories	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Committed to:				
Killeen Arts and Activities Center	-	-	-	-
Total all other governmental funds	<u>\$ 7,924,995</u>	<u>\$ 15,684,856</u>	<u>\$ 8,126,173</u>	<u>\$ 28,177,507</u>

Note: The data in this table is extracted from Exhibit A-3.

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011, and opted not to restate previous years' activity.

TABLE IV

2006	2007	2008	2009	2010	2011
\$ 930,956	\$ 1,716,100	\$ 754,278	\$ 692,172	\$ 635,783	\$ -
-	-	-	-	-	-
282,285	361,620	414,624	368,180	404,478	-
-	-	-	-	-	-
-	-	240,170	240,170	240,170	-
1,525,000	1,525,000	1,525,000	1,837,688	1,891,405	-
17,896,691	18,186,697	21,177,858	19,825,761	19,029,602	-
-	-	-	-	-	417,664
-	-	-	-	-	170,891
-	-	-	-	-	240,171
-	-	-	-	-	380,641
-	-	-	-	-	63,383
-	-	-	-	-	17,977,741
<u>\$ 20,634,932</u>	<u>\$ 21,789,417</u>	<u>\$ 24,111,930</u>	<u>\$ 22,963,971</u>	<u>\$ 22,201,438</u>	<u>\$ 19,250,491</u>
\$ 133,860	\$ 328,900	\$ 101,922	\$ 116,078	\$ 244,044	\$ -
-	-	-	4,861	6,864	-
2,294,404	2,806,680	4,019,172	4,042,477	3,630,277	-
39,978,725	24,355,131	45,197,523	34,946,977	18,801,542	-
1,753,412	-	-	1,972	-	-
-	1,976,662	2,976,016	3,944,130	3,271,170	-
-	-	-	-	-	6,196
-	-	-	-	-	7,055,118
-	-	-	-	-	56,991,885
-	-	-	-	-	2,387,980
-	-	-	-	-	38,232
<u>\$ 44,160,401</u>	<u>\$ 29,467,373</u>	<u>\$ 52,294,633</u>	<u>\$ 43,056,495</u>	<u>\$ 25,953,897</u>	<u>\$ 66,479,411</u>

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

	Fiscal Year			
	2002	2003	2004	2005
Revenues:				
Taxes	\$ 32,508,040	\$ 33,942,040	\$ 37,236,747	\$ 40,374,681
Licenses and permits	956,773	911,366	1,041,730	1,226,994
Intergovernmental	2,667,993	1,150,096	1,719,074	2,544,806
Charges for services	2,790,145	3,296,013	2,787,143	2,478,713
Fines	593,396	723,143	894,038	1,036,688
Contributions	-	-	-	-
Developer contributions	-	-	-	-
Miscellaneous	1,791,756	1,725,039	1,347,704	2,542,252
Total revenues	<u>41,308,103</u>	<u>41,747,697</u>	<u>45,026,436</u>	<u>50,204,134</u>
Expenditures:				
General government	3,913,934	5,545,415	5,467,205	6,366,296
Public safety	18,783,801	19,310,906	20,389,613	21,486,251
Public works	4,129,795	3,966,588	4,042,427	4,517,392
Community services	7,140,173	6,507,274	6,469,184	5,196,402
Miscellaneous	3,202,014	4,210,902	4,706,548	5,690,519
Capital outlay	15,274,200	4,573,686	7,223,249	3,812,506
Debt service:				
Principal	2,335,160	2,453,488	2,842,567	2,907,350
Interest	1,959,689	1,835,077	2,154,860	2,531,840
Fiscal charges	-	16,515	18,559	18,677
Costs of issuance	-	90,533	-	120,732
Deferred amount on refunding	-	-	-	-
Total expenditures	<u>56,738,766</u>	<u>48,510,384</u>	<u>53,314,212</u>	<u>52,647,965</u>
Deficiency of revenues under expenditures	(15,430,663)	(6,762,687)	(8,287,776)	(2,443,831)
Other financing sources (uses):				
Issuance of capital-related debt	-	11,000,000	772,669	18,969,760
Refunding bonds issued	-	-	-	-
Premium/discount on issuance of debt	-	212,000	-	-
Proceeds from fixed asset dispositions	-	-	-	-
Refund to bond escrow agent	-	-	-	-
Transfers in	4,608,797	5,276,758	6,064,663	8,272,993
Transfers out	(1,445,125)	(2,406,970)	(6,120,776)	(2,940,146)
Total other financing sources	<u>3,163,672</u>	<u>14,081,788</u>	<u>716,556</u>	<u>24,302,607</u>
Net changes in fund balances	<u>\$ (12,266,991)</u>	<u>\$ 7,319,101</u>	<u>\$ (7,571,220)</u>	<u>\$ 21,858,776</u>
Debt service as a percentage of noncapital expenditures	7.9%	9.8%	10.5%	11.5%

Note: The data in this table is extracted from Exhibit A-5.

TABLE V

	2006	2007	2008	2009	2010	2011
\$	44,209,826	\$ 49,259,941	\$ 53,937,806	\$ 55,435,770	\$ 57,594,108	\$ 60,328,145
	1,673,018	1,292,332	1,438,989	1,100,819	1,365,200	1,284,569
	1,808,426	5,088,196	3,023,159	2,416,723	3,302,656	4,714,540
	2,896,794	4,034,110	4,857,966	5,474,140	5,581,992	5,896,989
	1,346,557	1,845,447	2,644,196	3,993,509	3,246,230	3,503,274
	-	-	-	465,885	446,996	549,145
	5,152,753	3,305,484	5,888,521	1,984,083	850,165	3,375,908
	4,573,737	4,711,079	3,755,908	2,021,935	905,216	1,220,296
	<u>61,661,111</u>	<u>69,536,589</u>	<u>75,546,545</u>	<u>72,892,864</u>	<u>73,292,563</u>	<u>80,872,866</u>
	7,568,283	6,656,910	7,096,970	8,709,995	10,465,499	10,794,299
	25,346,243	28,487,534	33,188,694	35,666,780	36,873,391	40,841,867
	4,303,518	4,881,644	5,100,406	4,672,140	4,047,734	4,340,764
	4,704,721	9,822,757	10,566,828	10,863,401	9,305,228	10,701,424
	4,851,202	4,652,358	5,468,436	4,247,495	5,531,595	6,412,904
	13,664,044	19,518,661	30,278,105	37,746,644	20,243,349	19,187,531
	3,066,407	4,528,400	5,120,434	5,005,274	4,985,911	5,366,470
	3,167,191	3,507,615	4,795,150	4,938,132	5,195,100	5,123,184
	19,089	6,227	259,376	18,924	25,732	13,395
	-	-	-	-	109,000	335,000
	-	-	-	-	546,097	140,981
	<u>66,690,698</u>	<u>82,062,106</u>	<u>101,874,399</u>	<u>111,868,785</u>	<u>97,328,636</u>	<u>103,257,819</u>
	(5,029,587)	(12,525,517)	(26,327,854)	(38,975,921)	(24,036,073)	(22,384,953)
	21,623,647	-	42,868,775	19,675,000	-	50,100,000
	-	-	-	744,600	13,330,000	6,875,000
	(427,862)	-	(441,569)	(82,825)	365,808	2,451,008
	18,668	-	-	-	-	-
	-	-	-	(727,601)	(13,084,092)	(7,090,000)
	6,711,505	6,056,081	7,294,703	13,392,203	20,103,714	18,075,712
	<u>(4,169,520)</u>	<u>(2,042,627)</u>	<u>(1,416,865)</u>	<u>(5,695,015)</u>	<u>(14,544,488)</u>	<u>(10,452,200)</u>
	<u>23,756,438</u>	<u>4,013,454</u>	<u>48,305,044</u>	<u>27,306,362</u>	<u>6,170,942</u>	<u>59,959,520</u>
\$	<u>18,726,851</u>	<u>\$ (8,512,063)</u>	<u>\$ 21,977,190</u>	<u>\$ (11,669,559)</u>	<u>\$ (17,865,131)</u>	<u>\$ 37,574,567</u>
	12.1%	13.1%	14.1%	13.3%	12.8%	12.4%

TABLE VI

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

Fiscal Year Ended	Taxable Assessed Value		Less: Tax Exempt Property	Total Taxable Assessed Valuation	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property					
2002	\$ 1,894,856,103	\$ 303,325,791	\$ 254,849,959	\$ 1,943,331,935	0.6800	\$ 2,458,816,286	0.7904
2003	2,014,916,592	315,247,673	286,553,517	2,043,610,748	0.6800	2,623,975,762	0.7788
2004	2,522,768,679	320,734,650	307,256,037	2,536,247,292	0.6990	2,854,692,140	0.8884
2005	2,660,558,752	350,370,677	320,635,274	2,690,294,155	0.6950	3,018,010,096	0.8914
2006	2,998,256,599	360,965,321	335,207,423	3,024,014,497	0.6950	3,395,819,417	0.8905
2007	3,492,613,445	362,828,152	350,942,363	3,504,499,234	0.6950	3,904,819,744	0.8975
2008	3,977,228,893	370,077,827	371,725,172	3,975,581,548	0.6950	4,375,136,071	0.9087
2009	4,399,405,101	388,992,264	390,286,994	4,398,110,371	0.6950	4,810,217,058	0.9143
2010	4,697,341,556	381,864,985	513,563,290	4,565,643,251	0.6950	5,097,637,799	0.8956
2011	4,757,431,670	379,688,426	538,872,784	4,598,247,312	0.7428	5,153,883,639	0.8922

Source: Bell County Tax Appraisal District

TABLE VII

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

Fiscal Year	Tax Year	City of Killeen General Fund	City of Killeen Debt Service	Total City of Killeen	Bell County	Killeen ISD	Central Texas College	Total
2002	2001	0.51620	0.16380	0.6800	0.3651	1.4280	0.1485	2.6216
2003	2002	0.52110	0.17790	0.6990	0.3651	1.5223	0.1475	2.7339
2004	2003	0.52183	0.17317	0.6950	0.3650	1.5633	0.1475	2.7708
2005	2004	0.52183	0.17317	0.6950	0.3610	1.5583	0.1470	2.7613
2006	2005	0.50020	0.19480	0.6950	0.3760	1.5583	0.1460	2.7753
2007	2006	0.47625	0.21875	0.6950	0.3815	1.4191	0.1420	2.6376
2008	2007	0.46256	0.23244	0.6950	0.3795	1.1412	0.1420	2.3577
2009	2008	0.49281	0.20219	0.6950	0.3779	1.1412	0.1410	2.3551
2010	2009	0.49057	0.20443	0.6950	0.3759	1.1412	0.1409	2.3530
2011	2010	0.50872	0.23408	0.7428	0.3820	1.1412	0.1409	2.4069

Source: Bell County Tax Appraisal District

TABLE VIII

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

Name of Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Oncor Electric Delivery Co. LLC	\$ 41,834,849	1	0.91%			
Wal-Mart Real Estate	20,266,466	2	0.44%	\$ 7,772,616	9	0.29%
Killeen Mall, LLC	16,892,015	3	0.37%			
Central Telephone Company of TX	15,929,538	4	0.35%	42,329,833	2	1.58%
Watercrest Place LP	13,789,553	5	0.30%			
Stone Creek Investment LLC	13,616,813	6	0.30%			0.00%
HEB Grocery Company, LP	12,083,380	7	0.26%			
Feiga/Sierra Creek LP	11,023,520	8	0.24%	8,448,943	6	
TWE-Advanced/Newhouse Partnership	10,548,315	9	0.23%			0.00%
WLC Brookside Apartments LP	9,942,582	10	0.22%			
TXU Electric Company				49,410,923	1	1.85%
Student Loan Marketing Assoc.				19,564,706	3	0.73%
Southwest Shopping Center				12,370,899	4	0.46%
Wal-Mart Stores				9,307,173	5	
Time Warner Advance				12,857,018	7	0.48%
Oakwood Homes				7,777,855	8	0.29%
R.W. Associates				6,632,825	10	0.25%
Subtotal	165,927,031		3.61%	176,472,791		6.60%
All other taxpayers	4,432,320,281		96.39%	2,498,533,982		93.40%
	<u>\$ 4,598,247,312</u>		<u>100.00%</u>	<u>\$ 2,675,006,773</u>		<u>100.00%</u>

Source: Bell County Tax Appraisal District

TABLE IX

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

Fiscal Year September 30	Total Tax Levy for Fiscal Year	Tax Levy	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years (1)	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	2001	\$ 14,947,638	\$ 14,370,546	96.14%	\$ 345,835	\$ 14,716,381	98.45%
2003	2002	15,845,119	15,045,984	94.96%	418,055	15,464,039	97.59%
2004	2003	17,728,368	16,959,606	95.66%	415,950	17,375,556	98.01%
2005	2004	18,697,545	17,957,697	96.04%	441,789	18,399,486	98.41%
2006	2005	21,016,898	20,179,257	96.01%	461,613	20,640,870	98.21%
2007	2006	24,348,127	23,386,242	96.05%	490,899	23,877,141	98.07%
2008	2007	27,630,290	26,697,567	96.62%	339,246	27,036,813	97.85%
2009	2008	30,566,865	29,523,348	96.59%	354,100	29,877,448	97.74%
2010	2009	31,715,948	30,605,848	96.50%	370,681	30,976,529	97.67%
2011	2010	34,067,649	32,916,498	96.62%	295,346	33,211,844	97.49%

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

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Assessed Valuation</u>	<u>Assessments Rate</u>	<u>Gross Tax Rate</u>
2002	2001	\$ 2,198,181,894	100%	0.6800
2003	2002	2,330,164,265	100%	0.6800
2004	2003	2,843,503,329	100%	0.6990
2005	2004	3,010,929,429	100%	0.6950
2006	2005	3,359,221,920	100%	0.6950
2007	2006	3,855,441,597	100%	0.6950
2008	2007	4,347,306,720	100%	0.6950
2009	2008	4,788,397,365	100%	0.6950
2010	2009	5,079,206,541	100%	0.6950
2011	2010	5,137,120,096	100%	0.7428

Source: Bell County Tax Appraisal District

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

Fiscal Year	Governmental Activities					General Obligation Bonds	Revenue Bonds
	General Obligation Bonds	Certificates of Obligation	Limited Tax Notes	Capital Lease Payable	Total Governmental Activities		
2002	\$ 12,164,156	\$ 20,322,000	\$ 2,485,000	\$ -	\$ 34,971,156	\$ 9,750,844	\$ 31,035,000
2003	10,676,668	30,806,000	2,035,000	-	43,517,668	9,408,332	29,490,000
2004	9,166,101	29,949,000	1,560,000	-	40,675,101	8,988,898	27,905,000
2005	25,784,251	29,718,500	1,065,000	-	56,567,751	7,905,749	46,665,000
2006	34,659,101	39,797,243	545,000	-	75,001,344	6,415,899	45,320,000
2007	31,963,701	41,421,743	-	-	73,385,444	5,486,299	43,670,000
2008	46,576,501	63,697,743	-	859,541	111,133,785	4,523,499	63,105,000
2009	56,829,600	68,331,973	-	658,937	125,820,510	3,635,400	60,390,000
2010	67,810,500	52,865,000	-	449,099	121,124,599	2,614,500	56,640,000
2011	72,163,200	93,250,000	-	229,602	165,642,802	1,626,800	53,570,000

TABLE XI

Business-Type Activities						
Certificates of Obligation	Notes Payable	Limited Tax Notes	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 1,053,000	\$ 44,336	\$ 800,000	\$ 42,683,180	\$ 77,654,336	0.95%	\$ 769.04
829,000	30,900	600,000	40,358,232	83,875,900	0.96%	830.65
556,000	16,758	300,000	37,766,656	78,441,757	0.84%	760.02
3,406,500	-	-	57,977,249	114,545,000	1.13%	1,109.82
19,702,757	-	-	71,438,656	146,440,000	1.26%	1,418.85
16,203,257	-	-	65,359,556	138,745,000	1.08%	1,344.30
15,602,257	-	-	83,230,756	194,364,541	1.43%	1,728.70
17,073,027	-	-	81,098,427	206,918,937	1.41%	1,769.54
16,320,000	-	-	75,574,500	196,699,099	1.30%	1,645.88
15,710,000	-	-	70,906,800	236,549,602	*	1,849.19

* Personal income information is unavailable

TABLE XII

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2002	\$ 21,915,000	\$ 2,871,930	\$ 19,043,070	0.77%	\$ 189
2003	20,085,000	1,929,999	18,155,001	0.69%	180
2004	18,154,999	2,405,000	15,749,999	0.55%	153
2005	33,690,000	2,575,000	31,115,000	1.03%	301
2006	41,075,000	3,625,000	37,450,000	1.10%	363
2007	37,450,000	3,775,000	33,675,000	0.86%	326
2008	51,100,000	3,910,000	47,190,000	1.08%	420
2009	60,465,000	3,100,000	57,365,000	1.19%	491
2010	70,425,000	3,565,000	66,860,000	1.31%	559
2011	73,790,000	3,780,000	70,010,000	1.37%	547

TABLE XIII

**CITY OF KILLEEN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2011**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable *	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Bell County	\$ 125,045,000	34.47%	\$ 43,107,661
Killeen Independent School District	107,105,000	74.87%	<u>80,185,488</u>
Subtotal, overlapping debt			123,293,149
City of Killeen			<u>165,642,802</u>
Total direct and overlapping debt			<u><u>\$ 288,935,951</u></u>

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the entities' taxable assessed value that is within the City's boundaries and dividing by the entities' total taxable assessed value.

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Killeen. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt,

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TABLE XIV

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

Fiscal Year	Gross Revenue	Operating Expenses *	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2002	\$ 21,111,946	\$ 11,365,701	\$ 9,746,245	\$ 1,455,000	\$ 1,828,221	\$ 3,283,221	2.97
2003	21,960,302	11,135,352	10,824,950	1,545,000	1,669,701	3,214,701	3.37
2004	20,742,089	11,431,228	9,310,861	1,585,000	1,582,452	3,167,452	2.94
2005	24,775,090	14,616,805	10,158,285	1,440,000	1,492,576	2,932,576	3.46
2006	27,036,300	15,531,689	11,504,611	1,490,000	2,349,391	3,839,391	3.00
2007	26,898,319	16,935,527	9,962,792	1,730,000	2,035,991	3,765,991	2.65
2008	30,195,389	17,735,554	12,459,835	2,715,000	2,881,361	5,596,361	2.23
2009	30,603,258	19,476,310	11,126,948	3,870,000	2,776,886	6,646,886	1.67
2010	30,001,656	20,290,881	9,710,775	3,050,000	2,298,482	5,348,482	1.82
2011	35,659,361	21,360,822	14,298,539	3,280,000	2,383,260	5,663,260	2.52

Source: Finance Department, City of Killeen

* Total operating expenses less depreciation

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

Fiscal Year	City of Killeen			Overlapping Bell County		
	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen
2002	\$ 77,610,000	100.00%	\$ 77,610,000	\$ 29,220,000	28.24%	\$ 8,251,728
2003	83,845,000	100.00%	83,845,000	27,805,000	28.24%	7,852,132
2004	78,424,999	100.00%	78,424,999	52,030,000	28.24%	14,693,272
2005	114,545,000	100.00%	114,545,000	53,735,000	28.24%	15,174,764
2006	146,440,000	100.00%	146,440,000	98,050,000	28.24%	27,689,320
2007	138,745,000	100.00%	138,745,000	99,855,000	28.24%	28,199,052
2008	194,364,541	100.00%	194,364,541	131,625,000	28.24%	37,170,900
2009	206,918,937	100.00%	206,918,937	126,620,000	28.24%	35,757,488
2010	196,699,099	100.00%	196,699,099	130,835,000	28.24%	36,947,804
2011	236,549,602	100.00%	236,549,602	125,045,000	34.47%	43,107,661

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

TABLE XV

Debt						
Killeen Independent School District			Central Texas College			Total Amount Applicable to Killeen
Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	
\$ 84,219,990	77.93%	\$ 65,632,638	\$ 14,000,000	67.16%	\$ 9,402,400	\$ 160,896,766
179,795,938	77.93%	140,114,974	12,260,000	67.16%	8,233,816	240,045,922
172,941,739	77.93%	134,773,497	10,440,000	67.16%	7,011,504	234,903,272
167,140,974	77.93%	130,252,961	8,530,000	67.16%	5,728,748	265,701,473
158,793,665	77.93%	123,747,903	6,530,000	67.16%	4,385,548	302,262,771
144,650,000	77.93%	112,725,745	4,445,000	67.16%	2,388,210	282,058,007
135,050,000	77.93%	105,244,465	-	67.16%	-	336,779,906
127,110,000	77.93%	99,056,823	-	67.16%	-	341,733,248
115,830,000	77.93%	90,266,319	-	67.16%	-	323,913,222
107,105,000	74.87%	80,185,488	-	67.16%	-	359,842,751

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Assessed Value, Tax Roll	\$ 2,198,181,894	\$ 2,330,164,265	\$ 2,536,247,292	\$ 2,690,294,155
	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
Legal Debt Limit	<u>\$ 54,954,547</u>	<u>\$ 58,254,107</u>	<u>\$ 63,406,182</u>	<u>\$ 67,257,354</u>
Actual amount expended for general obligation debt service during the year	\$ 2,681,170	\$ 2,871,930	\$ 2,886,082	\$ 3,269,538

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

TABLE XVI

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 3,024,014,497	\$ 3,504,499,234	\$ 3,975,581,548	\$ 4,398,110,371	\$ 4,565,643,251	\$ 4,598,247,312
<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
<u>\$ 75,600,362</u>	<u>\$ 87,612,481</u>	<u>\$ 99,389,539</u>	<u>\$ 109,952,759</u>	<u>\$ 114,141,081</u>	<u>\$ 114,956,183</u>
\$ 4,075,825	\$ 5,470,766	\$ 5,449,036	\$ 6,162,242	\$ 6,100,636	\$ 6,407,155

TABLE XVII

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

Fiscal Year	City of Killeen Population (a)	Killeen-Temple Fort Hood Metropolitan Statistical Area Population (b)	Fort Hood Metropolitan Personal Income (amounts expressed in thousands) (b)	Killeen-Temple Fort Hood Metropolitan Per Capita Personal Income	Killeen-Temple Fort Hood Metropolitan Unemployment Rates (c)
2002	100,976	319,346	\$ 8,208,370	\$ 25,704	5.8
2003	100,976	324,649	8,739,875	26,921	6.4
2004	103,210	325,398	9,321,254	28,646	5.2
2005	103,210	341,797	10,162,000	29,731	5.2
2006	103,210	357,580	11,648,344	32,575	5.1
2007	103,210	370,755	12,845,443	34,717	4.8
2008	112,434	378,935	13,601,991	35,895	5.2
2009	116,934	379,231	14,697,693	38,757	6.9
2010	119,510	408,366	15,167,523	37,142	7.6
2011	127,921	*	*	*	8.8

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

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

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

* Information is unavailable.

TABLE XVIII

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

Name of Employer	2011			2002		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Fort Hood (includes civilians and soldiers)	57,580	1	79.35%	46,727	1	81.20%
Killeen ISD	6,000	2	8.27%	4,858	2	8.44%
Central Texas College	1,500	3	2.07%	1,100	3	1.91%
Metroplex Hospital	1,200	4	1.65%	935	5	1.62%
City of Killeen	1,164	5	1.60%	744	7	1.29%
Westar Aerospace & Defense Group, Inc.	1,050	6	1.45%			
L-3 Communications	600	7	0.83%			
Aegis Communications	600	8	0.83%			
ESP, Inc.	510	9	0.70%			
Presidium, Inc.	401	10	0.55%			
Convergys Corporation				700	4	1.22%
Killeen Mall				800	6	1.39%
Sallie Mae				575	8	1.00%
First National Bank, Texas				507	9	0.88%
Wal-Mart				600	10	1.04%
Subtotal	<u>70,605</u>		<u>97.30%</u>	<u>57,546</u>		<u>100.00%</u>
All other employers	<u>1,961</u>		<u>2.70%</u>	<u>*</u>		<u>N/A</u>
Total employment	<u><u>72,566</u></u>		<u><u>100.00%</u></u>	<u><u>57,546</u></u>		<u><u>100.00%</u></u>

Source: Greater Killeen Chamber of Commerce

* Information not available

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
City Manager	3	3	3	3	3	4	4	4	4	4
Assistant City Manager	0	0	0	0	0	0	3	3	3	3
Grant Administration	0	0	0	0	0	0	0	0	1	1
City Auditor	0	0	0	0	0	1	1	1	1	1
Municipal Court	18	20	19	19	19	23	23	24	24	24
Public Information	1	1	1	1	2	2	2	3	2	2
Killeen Volunteer Services	3	3	3	3	3	3	3	3	3	3
City Attorney	6	6	6	7	7	7	7	7	7	8
City Secretary	1	1	1	1	1	1	1	1	1	1
Finance	5	5	5	6	6	6	6	6	5	6
Accounting	6	7	7	7	7	7	7	7	7	7
Purchasing	3	4	4	4	5	5	4	4	4	5
Building Services	2	2	2	2	3	3	3	4	4	4
Custodial Services	8	8	8	8	8	9	10	10	12	13
Printing Services	2	2	2	2	2	2	2	3	3	3
EMS Billing & Collections	3	5	5	5	5	5	5	5	5	6
Human Resources	6	8	8	8	10	10	11	12	12	12
Information Technology	10	10	10	10	12	12	14	15	15	15
Library Services	21	31	30	30	30	31	32	32	32	32
Golf Course	12	12	12	13	17	17	18	18	19	19
Golf Course Food & Beverage	0	0	0	0	0	5	5	5	5	5
Community Center Operations	0	0	0	0	0	0	6	6	6	6
Parks	31	31	31	31	31	37	33	33	33	33
Lions Club Park	0	0	0	0	0	0	14	14	14	14
Family Aquatics Center	0	0	0	0	0	0	0	2	2	2
Recreation	3	3	3	3	3	3	6	6	6	2
Athletics	3	3	3	3	3	3	3	3	3	3
Cemetery	6	6	6	6	6	6	6	6	6	6
Senior Citizens	2	3	3	3	3	5	6	6	6	6
Public Works	2	2	2	2	2	2	2	2	2	2
Engineering	4	4	2	2	2	2	2	2	2	2
Traffic	10	10	10	10	10	9	10	10	10	10
Streets	35	35	35	35	39	39	43	47	47	47
Planning & Development	6	6	6	7	8	9	9	9	10	10
Building Inspections	13	11	11	12	14	16	14	14	15	15
Code Enforcement	0	4	7	7	8	8	8	9	9	11
Community Development	5	4	4	4	4	3	3	3	3	3
Downtown Revitalization	0	0	0	0	0	1	1	0	0	0
Home Program	2	2	2	2	2	1	1	1	1	1
Police	204	211	214	230	249	267	287	305	314	316
Animal Control	8	8	8	8	8	8	11	11	11	11
Fire	124	128	128	137	143	194	194	200	200	200
Emergency Management & Homeland Security	0	0	0	0	0	1	1	1	1	1
Total General Fund	568	599	601	631	675	766	821	856	869	874

Source: Finance Department, City of Killeen

TABLE XIX

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Killeen-Fort Hood Regional Airport										
Killeen-Fort Hood										
Regional Airport	<u>3</u>	<u>4</u>	<u>14</u>	<u>38</u>	<u>38</u>	<u>40</u>	<u>41</u>	<u>41</u>	<u>41</u>	<u>41</u>
Total Killeen-Fort Hood										
Regional Airport Fund	3	4	14	38	38	40	41	41	41	41
Skylark Field										
Skylark Field	<u>17</u>	<u>20</u>	<u>20</u>	<u>6</u>	<u>6</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total Skylark Field Fund	17	20	20	6	6	4	4	4	4	4
Solid Waste										
Custodial	0	0	0	0	0	1	1	1	1	1
Accounting	0	0	0	0	0	0	0	4	4	4
Residential Services	26	32	35	35	38	38	40	41	41	42
Commercial Services	17	18	19	19	19	20	21	20	20	20
Recycle Center	3	4	7	7	7	7	7	7	7	7
Transfer Station	10	10	11	11	11	13	13	15	15	16
Mowing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11</u>	<u>11</u>	<u>19</u>	<u>22</u>	<u>22</u>	<u>22</u>
Total Solid Waste Fund	56	64	72	72	86	90	101	110	110	112
Water and Sewer										
Fleet Services	19	19	19	19	19	22	23	23	23	23
Utility Collections	28	29	30	30	32	34	35	38	38	38
GIS	0	0	0	0	0	0	0	5	5	5
Water Distribution	12	15	15	15	15	15	19	19	19	19
Sanitary Sewer	11	11	11	11	13	13	13	15	15	15
Water and Sewer Operations	17	18	20	20	24	20	24	24	24	26
Engineering	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>11</u>
Total Water and Sewer Fund	87	92	95	95	103	112	123	134	134	137
Drainage Utility Fund										
Engineering	1	3	3	3	9	3	3	3	3	4
Maintenance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>	<u>21</u>	<u>30</u>	<u>30</u>	<u>31</u>
Total Drainage Utility Fund	1	3	3	3	9	15	24	33	33	35
Special Revenue Fund										
Cablesystem PEG	0	1	1	1	0	2	2	2	2	3
Civic and Conference Center	6	17	15	16	15	14	14	14	14	14
Community Development										
Block Grant	0	6	4	4	4	4	4	5	5	2
Home Program	<u>0</u>	<u>1</u>								
Total Special Revenue Fund	6	25	21	22	20	21	21	22	22	20
Capital Improvement										
Bond Construction	5	5	5	5	0	0	0	1	1	1
Pass Thru Finance Construction	<u>0</u>	<u>5</u>								
Total Capital Improvement Fund	5	5	5	5	0	0	0	1	1	6
Total all funds	<u>743</u>	<u>812</u>	<u>831</u>	<u>871</u>	<u>936</u>	<u>1047</u>	<u>1134</u>	<u>1200</u>	<u>1213</u>	<u>1229</u>

**CITY OF KILLEEN, TEXAS
WATERWORKS SYSTEM
SEPTEMBER 30, 2011**

WATER USAGE OF THE LAST TEN YEARS (IN MILLIONS OF GALLONS)

Fiscal Year	Peak Day Usage	Average Day Usage	Total Usage
2002	19.26	12.06	4405
2003	21.12	12.30	4495
2004	16.75	11.07	4069
2005	21.17	11.48	4194
2006	22.31	12.99	4747
2007	18.72	11.99	4378
2008	23.37	14.47	5299
2009	26.28	14.93	2460
2010	25.74	14.64	5350
2011	24.96	15.25	5566

TEN LARGEST WATERS CUSTOMERS (IN THOUSANDS OF GALLONS)

Cusomter	Annual Water Usage	Annual Amount Billed	% of Total Water Usage
CITY OF KILLEEN - GOLF IRR	280,931,200	\$ 167,905	5.41422%
METROPLEX HOSPITAL	19,455,300	20,116	0.37495%
KISD ELLISON HIGH SCHOOL	19,007,800	59,313	0.36633%
PREMIER CEMETARY SERVICE INC	16,829,900	48,975	0.32435%
KISD - SHOEMAKER HIGH SCHOOL	15,870,700	48,991	0.30587%
TGFT ENTERPRISE INC	14,089,200	43,602	0.27153%
CITY OF KILLEEN - PARKS	12,555,500	39,148	0.24197%
WEST RIVER OAKS LTD	10,843,100	32,199	0.20897%
KISD - KILLEEN HIGH SCHOOL	10,776,400	33,172	0.20769%
STONE HILL APTS	10,643,500	31,645	0.20513%

Note: Percent of total consumption based on 5,188,767,198 gallons annual consumption.

MONTHLY WATER RATES (EFFECTIVE 10/1/10)

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

0 to 2,000 gallons based on meter size:

	Residential and	
	<u>Multi-Family</u>	<u>Commercial</u>
5/8" and 3/4"	\$ 10.92	\$ 11.35
1"	12.20	12.70
1-1/2"	15.39	16.01
2"	19.22	19.99
3"	28.17	29.30
4"	40.97	42.61
6"	73.87	76.83
8"	111.25	115.82
10"	156.00	162.24
<u>Residential</u>	<u>Commercial</u>	
2,001 -25,000 gals	2.97/1,000 All over 2,000 gals 3.08/1,000	
Over 25,000 gals	3.54/1,000 All over 2,000 gals 2.97/1,000 Multi-Family & MHP	

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

TEN LARGEST WASTEWATER CUSTOMERS (MGD)

<u>Customer</u>	<u>Annual Water Usage</u>	<u>Annual Amount Billed</u>
CTC	59,287,500	\$ 187,326
TGFT ENTERPRISE INC	12,683,870	44,387
WEST RIVER OAKS LTD	9,762,390	34,115
STONE HILL APTS	9,582,740	33,538
GOODE & GOODNIGHT	8,959,500	31,435
BLESSING STONEGATE	8,620,400	42,147
REMINGTON APARTMENTS	7,715,689	27,015
AMERICAS BEST VALUE INN	7,314,669	25,705
ELM GROVE MHP	7,313,200	39,346
BAY COLONY APARTMENTS	7,083,979	24,834

**CITY OF KILLEEN, TEXAS
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2011**

Date of Incorporation	1882	Public Works			
Date of Charter	1949	Paved Streets		525 miles	
Legal Form of Government Home		Unpaved Streets		1 mile	
Rule Municipal Corp.		Arterial Streets (State)		38.9 miles	
Management Form of Government:		Storm Water Piping		150,000 linear ft	
Council-Manager		Inlets and Outfalls		3,173 structures	
Area in Square Miles	55.47	Curb and Gutter		866 miles	
		Open Channels		316.6 miles	
		Signalized Intersections		92	
Airport		Wastewater Systems			
Number of Airports	2	Sanitary Sewer Mains		522.41 miles	
Number of Acres	289	Sewer Connections		39,945	
Number of Airlines	3	Number of Manholes		6,780	
Passengers Enplaning	188,121	Sewer Treatment Plane is Activated Sludge			
Passengers Deplaning	189,800				
Fire Protection					
Number of Fire Stations	8				
Fire Aparatus	20	Max Capacity	Plant 1 15 MGI	Plant 2 6 MGD	Plant 3 6 MGD
Number of Fire Hydrants	4,315	Water System			
Number of Firefighters	194	Average Daily Consumption		16,230,726 gpd	
Number of Fire Runs	8,555	Rated Daily Capacity		32,000,000 gpd	
Number of Paramedic Runs	14,009	Water Mains		616.67 miles	
EMS Units	10	Water Connections		41,765	
		Storage Capacity		32,380,000 Killeen	
Libraries		Facilites not included in the Reporting Entity:			
Number of Libraries	2				
Number of Visitors	292,086	Education*			
Number of Volumes	124,576	Number of Elementary Schools		32	
Circulation of Volumes	292,050	Number of Middle Schools		13	
Library Cards in Force	48,196	Number of High Schools		5	
Story Time Attendance	11,166				
Public Computer Sessions	99,563	Number of Community Colleges		1	
		Number of Universities		1	
Parks and Recreation		* Schools include all campuses in the Killeen Independent			
Number of Parks	21	School District.			
Playgrounds	22				
Municipal Golf Courses	1				
Disc Golf Course	1				
Swimming Pools	2				
Tennis Courts	9				
Recreation Centers	1				
Baseball/Softball Fields	15				
Soccer Fields	6				
Jogging/Walking Trails	7				
Senior Center	2				
Aqautics Center	1				
Police Protection					
Number of Facilities	5				
Number of Commissioned					
Police Officers	242				
Number of Employees-Other	86				

SINGLE AUDIT REPORT

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**CITY OF KILLEEN, TEXAS
SINGLE AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

Independent Auditors' Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Killeen, Texas (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 24, 2012. 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.

Internal Control Over Financial Reporting

Management of the City of Killeen, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as findings 2011-1 through 2011-4 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated April 24, 2012.

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

Brockway, Dindach, Franklin A. Niemi, P.C.

April 24, 2012



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditors' Report

To the City Council
City of Killeen, Texas

Compliance

We have audited the City of Killeen, Texas' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)**

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Brockway, Durbach, Franklin A. Nimsin, P.C.

April 24, 2012

CITY OF KILLEEN, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	(A) Expenditures Indirect Costs or Award Amount	(B) Amount in (A) Relating to Pass- Through to Subrecipients
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</u>			
Community Development Block Grant	14.218	\$ 1,464,832	\$ 536,821
Community Development Block Grant - ARRA	14.253	103,973	-
Community Development Block Grant Home Program	14.239	721,011	261,174
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)		2,289,816	797,995
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Aviation Administration Grants:			
Airport Improvement Program	20.106	35,512	-
Airport Improvement Program	20.106	57,432	-
Airport Improvement Program - ARRA	20.106	2,187,077	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		2,280,021	-
<u>NATIONAL TRAFFIC SAFETY ADMINISTRATION</u>			
Passed through Texas Department of Transportation			
Selective Traffic Enforcement Program (STEP)	20.600	9,107	-
TOTAL NATIONAL TRAFFIC SAFETY ADMINISTRATION		9,107	-
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed through Texas Comptroller of Public Accounts			
2009 Traffic Signal Synchronization - ARRA	81.041	148,766	-
Energy Efficiency and Conservation Grant - ARRA	81.128	1,013,800	-
TOTAL U.S. DEPARTMENT OF ENERGY		1,162,566	-
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest Partnership Program	16.607	5,242	-
2010 Community Oriented Policing Services (COPS) Hiring Program Grant	16.710	207,859	-
2008 Edward Byrne Memorial Justice Assistance Grant	16.738	25,699	-
2009 Edward Byrne Memorial Justice Assistance Grant	16.738	37,336	37,336
2009 Edward Byrne Memorial Justice Assistance Grant - ARRA	16.804	38,531	15,704
2010 Edward Byrne Memorial Justice Assistance Grant	16.738	74,584	15,899
TOTAL U.S. DEPARTMENT OF JUSTICE		389,251	68,939
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through National Association of County and City Health Officials			
Medical Reserve Corps Grant	93.008	5,000	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		5,000	-
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	56,204	-
2009 Assistance to Firefighters Grant	97.044	467,740	-
Passed through Texas Department of Public Safety			
FEMA - FMAG Fire Fighting Costs	97.046	27,472	2,068
Homeland Security Grant	97.073	30,675	-
Emergency Management Preparedness Grant	97.042	24,505	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		606,596	2,068
TOTAL FEDERAL ASSISTANCE		\$ 6,742,357	\$ 869,002
Reconciliation of Community Development Block Grant Expenditures to HUD Consolidated Annual Performance and Evaluation Report (CAPER):			
CDBG audit period expenditures		\$ 1,464,832	
Add: Unliquidated obligations at end of current program year		1,801	
Less: Unliquidated obligations at end of previous program year		(32,586)	
Less: Other Adjustments		(221)	
Expenditures per HUD CAPER		\$ 1,433,826	

CITY OF KILLEEN, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of the City of Killeen, Texas. The City's reporting entity is defined in the notes of the basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Expenditures are recognized when the related fund liability is incurred. Federal grants are considered to be earned to the extent of expenditures made under the provision of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned.

**CITY OF KILLEEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.710	Public Safety Partnership and Community Policing Grants
81.041	State Energy Program
81.128	Energy Efficiency and Conservation Block Grant Program (EECBG)
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

**CITY OF KILLEEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Section II-Financial Statement Findings

Finding 2011-1: Grants

- Condition: The City's grants are not being centrally managed or maintained per grant agreements. Currently, the grants are being administered by various individuals in different departments.
- Criteria: Internal controls should be in place to provide reasonable assurance that grants are properly managed, recorded and reported in the financial statements.
- Cause: There is no single person or department responsible to provide reasonable assurance that grants are properly managed, recorded and reported in the financial statements.
- Effect: The financial information was inaccurate due to grant receivables being recorded for the ARRA – State Energy Program and the Safer Grant for funds already received. Additionally, Public Safety Partnership and Community Policing Grant (COPs), funds were requested for unallowed payroll expenditures, the reimbursement requests for the COPs grant were not being remitted in a timely manner and the NACCHO MRC fire department grant was not included in the federal grant schedule due to the amounts received and source of funding was not communicated to management.
- Recommendation: The City should designate and authorize a specific employee, with the knowledge and time, to centralize the review and control over all City grants. This employee should be independent of individual departments receiving the benefits of such grants.

Views of Responsible Officials and Planned Corrective Actions:

The situations noted in the finding were corrected and were properly and accurately recorded in the City's financial statements. Management is reviewing the grant oversight procedures as well as the City's organizational structure as part of the FY 2012-2013 budget process, and will implement a plan that will be most effective in properly managing the City's grant activity.

**CITY OF KILLEEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

**Section II-Financial Statement Findings
(continued)**

Finding 2011-2: Payroll Transactions

- Condition: Payroll related disbursements related to health and other insurance payments are being initiated by the human resources department and are not being initiated in a timely manner.
- Criteria: Internal controls should be in place to ensure proper segregation of duties exist and payments are initiated in a timely manner.
- Cause: The procedures that are in place allow for the human resources department to initiate and process transactions related to health insurance, workers compensation insurance and other payroll costs. The human resources department primary responsibility is to maintain and control the payroll master file. The initiating of any payroll transactions conflicts with this responsibility.
- Effect: Lack of segregation of duties could result in unauthorized changes to the payroll master file to go undetected as it relates to transactions initiated by the human resource department. Additionally, insurance payments are not being processed in a timely nature, which could cause the City's employees to not have continuous health care and other insurance coverage. This could result in the City being liable for not fulfilling their fiduciary responsibility to the employees.
- Recommendation: The human resources department should be removed from initiating and processing payroll transactions. Additionally, invoices for insurance should be paid in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:

The City's Department of Human Resources (HR) has no authority to process transactions or disbursements. The primary function of the City's HR department is to maintain and control the payroll master file. Management is reviewing the payroll procedures as well as the City's organizational structure as part of the FY 2012-2013 budget process, and will implement a plan that will ensure that the proper segregation of duties remains in effect and that vendors are paid timely.

**CITY OF KILLEEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

**Section II-Financial Statement Findings
(continued)**

Finding 2011-3: Information Technology

- Condition: Computer access and privileges are not being reviewed to ensure employees have the appropriate levels of access to systems and programs.
- Criteria: Internal controls should be in place to provide reasonable assurance that unauthorized access to systems or programs is not occurring.
- Cause: There are procedures in place to ensure unauthorized access, which entails the use of passwords and user restrictions. These procedures are not being reviewed or monitored to ensure unauthorized use is not occurring.
- Effect: Unauthorized changes were made which led to misappropriation of assets in the City's permits department.
- Recommendation: Computer access and privileges should be reviewed on a continuous basis to ensure unauthorized use is not occurring.

Views of Responsible Officials and Planned Corrective Actions:

Computer accesses and privileges are currently under review for all City departments to ensure that the proper levels of authority are granted for each employee. Departments/divisions will be tasked with at least an annual review of all authorizations in their respective areas of business. As part of New Employee Orientation, employees will be trained on all the necessary operating systems and the proper accesses will be determined by Department heads, who will then coordinate with Information Technology to ensure access is granted accordingly.

**CITY OF KILLEEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

**Section II-Financial Statement Findings
(continued)**

Finding 2011-4: Cash

- Condition: Appropriate segregation of duties was not in place in regards to handling cash deposits.
- Criteria: Internal controls should be in place to provide reasonable assurance that a City employee who handles cash deposits does not have conflicting duties such as recording this activity or reconciling bank statements.
- Cause: Appropriate segregation of duties was not in place in regards to handling cash deposits.
- Effect: Due to lack of segregation of duties and an employee having access to multiple areas of the cash function, a misappropriation of the City's assets occurred in the City's finance department.
- Recommendation: The City should develop review process of systems and controls, which should include the use of the City's internal auditor to ensure proper segregation of duties exists. For each major process of handling financial transactions, the responsibilities to authorize, record and have physical custody of the transaction should be segregated.

Views of Responsible Officials and Planned Corrective Actions:

The City has already addressed this finding as the segregation of duties was evaluated during the investigation process of the specific instance noted in the finding. An internal review system is currently in place and all cash handling areas within the City are reviewed regularly and will continue to be reviewed on an on-going basis. Management is reviewing the current staffing levels as well as the organizational structure as part of the FY 2012-2013 budget process, and will implement a plan that will be most beneficial to the City.

**CITY OF KILLEEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Section III-Federal Award Findings and Questioned Costs

There were no findings and no matters were reported.

PASSENGER FACILITY CHARGE REPORT

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**CITY OF KILLEEN, TEXAS
PASSENGER FACILITY CHARGE REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance	221
PFC Revenue and Disbursement Schedule	224
PFC Audit Summary	226

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER
FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditors' Report

The Honorable Mayor and
City Council
City of Killeen, Texas

Compliance

We have audited the compliance of City of Killeen, Texas with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended September 30, 2011. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of City of Killeen, Texas' management. Our responsibility is to express an opinion on City of Killeen, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about City of Killeen, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Killeen, Texas' compliance with those requirements.

In our opinion, City of Killeen, Texas complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended September 30, 2011.

Internal Control Over Compliance

The management of City of Killeen, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered City of Killeen, Texas' internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER
FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(CONTINUED)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The report is intended solely for the information and use of the City Council, management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Brookway, Durbach, Franklin A. Nimsin, P.C.

April 24, 2012

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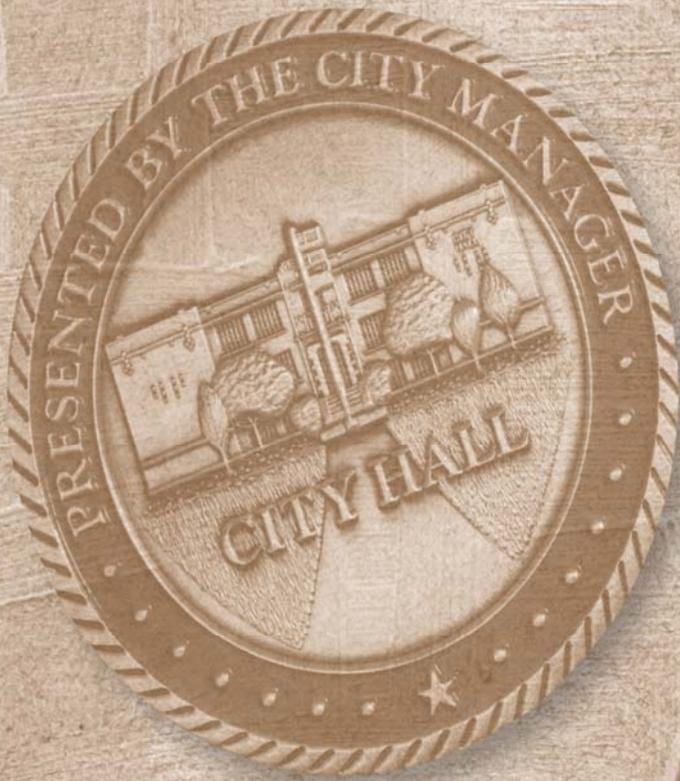
CITY OF KILLEEN, TEXAS
PFC REVENUE AND DISBURSEMENT SCHEDULE
KILLEEN AIRPORT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	FY-06 Program Total	FY-07 Program Total	FY-08 Program Total	FY-09 Program Total	FY-10 Program Total
Revenue					
Collections - App 06-01 GRK	\$ 134,616	\$ 861,709	\$ 751,983	\$ 818,843	\$ 215,326
Interest - App 06-01 GRK	918	14,582	11,222	6,100	159
Collections - App 09-07 GRK	-	-	-	-	670,369
Interest - App 09-07 GRK	-	-	-	-	751
Total Revenue	<u>135,534</u>	<u>876,291</u>	<u>763,205</u>	<u>824,943</u>	<u>886,605</u>
App 06-01 GRK					
Proj 6-1 Terminal Facility Site Work	-	130,702	-	-	-
Proj 6-2 Passenger Terminal Building	126,883	197,629	100,000	695,586	-
Proj 6-3 Taxiway & Runway Safety Area	-	319,243	-	3,911	-
Proj 6-4 Apron Expansion & Safety	236	112,196	1,019	318,492	-
Proj 6-5 Security Systems Improvements	-	-	36,611	247,760	15,069
Proj 6-6 Passenger Boarding Bridges	-	4,465	51,162	75,490	459
Proj 6-7 Procure Sweeper	-	6,757	-	-	-
Proj 6-8 Procure Portable Air Stairs	-	14,517	-	-	-
Proj 6-10 Airport Signage Improvements	-	-	8,120	-	2,855
Proj 6-11 Administrative Expenses	-	-	2,000	1,500	1,500
Total App 06-01 GRK	<u>127,119</u>	<u>785,509</u>	<u>198,912</u>	<u>1,342,739</u>	<u>19,883</u>
App 09-07 GRK					
Proj 9-1 Taxiway E Reconstruction	-	-	-	-	16,122
Proj 9-3 Security System Upgrade	-	-	-	-	2,177
Proj 9-5 Flight Information Systems Upgrade	-	-	-	-	-
Proj 9-6 Common Use Departure Gate Upgrade	-	-	-	-	-
Proj 9-7 Blast Pad	-	-	-	-	38,000
Proj 9-8 Drainage Improvements	-	-	-	-	27,000
Total App 09-07 GRK	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,299</u>
Total Disbursements	127,119	785,509	198,912	1,342,739	103,182
Net PFC Revenue (rev-disb) App 06-01 GRK	8,415	90,782	564,293	(517,796)	195,602
Net PFC Revenue (rev-disb) App 09-07 GRK	-	-	-	-	587,821
Total Net PFC Revenue (rev-disb)	<u>8,415</u>	<u>90,782</u>	<u>564,293</u>	<u>(517,796)</u>	<u>783,423</u>
PFC Account Balance					
PFC Account Balance - App 06-01 GRK	8,415	99,197	663,490	145,694	341,296
PFC Account Balance - App 09-07 GRK	-	-	-	-	587,821
Total PFC Account Balance	<u>\$ 8,415</u>	<u>\$ 99,197</u>	<u>\$ 663,490</u>	<u>\$ 145,694</u>	<u>\$ 929,117</u>

Quarter 1 Oct-Dec	Quarter 2 Jan-Mar	Quarter 3 April-Jun	Quarter 4 Jul-Sep	FY-11 Program Total	Transfer Close Out App 06-01 GRK	Program Total
\$ 9	\$ -	\$ -	\$ -	\$ 9	\$ -	\$ 2,782,486
418	421	273	10	1,122	-	34,103
264,877	138,165	200,168	311,950	915,160	-	1,585,529
-	-	-	262	262	-	1,013
<u>265,304</u>	<u>138,586</u>	<u>200,441</u>	<u>312,222</u>	<u>916,553</u>	-	<u>4,403,131</u>
-	-	-	-	-	-	130,702
-	-	-	-	-	-	1,120,098
-	-	-	-	-	-	323,154
-	-	-	-	-	-	431,943
-	-	-	-	-	-	299,440
-	-	-	-	-	-	131,576
-	-	-	-	-	-	6,757
-	-	-	-	-	-	14,517
10,885	3,515	3,925	785	19,110	-	30,085
-	1,500	-	-	1,500	-	6,500
<u>10,885</u>	<u>5,015</u>	<u>3,925</u>	<u>785</u>	<u>20,610</u>	-	<u>2,494,772</u>
19,955	49,800	34,750	9,679	114,184	-	130,306
-	-	-	-	-	-	2,177
-	-	-	27,811	27,811	-	27,811
-	-	-	72,187	72,187	-	72,187
-	-	-	-	-	-	38,000
-	-	-	-	-	-	27,000
<u>19,955</u>	<u>49,800</u>	<u>34,750</u>	<u>109,677</u>	<u>214,182</u>	-	<u>297,481</u>
30,840	54,815	38,675	110,462	234,792	-	2,792,253
(10,458)	(4,594)	(3,652)	(775)	(19,479)	-	321,817
244,922	88,365	165,418	202,535	701,240	-	1,289,061
<u>234,464</u>	<u>83,771</u>	<u>161,766</u>	<u>201,760</u>	<u>681,761</u>	-	<u>1,610,878</u>
330,838	326,244	322,592	321,817	321,817	(321,817)	-
832,743	921,108	1,086,526	1,289,061	1,289,061	321,817	1,610,878
<u>\$ 1,163,581</u>	<u>\$ 1,247,352</u>	<u>\$ 1,409,118</u>	<u>\$ 1,610,878</u>	<u>\$ 1,610,878</u>	<u>\$ -</u>	<u>\$ 1,610,878</u>

**CITY OF KILLEEN, TEXAS
PFC AUDIT SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

1	Type of report issued on PFC financial statements.	<u> X </u> Unqualified	<u> </u> Qualified
2	Type of report on PFC compliance.	<u> X </u> Unqualified	<u> </u> Qualified
3	Quarterly Revenue and Disbursements reconcile with submitted quarterly reports.	<u> X </u> Yes	<u> </u> No
4	PFC Revenue and Interest is accurately reported on FAA Form 5100-126.	<u> X </u> Yes	<u> </u> No
5	The Public Agency maintains a separate financial accounting record for each application.	<u> X </u> Yes	<u> </u> No
6	Funds disbursed were for PFC eligible items as identified in the FAA decision to pay only for the allowable costs of the projects.	<u> X </u> Yes	<u> </u> No
7	Monthly carrier receipts were reconciled with quarterly carrier reports.	<u> X </u> Yes	<u> </u> No
8	PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	<u> X </u> Yes	<u> </u> No
9	Serving carriers were notified of PFC program actions/changes approved by the FAA.	<u> X </u> Yes	<u> </u> No
10	Quarterly Reports were transmitted (or available via website) to remitting carriers.	<u> X </u> Yes	<u> </u> No
11	The Public Agency is in compliance with Assurances 5, 6, 7 and 8.	<u> X </u> Yes	<u> </u> No
12	Project administration is carried out in accordance with Assurance 10.	<u> X </u> Yes	<u> </u> No
13	For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for reviews and concurrence.	<u> </u> Yes	<u> X </u> N/A <u> </u> No



CITY OF KILLEEN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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