

City of Killeen



Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2017

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City of Killeen, Texas

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
September 30, 2017**

Prepared by:

Finance Department

Jonathan Locke, CPA
Executive Director of Finance

Karen Evans, CPA
Controller



TABLE OF CONTENTS

Exhibit Page

INTRODUCTORY SECTION:

Letter of Transmittal	i
Organizational Chart	viii
List of Elected and Appointed Officials	ix
GFOA Certificate of Achievement	x

FINANCIAL SECTION:

Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	A-1 17
Statement of Activities	A-2 18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	A-3 20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	A-4 21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	A-5 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6 23
Statement of Net Position - Enterprise Funds	A-7 24
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds	A-8 25
Statement of Cash Flows - Enterprise Funds	A-9 26
Statement of Fiduciary Net Position - Employee Benefits Trust Fund	A-10 27
Statement of Changes in Fiduciary Net Position - Employee Benefits Trust Fund	A-11 28
Notes to Financial Statements	29

REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	B-1 75
Schedule of Contributions for the Last 10 Fiscal Years	B-2 76
Firefighter's Relief and Retirement Fund Schedule of Changes in the City's Net Pension Liability and Related Ratios for the Last 10 Fiscal Years	B-3 77
Other Post Employee Benefits Schedule of Funding Progress	B-4 78
Governmental Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	B-5 80

TABLE OF CONTENTS (Continued)

Exhibit Page

COMBINING STATEMENTS/BUDGETARY COMPARISON SCHEDULES

Combining Nonmajor Governmental Funds:

Combining Balance Sheet – Nonmajor Governmental Funds	C-1	83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	C-2	84

Special Revenue Funds:

Combining Balance Sheet – Nonmajor Special Revenue Funds	C-3	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	C-4	92

Capital Projects Funds:

Combining Balance Sheet – Nonmajor Capital Projects Funds	C-5	98
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Capital Projects Funds	C-6	100

Budgetary Comparison Schedules

Special Revenue Funds:

Law Enforcement Grant Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-7	103
State Seizure Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-8	104
Federal Seizure Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-9	105
Emergency Management Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-10	106
Hotel Occupancy Tax Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-11	107
Special Events Center Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-12	108
Cable System Improvements Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-13	109
Library Memorial Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-14	110
Community Development Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-15	111
CDBG Home Program Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-16	112
TIRZ #2 Fund – Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual	C-17	113

TABLE OF CONTENTS (Continued)

	Exhibit	Page
Parks Donations Fund – Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual	C-18	114
Teen Court Program Fund – Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual	C-19	115
Court Technology Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-20	116
Court Security Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-21	117
Juvenile Case Manager Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-22	118
Photo Red Light Enforcement Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-23	119
Fire Department Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-24	120
Animal Control Donations Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-25	121
Child Safety Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-26	122
Police Department Donations Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-27	123
JLUS Grant Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-28	124
Employee Wellness Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-29	125
Debt Service Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	C-30	126

STATISTICAL SECTION:

Financial Trends		
Net Position by Component	I	128
Changes in Net Position	II	130
Fund Balances of Governmental Funds	III	134
Changes in Fund Balances of Governmental Funds	IV	136
Revenue Capacity		
Assessed Value and Estimated Actual Value of Property	V	138
Property Tax Rates - Direct and Overlapping Governments	VI	139
Principal Property Tax Payers	VII	140
Property Tax Levies and Collections	VIII	141
Debt Capacity		
Ratios of Outstanding Debt by Type	IX	142
Ratios of General Bonded Debt Outstanding	X	144

TABLE OF CONTENTS

(Continued)

	Exhibit	Page
Direct and Overlapping Governmental Activities Debt	XI	145
Legal Debt Margin Information	XII	146
Revenue Bond Coverage – Water and Sewer Fund	XIII	147
Demographic and Economic Information		
Demographic and Economic Statistics	XIV	148
Principal Employers	XV	149
Operating Information		
Full-Time Equivalent Employees by Function	XVI	150
Operating Indicators by Function	XVII	153
Capital Asset Statistics by Function	XVIII	154
Continuing Financial Disclosures		
General Obligation Bond Tables		
Valuation, Exemptions, and Tax Supported Debt	XIX	158
Valuation and General Obligation Debt History	XX	159
General Obligation Debt Service Requirements	XXI	160
Municipal Sales Tax History	XXII	161
Hotel Occupancy Tax Revenues and Expenditures History	XXIII	162
Waterworks and Sewer System Revenue Bond Tables		
Ten Largest Water and Wastewater Customers	XXIV	164
Monthly Water and Wastewater Rates	XXV	165
Waterworks and Sewer System Condensed Statement of Operations	XXVI	166



March 20, 2018

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

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

Belt Harris Pechacek, LLLP, a firm of licensed independent certified public accountants, has issued an unmodified (“clean”) opinion on the City of Killeen’s financial statements for the year ended September 30, 2017. The independent auditors’ report is located at the front 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 federal single audit section of this report.

The independent audit of the financial statements of the City of Killeen was also part of a broader, state-mandated Single Audit designed to meet the special needs of state 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 state awards. These reports are available in the state single audit section of this report.

The independent audit of the financial statements of the City of Killeen also includes a Passenger Facility Charge Compliance Report designed to meet the special needs of the Federal Aviation Administration in accordance with the Passenger Facility Charge Audit Guide for Public Agencies.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Profile of the government

Killeen (the “City”) was founded on May 15, 1882 by the Santa Fe Railroad and named in honor of a civil 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 to the activation of Fort Hood, a military base on the City’s northern border, which began functioning in 1943 and was designated a permanent military installation in 1950. The City was

incorporated as a municipality on March 3, 1949. The City has since experienced a population boom and is now the most populated city in Bell County with an estimated population of 145,699.

Killeen is situated along Interstate 14 that intersects Interstate 35 approximately 17 miles east of the City and U.S. Highways 281 and 183 approximately 30 miles to the west of the City. Waco, Texas is located 65 miles to the north and Austin is 70 miles to the south of the City, which encompasses an area of 55.868 square miles. Two large lakes, Lake Belton and Lake Stillhouse Hollow, are located near the City. These lakes offer excellent fishing, camping, and water sports with 168 miles of shoreline.

The Killeen Downtown Historic District is listed in the National Register of Historic Places. The area is recognized for its historical and architectural significance to the City and the Country. Historically significant properties range from a late 19th century Romanesque Revival bank to early 20th century stone and brick commercial buildings to early postwar modern offices and stores. Several churches also contribute to the area's historic significance.

For the tenth consecutive year, Killeen was named a 2016 Tree City USA by the Arbor Day Foundation recognizing the City's commitment to effective urban forest management. The Tree City USA program is sponsored by the Arbor Day Foundation, in partnership with the U.S. Forest Service and the National Association of State Foresters.

The City of Killeen has been named a Playful City USA for a ninth consecutive year. This national designation is awarded by KaBOOM!, a non-profit dedicated to bringing play into the lives of children. KaBOOM! considers a number of factors in selecting communities for the honor of Playful City USA. Killeen's efforts to increase the quantity and quality of playgrounds, parks acreage per capita, and youth served earned its place on the list of just 258 cities in the country.

In addition to its 21 parks, the City has a water park, spray-park, two hike and bike trails, two skate parks, golf and disc golf courses, a fitness center, two public swimming pools, a family aquatics center, two hike and bike trails, and a variety of athletic fields. Parks and Recreation programming includes athletic leagues, camps, recreation classes, and specialty events throughout the year.

The City provides services in addition to parks and recreation to its citizens to create an exceptional quality of life. Major services provided include police and fire protection, emergency medical services, water, sewer and garbage utilities, two airports, two libraries, and a civic and conference center.

The City of Killeen 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 seven council members. The City Council is responsible for, among other things, 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, overseeing the day-to-day operations of the government and appointing department heads.

The Council is required to adopt an initial budget for the fiscal year no later than September 20 preceding the beginning of the fiscal year on October 1. This annual budget serves as the foundation for the City of Killeen's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the City Council.

Local Economy

The City of Killeen is situated within the geographic center of Texas and is positioned within 180 miles of every major population center located in the State. Being strategically located along Interstate 14 is an economic advantage and continues to attract growth and development into the area.

- ***Military***

Adjacent Fort Hood was originally created to train tank destroyer battalions in World War II. Fort Hood has become the Army's largest active-duty armored post, home to III Corps Command Group and subordinate units including the much-decorated 1st Cavalry Division, "America's First Team." Occupying more than 217,000 acres in Bell and Coryell counties, Fort Hood has deployed and redeployed more than 852,000 soldiers overseas since 2003.

Fort Hood is also a testbed for the military's commitment to alternative energy sources. In January 2016, Fort Hood began the Army's largest renewable energy project, an on-post solar farm with 63,000 solar panels, as well as an off-site wind turbine farm that together will supply about 40 percent of the post's energy needs.

In July 2017, it was announced that Fort Hood will be receiving \$145 million for barracks renovation. The funding will allow for upgrades and repairs to 15 enlisted housing barracks, many of which were condemned. Repairs will include heating and cooling, replacing electrical wiring, plumbing, lighting fixtures, stairways, ceilings, walls, and other exterior and interior repairs.

Fort Hood and the soldiers and their families play a major role in the economy of the City. In fiscal year 2015, the Texas Comptroller estimated that Fort Hood contributed \$35.4 billion to the Texas economy and supported about 202,000 Texans in some capacity, providing approximately \$12.2 billion in disposable personal income. More than 60,000 soldiers and civilians are directly employed by the post making it the largest single-site employer in the state.

The Association of Defense Communities announced that Fort Hood – Central Texas Region, which includes Killeen, was named a 2017 Great American Defense Community. This honor is bestowed on communities that provide unwavering support to service members and military families.

- ***Education***

Texas A&M University – Central Texas was established on September 1, 1999 as Tarleton-Central Texas. It became a stand-alone university on May 27, 2009 as a member of the Texas A&M University System. In 2018, the campus will be expanded to include Heritage Hall, a \$36 million building project. Heritage Hall will house offices for professors from the Arts and Science College, the ROTC department, computer classrooms, and a library archive. Texas A&M – Central Texas offers upper-level, state-supported educational opportunities.

Central Texas College (CTC) is a two-year community college with the main campus in the City and with special campuses at military bases scattered over the United States and the world. CTC also has special classrooms aboard ships in the U.S. Navy. CTC was established in 1967 and offers the following degrees: Associate of the Arts, Associate of Science, Associate of Applied Science, and Associate in General Studies. Affordable quality education is provided in more than 40 areas of study and CTC offers wide educational and training opportunities for those students who do not select a degree or certificate program.

- *Hospitals and Health Centers*

Metroplex Hospital is a full service, non-profit modern 213-bed general acute care hospital managed by the Adventist Health System/Sunbelt Health Care Corporation, located in the City. The facility offers an expanded 24-hour emergency center; general and same-day surgery suites, including laser and endoscopy; advanced diagnostic imaging capabilities, including Magnetic Resonance Imaging (MRI), CT scan, nuclear medicine techniques, cardiac-cath lab for diagnosing heart blockage and other heart-related problems, x-ray imaging and ultrasound; a nationally ranked mammography center and more.

Clear Creek Medical Plaza, located adjacent to Metroplex Hospital, is a medical center complex housing several physician offices, a family service center, a pharmacy, a full laboratory, and x-ray services.

Scott & White Killeen Clinic is an extension of Scott & White Clinic in the City and provides basic family health services. It has also recently expanded to meet the needs of the patients from Coryell, Lampasas and Bell Counties. In addition to the large staff of family practice medicine, it provides specialists in pediatrics, occupational medicine, and workers' compensation.

The Medical Arts Center, located in Killeen, offers diagnostic services through its physician coverage and its full service laboratory and x-ray department, allergy and asthma services, audiology services, and orthopedic surgery.

King's Daughters Clinic is an extension of the King's Daughters Hospital in the City and provides basic family health services.

- *Housing Starts and Construction Permits*

The housing market continues to be robust with new housing developments locating in southern Killeen. There were 611 housing starts for the year with construction permitting values of \$89.9 million.

- *Retail*

Retail Connection is in the development phase of constructing a 320,000 square foot outdoor retail center in Killeen.

- *ISO Rating*

In March 2015, the City of Killeen received a Class 1 Insurance Services Office (ISO) rating. This superior rating has only been achieved by 0.1% of communities within the United States and 26 Texas cities and results in lower fire insurance premiums within the City.

- *Rankings*

In 2015, Beyond, a career network site, ranked Killeen number four in Texas for employers looking to hire. Killeen was ranked the 13th Fastest Growing City in Texas by saveonenergy.com in 2016. Additionally, smartasset.com ranked Killeen 7th nationally in Most Affordable Cities for Renters in 2016.

In January 2017, Wallethub.com ranked Killeen 4th Most Recession-Recovered Midsize City. The Bureau of Labor Statistics also ranked Killeen 10th nationally in Construction Job Growth.

In February 2017, Millennial Personal Finance ranked Killeen 40th in the top 150 places for millennials to live in the U.S. The metrics utilized to rank the cities include unemployment rate, percentage of residents within the age of 25-34, cost of living, future job growth, transportation costs, and crime and safety.

- *Public Safety*

The Killeen Fire Department received the 2017 Mission: Lifeline EMS Gold Award based on its level of emergency care including response time to scenes, transport time to hospitals, treatment of severe heart episodes, and equipment and skill administered by personnel.

Long-term financial planning

- *Debt Administration*

Killeen has previously authorized the issuance of certificates of obligation, limited tax refunding bonds, and general obligation refunding bonds. Proceeds from debt issues other than refunding bonds have been used for capital improvements.

The City also works with its financial advisor to monitor the conditions of the tax-exempt credit market and issue refunding debt to defease outstanding obligations when it can lower its cost or as needed to manage the City's tax rate.

- *Financial Governance Policies*

The Killeen City Council adopted comprehensive financial governance policies on December 19, 2017. These policies establish guidelines for budget development and administration, fiscal monitoring, auditing and financial reporting, inter-fund loans, inter-fund transfers, capital equipment and projects, cash management, internal controls, grants, debt, and fund balance.

The debt policy establishes guidelines for the planning, implementation, and evaluation of the debt program and the City's ability to service such debt. The debt policy is designed to provide guidance to all participants in the capital improvement process. As project requests are evaluated and funding decisions are considered, the acceptable level of debt issuance and tax and fee increases should be clearly indicated.

The fund balance policy establishes the fund balance required to be maintained by the General Fund as 18-22% of operating expenditures. Any balance above 22% will be transferred to a capital improvements fund. Accordingly, all enterprise funds must maintain a working capital balance of 18-22% of operating expenses with excess funds transferred to an enterprise capital projects fund.

Major initiatives

In 2006, \$8,000,000 in Certificates of Obligation were issued to construct, reconstruct, repair, and improve the City's drainage system, including implementing upgrades to address flooding and drainage issues throughout the City.

In 2011, \$32,040,000 in Certificates of Obligation were issued to design and construct expansions and improvements to roads on the state highway system located within the City. Stagecoach Road is the final project to be completed with these funds and will widen Stagecoach Road to five lanes with a continuous center lane from Harker Heights city limit to State Highway 195.

In 2013, \$18,150,000 in Revenue Bonds were issued to construct, improve, and equip the waterworks and sewer system.

In 2014, \$13,060,000 in Certificates of Obligation was issued to construct and equip Fire Station No. 9, construct and improve parks and community center facilities, and construct and improve streets and roads.

Fire Station No. 9 is a 12,000 square foot building that includes four engine bays, living quarters, office space, and a training room. Its design incorporates ventilation systems for the safety and protection of personnel and energy efficiencies for reduced operational costs. Construction began in January 2016 and was completed in fiscal year 2017.

The Trimmier Road widening project creates a continuous center lane from Jasper Drive to Elms Road and improves sidewalks and intersections. The project is expected to be completed in fiscal year 2018.

In 2014, \$6,190,000 in General Obligation Bonds that were authorized in November 2002 were issued to construct Fire Station No. 9 and facilities and to construct parks and recreation facilities. The Killeen Community Center was renovated and reopened to the public in fiscal year 2016.

Killeen and other cities have partnered with Bell County Water Control Improvement District No. 1 to build a \$50 million water treatment plant that will serve water needs through 2050. Once operational, the water treatment plant will provide an extra 10 million gallons per day in pumping capacity to Killeen to cover expansion in the City's southern growth corridor. The treatment plant is expected to be completed in spring 2019. Killeen provided an initial \$5 million equity contribution in 2014 and is obligated to pay \$26.4 million in principal debt service to the Bell County WCID No. 1 through 2040 for the plant's construction.

In January 2017, the City embarked on a "Clean '17 Program" to clean and beautify the City. The Clean '17 program concentrates code enforcement efforts by area to notify property owners of issues and gain compliance with City codes. The program has been a huge success and will be completed in early fiscal year 2018.

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, 2016. This was the 26th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Killeen also received the GFOA's Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2016. To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all City departments for their assistance in providing the data necessary to prepare this report. We also wish to express our sincere appreciation to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Killeen's finances.

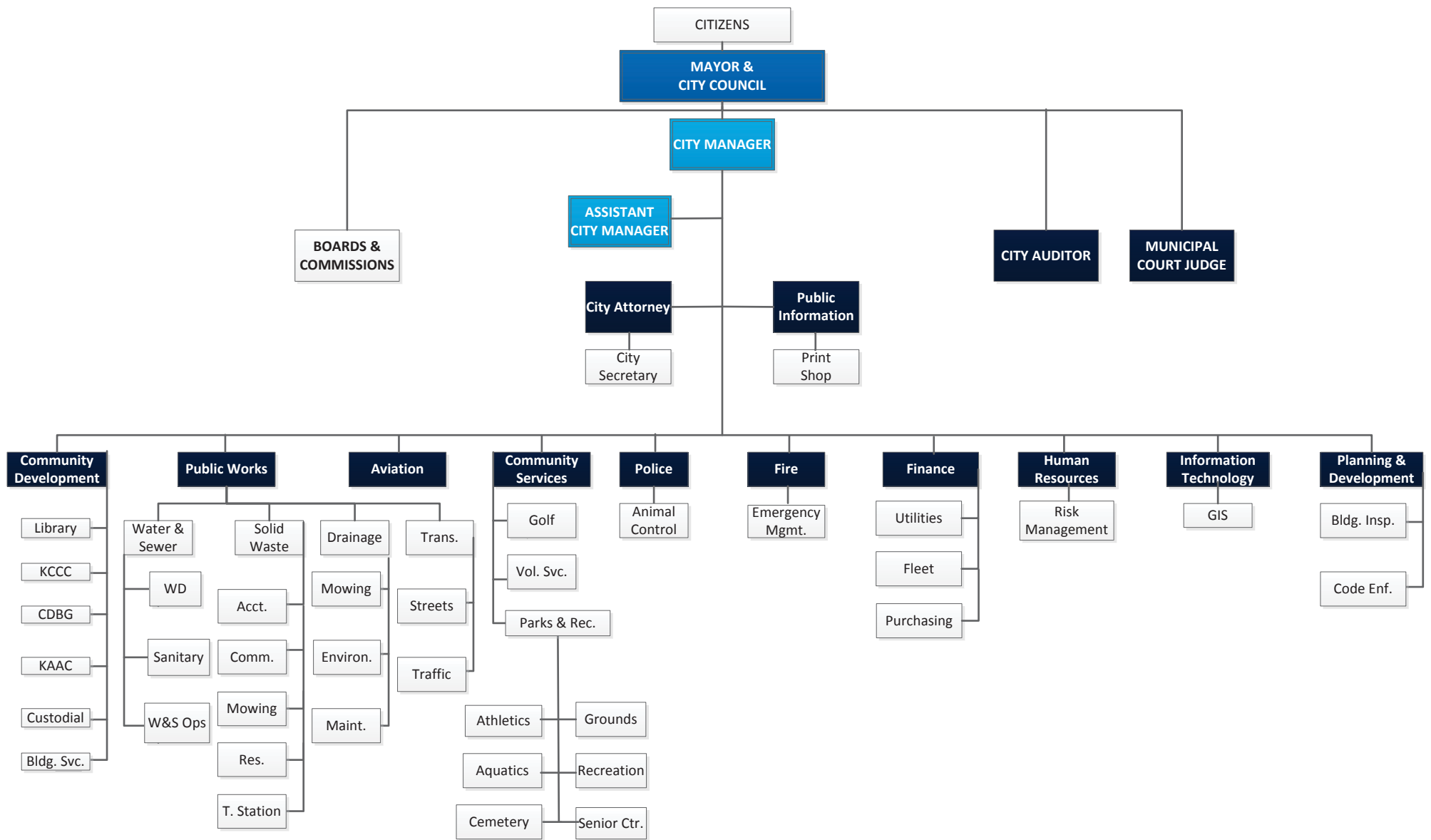
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jonathan Locke', written in a cursive style.

Jonathan Locke, CPA
Executive Director of Finance

A handwritten signature in black ink, appearing to read 'Karen Evans', written in a cursive style.

Karen Evans, CPA
Controller



- Elected Officials
- City Management
- Department Level

City of Killeen, Texas
List of Elected and Appointed Officials
September 30, 2017

Elected Officials

Mayor	Jose L. Segarra
Mayor Pro Tem	Jim Kilpatrick
Councilmember – District 1	Shirley Fleming
Councilmember – District 2	Debbie Nash-King
Councilmember – District 4	Steve Harris
Councilmember – At Large	Jonathan Okray
Councilmember – At Large	Juan Rivera
Councilmember – At Large	Gregory Johnson

Appointed Officials

City Manager	Ronald L. Olson
Assistant City Manager	Dennis Baldwin
Deputy City Manager	Lillian Ann Farris, Ph.D.
City Attorney	Kathryn Davis
City Auditor	Matthew Grady, CPA
Chief of Police	Charles Kimble
Fire Chief	Brian Brank
Presiding Municipal Judge	Mark Kimball
Executive Director of Aviation	Matthew Van Valkenburgh
Executive Director of Communications	Hilary Shine
Executive Director of Community Development	Leslie Hinkle
Executive Director of Community Services	Brett Williams
Executive Director of Finance	Jonathan Locke, CPA
Executive Director of Human Resources	Eva Bark
Executive Director of Information Technology	Tom Moore
Executive Director of Municipal Court	Luevada Posey
Executive Director of Planning	Ray Shanaa, Ph.D.
Executive Director of Public Works	David Olson, P.E.



Government Finance Officers Association

**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, 2016

Christopher P. Morrell

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Killeen, Texas (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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), the City's discretely presented component unit, which reflects total assets of \$10,775,502 as of September 30, 2017 and total revenues of \$1,310,157 for the year then ended. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for KEDC, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of funding progress, identified as Required Supplementary Information on the table of contents, 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 responses 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018 on our consideration of the City'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* in considering the City's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 20, 2018



City of Killeen, Texas
Management's Discussion and Analysis
September 30, 2017

As management of the City of Killeen, we offer readers of the City of Killeen's (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$252.5 million (*net position*). Of this amount, (\$17.6 million) represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$38.3 million. This increase is largely attributable to \$16.9 million in grants and contributions from third parties.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$34.0 million, an increase of \$1.8 million in comparison with the prior year. 58.51% of this amount or \$19.9 million is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$19.9 million, or 25.93% of total general fund expenditures.
- The City's total outstanding long-term debt decreased by \$49.4 million during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to 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 includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation, sick, and compensatory leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, planning, culture and recreation, and maintenance. The business-type activities of the City include aviation and solid waste, water and sewer, and drainage utilities.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. Killeen Volunteers, Inc. and Tax Increment Reinvestment Zone #2, although legally separate, function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 17-19 of this report.

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

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

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

The City maintains numerous individual governmental funds. 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 debt service 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 nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the operations of the airport and its solid waste, water and sewer, and drainage utility activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

for the management of its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport, Solid Waste, Water and Sewer, and Drainage Utility funds, all of which are considered to be major funds of the City.

The basic enterprise fund financial statements can be found on pages 24-26 of this report.

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

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-74 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to qualifying employees and general fund budget and actual schedule of revenues, expenditures and changes in fund balance. Required supplementary information can be found on pages 75-81 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 83-126 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$252.5 million at the close of the most recent fiscal year.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

Net Position
(in millions of dollars)

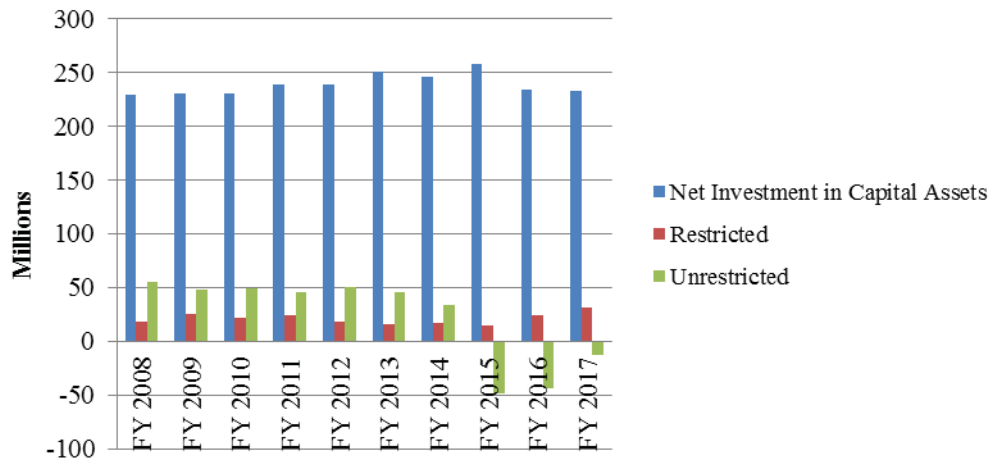
	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
ASSETS						
Current and other assets	\$ 42.1	\$ 48.4	\$ 45.4	\$ 42.8	\$ 87.5	\$ 91.2
Capital assets	237.2	239.5	248.9	249.3	486.1	488.8
Total assets	279.3	287.9	294.3	292.1	573.6	580.0
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	10.1	10.8	2.7	3.2	12.8	14.0
Pension contributions after measurement date	4.2	4.0	0.8	0.5	5.0	4.5
Difference in projected and actual earnings on pension assets	7.4	4.0	1.1	1.7	1.7	5.7
Difference in assumptions	0.6	7.2	-	-	7.4	7.2
Total deferred outflows of resources	22.3	26.0	4.6	5.4	26.9	31.4
LIABILITIES						
Current liabilities	7.8	9.9	6.5	7.4	14.3	17.3
Noncurrent liabilities	261.3	297.0	66.8	81.0	328.1	378.0
Total liabilities	269.1	306.9	73.3	88.4	342.4	395.3
DEFERRED INFLOWS OF RESOURCES						
Difference in expected and actual pension experience	5.0	1.7	0.6	0.4	5.6	2.1
Total deferred inflows of resources	5.0	1.7	0.6	0.4	5.6	2.1
NET POSITION						
Net investment in capital assets	48.1	52.0	201.1	181.9	249.1	233.9
Restricted	12.7	3.5	8.2	20.5	20.9	24.0
Unrestricted	(33.3)	(50.2)	15.8	6.3	(17.5)	(43.9)
Total net position	\$ 27.5	\$ 5.3	\$ 225.1	\$ 208.7	\$ 252.5	\$ 214.0

By far, the largest portion of the City's net position, \$249.1 million, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment, and systems), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$20.9 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, a negative \$17.5 million, may be used to meet the City's ongoing obligations to citizens and creditors. This negative unrestricted net position is a direct result of the implementation of GASB 68 in fiscal year 2015, through which the City is required to record a net pension liability in the government-wide financial statements. The net pension liability is the value of any actuarially unfunded portion of pension benefits earned to date. See Note IV.G for more detail.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

Net Position Government-Wide



The City's overall net position increased by \$38.3 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$22.1 million from the prior fiscal year for an ending balance of \$27.5 million. This increase is largely attributable to \$10.7 million in grants and contributions from grant agencies.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

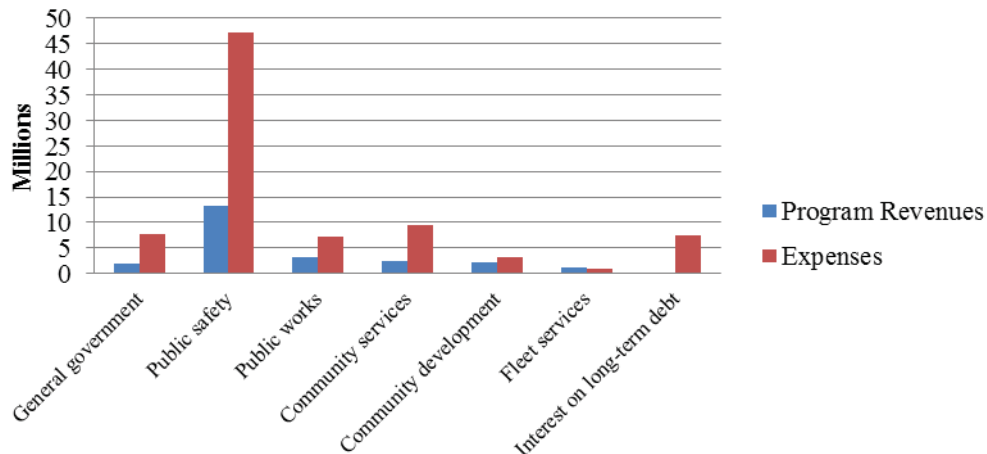
Changes in Net Position

(in millions of dollars)

	Governmental		Business-Type		Total	
	Activities		Activities		Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
<i>Program revenues:</i>						
Charges for services	\$ 13.85	\$ 13.71	\$ 65.81	\$ 64.13	\$ 79.66	\$ 77.84
Operating grants and contributions	6.93	5.45	-	-	6.93	5.45
Capital grants and contributions	3.72	4.96	6.28	0.84	10.00	5.80
<i>General revenues:</i>						
Property taxes	39.84	37.50	-	-	39.84	37.50
Franchise taxes	5.50	5.27	-	-	5.50	5.27
Sales taxes	24.76	24.17	-	-	24.76	24.17
Interest and investment income	0.38	0.20	0.28	0.16	0.66	0.36
Insurance proceeds	0.30	0.80	0.02	0.04	0.32	0.84
Gain on sale of capital assets	-	0.09	0.19	0.06	0.19	0.15
Lease revenue	0.35	0.33	0.06	0.07	0.41	0.40
Total revenues	<u>95.63</u>	<u>92.48</u>	<u>72.64</u>	<u>65.30</u>	<u>168.27</u>	<u>157.78</u>
Expenses						
General	7.64	23.88	-	-	7.64	23.88
Public safety	47.15	59.75	-	-	47.15	59.75
Public works	7.14	7.24	-	-	7.14	7.24
Community services	9.47	10.69	-	-	9.47	10.69
Community development	3.20	3.22	-	-	3.20	3.22
Fleet services	1.17	-	-	-	1.17	-
Interest on long-term debt	7.74	7.61	-	-	7.74	7.61
Airport operations	-	-	5.83	8.25	5.83	8.25
Solid waste	-	-	11.07	13.58	11.07	13.58
Water and sewer	-	-	27.18	32.03	27.18	32.03
Drainage utility	-	-	2.39	3.29	2.39	3.29
Total expenses	<u>83.50</u>	<u>112.39</u>	<u>46.47</u>	<u>57.15</u>	<u>129.98</u>	<u>169.54</u>
Change in net position before transfers	12.13	(19.91)	26.17	8.15	38.29	(11.76)
Transfers	<u>9.90</u>	<u>14.33</u>	<u>(9.90)</u>	<u>(14.33)</u>	<u>-</u>	<u>-</u>
Change in net position	22.03	(5.58)	16.27	(6.18)	38.29	(11.76)
Net position at beginning of year	3.57	9.15	208.76	214.94	212.33	224.09
Prior period adjustment	<u>1.86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.86</u>	<u>-</u>
Net position at end of year	<u>\$ 27.46</u>	<u>\$ 3.57</u>	<u>\$ 225.03</u>	<u>\$ 208.76</u>	<u>\$ 252.48</u>	<u>\$ 212.33</u>

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

Expenses and Program Revenues Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$16.27 million. Key elements of this increase are as follows:

- Charges for business-type activities totaled \$65.81 million, an increase of \$1.68 million from the prior year.
- The aviation, water and sewer, and drainage utilities received capital contributions of \$6.28 million from developers and grant agencies.
- Investment earnings amounted to \$0.28 million.
- Gain from the disposition of capital assets was \$0.19 million.

Financial Analysis of the City's Funds

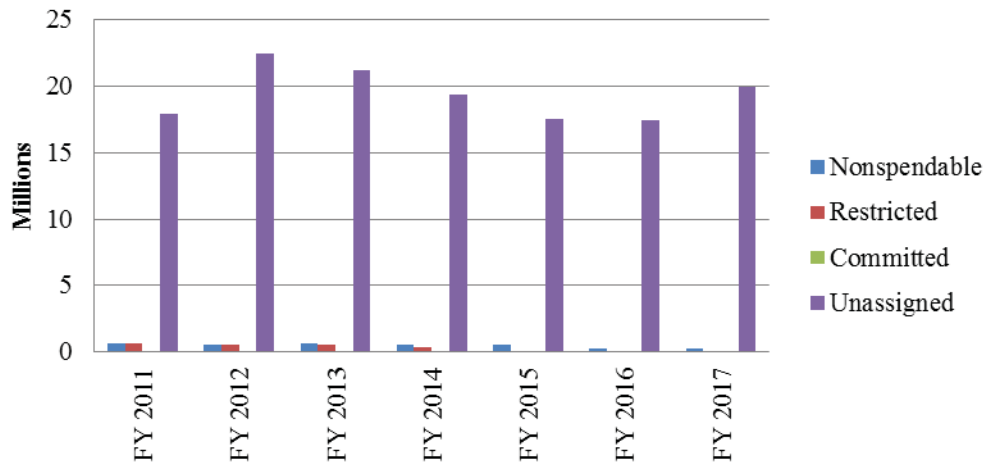
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. 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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$33.96 million, an increase of \$1.75 million in comparison with the prior year. Approximately \$19.87 million (58.43%) of this amount constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form (0.27 million) or 2) restricted for particular purposes (\$13.83 million).

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

Components of Fund Balance General Fund



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$19.92 million, while the total fund balance increased to \$20.18 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 general fund expenditures. Unassigned fund balance represents 25.93 percent of total general fund expenditures, while total fund balance represents 26.27 percent of that same amount.

The fund balance of the City's general fund increased by \$2.52 million during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was due to grants and contributions from grant agencies.

The debt service fund, the remaining major governmental fund, had an increase in fund balance during the current year of \$3.54 million to bring the year end fund balance to \$4.06 million. The increase results from \$2.04 million of state pass-through financing payments and a \$0.85 million transfer in of surplus bond funds.

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

Unrestricted net position of the airport, solid waste, water and sewer, and drainage funds at the end of the year amounted to negative \$21,079, \$4.27 million, \$9.55 million, and \$4.71 million, respectively. The combined growth in net position for all funds was \$16.25 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. Differences between the original budget and the final amended budget amounted to a \$517,442 increase in appropriations, and can be briefly summarized as follows:

- The Streets Department's budget increased by \$206,749, due to the general fund absorbing the entire cost of electricity service for street lights.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

- The City Council hired a firm to conduct a management audit of the City's finances. The general fund's portion of the audit amounted to \$216,387, and it was paid out of a nondepartmental account.
- The City Council voted to terminate the Photo Red Light Enforcement Program in the City of Killeen. A portion of the Bell County Communication Center's budget was being paid through the proceeds of the program. Due to the termination of the program, a total of \$93,469 of expense was moved to a nondepartmental account in the general fund.
- In a continued effort to maximize the efficiency of City operations, the decision was made to dissolve the Support Services Department. The divisions that reported to Support Services were moved to other departments within the City, along with their respective appropriations. Purchasing moved to Finance, Printing Services moved to Communications, Building Services and Custodial Services moved to Community Development, and Emergency Management moved to the Fire Department.

Final Budget Compared to Actual Results. The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue Source</u>	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Intergovernmental revenue	\$6,144,974	\$5,016,512	\$(1,128,462)
Charges for services	\$6,513,280	\$5,786,553	\$ (726,727)

The shortfalls in the above revenue sources were caused by the duplication of two public safety grants in the intergovernmental revenue budget. Charges for services is the classification used to report ambulance revenue which came in lower than expected. The City outsourced ambulance collections in May 2017 and noticed a decrease in revenue during the transitional period.

A review of actual expenditures compared to appropriations in the final budget yields no significant variances with one exception. Actual expenditures for the police department within the public safety function (\$28.92 million) were lower than the related appropriation of \$30.91 million by \$1.99 million. This savings was a result of personnel vacancies throughout the year.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017 amount to \$486.01 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure. The total decrease in capital assets for the current fiscal year was \$2.82 million.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

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

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 7.57	\$ 7.57	\$ 1.81	\$ 1.81	\$ 9.38	\$ 9.38
Construction in progress	59.97	54.20	10.84	9.54	70.81	63.74
Buildings	64.13	67.71	66.98	69.38	131.11	137.09
Improvements other than buildings	-	-	151.36	156.98	151.36	156.98
Furniture and equipment	2.53	2.20	0.82	1.17	3.35	3.37
Vehicles	6.16	6.55	4.40	5.78	10.56	12.33
Infrastructure assets	96.81	101.26	12.71	4.73	109.52	105.99
Total	<u>\$ 237.17</u>	<u>\$ 239.49</u>	<u>\$ 248.92</u>	<u>\$ 249.39</u>	<u>\$ 486.09</u>	<u>\$ 488.88</u>

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

- \$2.49 million of water, sewer, and drainage infrastructure was contributed to the City by developers.
- Various projects related to streets and sidewalks at a cost of \$5.17 million.
- The purchase of various vehicles at a cost of \$3.55 million.

Additional information on the City's capital assets can be found in Note IV.E on pages 47-50 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$260.2 million. Of this amount, \$193.4 million is debt backed by the full faith and credit of the City and \$45.5 million in revenue bonds of the City's business enterprises.

Outstanding Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue bonds	\$ -	\$ -	\$ 45.5	\$ 50.7	\$ 45.5	\$ 50.7
General obligation bonds	119.1	123.6	10.6	11.3	129.7	134.9
Certificates of obligation	63.5	66.9	0.2	0.3	63.7	67.2
Plus unamortized bond premiums/discounts	16.7	17.7	4.6	5.2	21.3	22.9
Total outstanding debt	<u>\$ 199.3</u>	<u>\$ 208.2</u>	<u>\$ 60.9</u>	<u>\$ 67.5</u>	<u>\$ 260.2</u>	<u>\$ 275.7</u>

The City's total debt decreased by \$15.3 million during the current fiscal year. The decrease is the result of the scheduled debt service payments.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

The City maintains the following ratings from Standard & Poor's, Fitch Ratings, and Moody's Investor Services:

City of Killeen Bonded Debt Ratings
September 30, 2017

Bond Type	Rating		
	S&P	Fitch	Moody's
General Obligation	AA	AA	Aa3
Utility Revenue Bond	AA	AA-	Aa3
Certificates of Obligation	AA	AA	Aa3

All taxable property within the City of Killeen is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities such as the City of Killeen to \$2.50 per \$100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum rate for all general obligation debt service calculated at the time of issuance based on 90% tax collections. The current debt limitation for the City is \$80.1 million, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note IV.K on pages 66-70 of this report.

Economic Factors and Next Year's Budget and Rates

The following economic factors and priorities were considered in developing the 2018 fiscal year budget:

- The loss of \$4,371,159 of taxable value as a result of the Disabled Veteran Exemption.
- The development of priorities by City Council and adherence to the City's mission.
- Establishing departmental mission statements and mission elements that align with the City's mission.
- Establishing the framework the City will follow in providing for the delivery of services, facilities, and infrastructure to the citizens of Killeen.
- Focus on long-range financial planning to ensure the financial health and sustainability of Killeen.

The City Council has stipulated that the general fund maintains 22 percent of expenditures as a minimum of unassigned reserves, which currently equates to \$16.90 million. At the end of fiscal year 2017, unassigned fund balance in the general fund is \$19.92 million. It is intended that the available fund balance beyond the minimum be used for nonrecurring capital outlay and projects, and not for financing of ongoing operational costs. For fiscal year 2018, fund balance in all budgeted funds is projected to remain at adequate levels to provide for unexpected decreases in revenues plus extraordinary unbudgeted expenditures.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2017

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department:

City of Killeen Finance Department
802 N. 2nd Street, Building E
P. O. Box 1329
Killeen, TX 76540
(254) 501-7730
<http://www.killeentexas.gov>

City of Killeen, Texas
Statement of Net Position
September 30, 2017

	Primary Government			Component Unit
	Governmental	Business - Type		Killeen Economic
	Activities	Activities	Total	Development Corp.
ASSETS				
Cash and cash equivalents	\$ 31,723,186	\$ 22,871,280	\$ 54,594,466	\$ 5,676,579
Receivables (net of allowances for uncollectibles):				
Taxes	5,093,683	-	5,093,683	-
Accounts	1,230,716	7,845,881	9,076,597	-
Intergovernmental receivable	3,521,164	1,524,028	5,045,192	-
Inventories	458,441	352,056	810,497	-
Prepaid assets	120,506	2,000	122,506	-
Restricted assets:				
Cash and cash equivalents	-	12,800,713	12,800,713	-
Other assets:				
Skylark project	-	-	-	153,401
Capital assets:				
Nondepreciable	67,539,122	12,645,366	80,184,488	2,225,395
Depreciable (net)	169,636,732	236,273,660	405,910,392	2,720,127
Total assets	279,323,550	294,314,984	573,638,534	10,775,502
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	10,133,872	2,719,302	12,853,174	-
Pension contributions after measurement date	4,175,800	766,798	4,942,598	-
Difference in projected and actual earnings on pension assets	7,395,568	1,138,790	8,534,358	-
Difference in assumptions	567,747	-	567,747	-
Total deferred outflows of resources	22,272,987	4,624,890	26,897,877	-
LIABILITIES				
Accounts payable	3,996,768	2,835,777	6,832,545	415
Due to other governments	551	-	551	-
Deposits payable	103,923	2,814,966	2,918,889	-
Unearned revenue	120,231	25,434	145,665	-
Accrued salaries payable	2,304,197	495,376	2,799,573	-
Accrued interest payable	1,314,879	308,677	1,623,556	-
Noncurrent liabilities:				
Due within one year	11,810,356	5,489,232	17,299,588	-
Due in more than one year	249,454,283	61,303,631	310,757,914	1,048,149
Total liabilities	269,105,188	73,273,093	342,378,281	1,048,564
DEFERRED INFLOWS OF RESOURCES				
Difference in assumption changes	223,630	5,923	229,553	-
Difference in expected and actual pension experience	4,802,913	645,953	5,448,866	-
Total deferred inflows of resources	5,026,543	651,876	5,678,419	-
NET POSITION				
Net investment in capital assets	48,083,942	201,056,728	249,140,670	3,897,373
Restricted for:				
Debt service	3,238,931	5,115,000	8,353,931	-
Capital projects	6,239,123	3,054,410	9,293,533	-
Other purposes (see combining statements for detail)	3,242,359	-	3,242,359	-
Economic development	-	-	-	5,829,565
Unrestricted	(33,339,549)	15,788,767	(17,550,782)	-
Total net position	\$ 27,464,806	\$ 225,014,905	\$ 252,479,711	\$ 9,726,938

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

City of Killeen, Texas
Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,640,003	\$ 1,127,516	\$ 902,952	\$ -
Public safety	47,145,776	8,737,207	3,945,282	680,505
Public works	7,144,108	-	183,059	3,037,151
Community services	9,468,049	2,153,672	317,144	-
Community development	3,199,353	692,966	1,581,520	-
Fleet services	1,164,394	1,138,067	-	-
Interest on long-term debt	7,739,808	-	-	-
Total governmental activities	83,501,491	13,849,428	6,929,957	3,717,656
Business-type activities:				
Airport operations	5,827,440	3,795,116	-	3,786,372
Solid waste	11,069,243	18,293,262	-	-
Water and sewer	27,181,470	39,446,531	-	1,614,948
Drainage utility	2,393,986	4,273,222	-	875,583
Total business-type activities	46,472,139	65,808,131	-	6,276,903
Total primary government	\$ 129,973,630	\$ 79,657,559	\$ 6,929,957	\$ 9,994,559
Component Unit:				
Killeen Economic Development Corp.	\$ 1,146,501	\$ 708,989	\$ 386,354	\$ -

General revenues:

Taxes:

Ad valorem taxes

Franchise taxes

Sales and occupancy taxes

Investment income

Insurance proceeds

Gain on disposition of capital assets

Lease revenue

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business - Type Activities	Total	Killeen Economic Development Corp.
\$ (5,609,535)	\$ -	\$ (5,609,535)	\$ -
(33,782,782)	-	(33,782,782)	-
(3,923,898)	-	(3,923,898)	-
(6,997,233)	-	(6,997,233)	-
(924,867)	-	(924,867)	-
(26,327)	-	(26,327)	-
(7,739,808)	-	(7,739,808)	-
(59,004,450)	-	(59,004,450)	-
-	1,754,048	1,754,048	-
-	7,224,019	7,224,019	-
-	13,880,009	13,880,009	-
-	2,754,819	2,754,819	-
-	25,612,895	25,612,895	-
(59,004,450)	25,612,895	(33,391,555)	-
			(51,158)
39,841,801	-	39,841,801	-
5,504,632	-	5,504,632	-
24,761,181	-	24,761,181	-
383,558	281,939	665,497	34,814
296,262	16,391	312,653	-
-	186,638	186,638	-
351,917	58,000	409,917	-
9,901,033	(9,901,033)	-	-
81,040,384	(9,358,065)	71,682,319	34,814
22,035,934	16,254,830	38,290,764	(16,344)
3,573,854	208,760,075	212,333,929	9,743,282
1,855,018	-	1,855,018	-
\$ 27,464,806	\$ 225,014,905	\$ 252,479,711	\$ 9,726,938

City of Killeen, Texas
Balance Sheet
Governmental Funds
September 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,531,091	\$ 2,020,168	\$ 10,868,847	\$ 31,420,106
Receivables (net of allowances for uncollectibles):				
Taxes	4,688,301	208,357	197,025	5,093,683
Accounts	1,203,694	-	25,280	1,228,974
Intergovernmental receivable	866,362	2,038,985	615,817	3,521,164
Due from other funds	494,910	-	-	494,910
Inventories	137,733	-	7,871	145,604
Prepaid assets	120,506	-	-	120,506
Total assets	<u>\$ 26,042,597</u>	<u>\$ 4,267,510</u>	<u>\$ 11,714,840</u>	<u>\$ 42,024,947</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,456,540	\$ 2,293	\$ 1,409,989	\$ 3,868,822
Due to other governments	-	-	551	551
Due to other funds	-	-	494,910	494,910
Other liabilities	103,923	-	-	103,923
Accrued salaries payable	2,217,386	-	42,214	2,259,600
Unearned revenue	82,775	-	37,456	120,231
Total liabilities	<u>4,860,624</u>	<u>2,293</u>	<u>1,985,120</u>	<u>6,848,037</u>
Deferred inflows of resources:				
Unavailable revenue	1,004,955	208,357	-	1,213,312
Total deferred inflows of resources	<u>1,004,955</u>	<u>208,357</u>	<u>-</u>	<u>1,213,312</u>
Fund Balances:				
Nonspendable:				
Inventories	137,733	-	7,871	145,604
Prepaid assets	120,506	-	-	120,506
Restricted for:				
Debt service	-	4,056,860	288,593	4,345,453
Capital projects	-	-	6,239,123	6,239,123
Other purposes (see combining statements for detail)	-	-	3,242,359	3,242,359
Unassigned	19,918,779	-	(48,226)	19,870,553
Total fund balances	<u>20,177,018</u>	<u>4,056,860</u>	<u>9,729,720</u>	<u>33,963,598</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,042,597</u>	<u>\$ 4,267,510</u>	<u>\$ 11,714,840</u>	<u>\$ 42,024,947</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 Position
September 30, 2017

Total fund balances - governmental funds balance sheet **\$ 33,963,598**

Amounts reported for governmental activities in the statement of net position 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. 234,648,719

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (200,540,663)

Vacation, sick leave, and compensatory time payable is not due and payable in the current period and, therefore, is not reported in the funds. (11,210,297)

The other post employment benefit obligation (OPEB) is not due and payable in the current period and, therefore, is not reported in the funds. (2,610,244)

The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds. (48,157,541)

Deferred inflows of resources are not reported in the governmental funds:

Difference in expected and actual pension experience	(4,802,913)	
Difference in assumptions	(223,630)	(5,026,543)

Deferred outflows of resources are not reported in the governmental funds:

Deferred charges on debt refundings	\$ 10,133,872	
Pension contributions after measurement date	4,175,800	
Difference in projected and actual earnings on pension assets	7,395,568	
Difference in assumptions	567,747	22,272,987

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. 1,213,312

Internal service funds are used by management to charge costs of fleet services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the government-wide statement of net position. 2,911,478

Net position of governmental activities - statement of net position **\$ 27,464,806**

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, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 51,953,547	16,048,942	\$ 2,107,434	\$ 70,109,923
Licenses and permits	1,527,193	-	-	1,527,193
Intergovernmental	5,016,512	2,038,985	4,429,557	11,485,054
Charges for services	5,786,553	-	625,534	6,412,087
Fines	3,052,125	-	1,420,766	4,472,891
Investment earnings	200,213	63,435	107,706	371,354
Contributions	8,293	-	577,412	585,705
Miscellaneous	194,057	-	224,234	418,291
Total revenues	<u>67,738,493</u>	<u>18,151,362</u>	<u>9,492,643</u>	<u>95,382,498</u>
EXPENDITURES				
Current:				
General government	8,922,070	-	212,267	9,134,337
Public safety	53,366,553	-	2,022,006	55,388,559
Public works	4,373,706	-	35,849	4,409,555
Community services	5,572,440	-	3,199,881	8,772,321
Community development	3,462,380	-	-	3,462,380
Capital outlay	1,118,966	-	6,754,941	7,873,907
Debt service:				
Principal	-	7,605,000	405,000	8,010,000
Interest and fiscal charges	-	7,854,661	334,719	8,189,380
Total expenditures	<u>76,816,115</u>	<u>15,459,661</u>	<u>12,964,663</u>	<u>105,240,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,077,622)</u>	<u>2,691,701</u>	<u>(3,472,020)</u>	<u>(9,857,941)</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	295,067	-	1,195	296,262
Sale of assets	25,664	-	7,501	33,165
Transfers in	11,278,698	851,937	-	12,130,635
Transfers out	-	-	(851,937)	(851,937)
Total other financing sources (uses)	<u>11,599,429</u>	<u>851,937</u>	<u>(843,241)</u>	<u>11,608,125</u>
Net change in fund balances	<u>2,521,807</u>	<u>3,543,638</u>	<u>(4,315,261)</u>	<u>1,750,184</u>
Fund balance - beginning	17,655,211	513,222	13,943,723	32,112,156
Prior period adjustment	-	-	101,258	101,258
Fund balance - ending	<u>\$ 20,177,018</u>	<u>\$ 4,056,860</u>	<u>\$ 9,729,720</u>	<u>\$ 33,963,598</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, 2017

Net change in fund balances - total governmental funds \$ 1,750,184

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

Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This reconciling item represents the amount by which depreciation expense exceeded capital outlays in the current period. (4,654,347)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, which does not have an effect on net position. This reconciling item represents the effect of this difference in the treatment of long-term debt. 8,010,000

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. 20,726,612

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. (1,192,639)

Internal service funds are used by management to charge the costs of fleet maintenance. The net operating income of the internal service fund is reported with governmental activities net of the amount allocated to business-type activities. (2,603,876)

Change in net position of governmental activities - statement of activities \$ 22,035,934

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

City of Killeen, Texas
Statement of Net Position
Enterprise Funds
September 30, 2017

	Business-type Activities				Governmental Activities	
	Airport Enterprise	Solid Waste Enterprise	Water and Sewer Enterprise	Drainage Utility Enterprise	Total Enterprise Funds	Internal Service
ASSETS						
Current assets:						
Cash and cash equivalents	\$ -	\$ 4,651,373	\$ 13,236,635	\$ 4,983,272	\$ 22,871,280	\$ 303,080
Receivables (net of allowances for uncollectibles):						
Accounts	90,172	2,107,513	5,136,275	511,921	7,845,881	1,742
Due from other funds	-	-	-	-	-	-
Intergovernmental receivable	1,524,028	-	-	-	1,524,028	-
Inventories	109,836	-	242,220	-	352,056	312,837
Prepaid assets	-	-	2,000	-	2,000	-
Restricted assets:						
Cash and cash equivalents	2,245,644	-	9,095,396	1,459,673	12,800,713	-
Total current assets	3,969,680	6,758,886	27,712,526	6,954,866	45,395,958	617,659
Noncurrent assets:						
Property and equipment:						
Land	1,319,003	72,165	243,332	172,190	1,806,690	-
Buildings	3,064,864	12,454,238	92,166,669	-	107,685,771	-
Improvements other than buildings	97,114,391	-	109,212,919	-	206,327,310	-
Furniture and equipment	1,489,687	598,232	1,091,088	57,726	3,236,733	-
Vehicles	1,085,357	11,386,540	5,047,766	2,603,901	20,123,564	3,492,540
Infrastructure	10,363	12,050	12,951,135	9,832,501	22,806,049	-
Construction in progress	3,846,356	-	5,671,681	1,320,639	10,838,676	-
Less accumulated depreciation	(39,750,119)	(14,058,680)	(65,439,334)	(4,657,634)	(123,905,767)	(965,405)
Net property and equipment	68,179,902	10,464,545	160,945,256	9,329,323	248,919,026	2,527,135
Total assets	\$ 72,149,582	\$ 17,223,431	\$ 188,657,782	\$ 16,284,189	\$ 294,314,984	\$ 3,144,794
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refunding	-	473,004	2,010,872	235,426	2,719,302	-
Pension contributions after measurement date	104,767	248,675	338,941	74,415	766,798	-
Difference in projected and actual earnings on pension assets	153,967	367,973	499,138	117,712	1,138,790	-
Total deferred outflows of resources	258,734	1,089,652	2,848,951	427,553	4,624,890	-
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 192,371	\$ 748,126	\$ 1,732,453	\$ 162,827	\$ 2,835,777	\$ 127,946
Deposits payable	12,100	4,000	2,798,866	-	2,814,966	-
Unearned revenue	23,820	1,174	440	-	25,434	-
Accrued salaries payable	70,539	172,476	190,628	61,733	495,376	44,597
Accrued interest payable	-	50,635	228,859	29,183	308,677	-
Compensated absences	58,552	144,360	122,568	48,752	374,232	34,418
Current portion of bonds payable	-	415,000	4,335,000	365,000	5,115,000	-
Total current liabilities	357,382	1,535,771	9,408,814	667,495	11,969,462	206,961
Noncurrent liabilities:						
Compensated absences	58,531	160,686	96,973	37,292	353,482	26,355
Net pension liability	690,486	1,666,066	2,218,713	560,245	5,135,510	-
Bonds payable net of unamortized premium (discount)	-	7,308,346	44,573,661	3,932,632	55,814,639	-
Total noncurrent liabilities	749,017	9,135,098	46,889,347	4,530,169	61,303,631	26,355
Total liabilities	1,106,399	10,670,869	56,298,161	5,197,664	73,273,093	233,316
DEFERRED INFLOWS OF RESOURCES						
Difference in assumptions	809	1,921	2,618	575	5,923	-
Difference in expected and actual pension experience	87,875	209,374	284,126	64,578	645,953	-
Total deferred inflows of resources	88,684	211,295	286,744	65,153	651,876	-
NET POSITION						
Net investment in capital assets	68,179,902	3,214,203	123,049,916	6,612,707	201,056,728	2,527,135
Restricted for debt service	-	415,000	4,335,000	365,000	5,115,000	-
Capital projects	3,054,410	-	-	-	3,054,410	-
Unrestricted	(21,079)	3,801,716	7,536,912	4,471,218	15,788,767	384,343
Total net position	71,213,233	7,430,919	134,921,828	11,448,925	225,014,905	2,911,478
Total liabilities, deferred inflows of resources, and net position	\$ 72,408,316	\$ 18,313,083	191,506,733	\$ 16,711,742	\$ 298,939,874	\$ 3,144,794

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

City of Killeen, Texas
**Statement of Revenues, Expenditures and
Changes in Net Position - Enterprise Funds
For the Year Ended September 30, 2017**

	Business-type Activities				Governmental Activities
	Airport Enterprise	Solid Waste Enterprise	Water and Sewer Enterprise	Drainage Utility Enterprise	Total Enterprise Funds Internal Service
OPERATING REVENUES					
Charges for services	\$ 3,784,764	\$ 18,290,930	\$ 39,409,416	\$ 4,270,948	\$ 65,756,058
Miscellaneous	10,352	2,332	37,115	2,274	52,073
Total operating revenues	3,795,116	18,293,262	39,446,531	4,273,222	65,808,131
OPERATING EXPENSES					
Purchase of water	-	-	8,447,593	-	8,447,593
Sewage treatment	-	-	6,366,159	-	6,366,159
Salaries and employee benefits	956,038	2,254,452	1,854,817	1,001,596	6,066,903
Repairs and maintenance	248,556	1,196,189	902,461	231,244	2,578,450
Supplies	76,063	682,294	562,025	104,870	1,425,252
Miscellaneous services and charges	811,169	1,165,167	1,986,050	311,311	4,273,697
Refuse disposal costs	-	4,029,617	-	-	4,029,617
Depreciation	3,735,614	1,461,814	5,862,503	612,686	11,672,617
Total operating expenses	5,827,440	10,789,533	25,981,608	2,261,707	44,860,288
Operating income (loss)	(2,032,324)	7,503,729	13,464,923	2,011,515	20,947,843
NONOPERATING REVENUES (EXPENSES)					
Insurance proceeds	5,888	966	9,537	-	16,391
Gain on disposition of capital assets	-	174,578	12,060	-	186,638
Lease revenue	-	58,000	-	-	58,000
Intergovernmental	3,786,372	-	-	-	3,786,372
Investment earnings	20,303	27,569	180,369	53,698	281,939
Industrial development	-	-	(362,527)	-	(362,527)
Interest and fiscal charges	-	(279,710)	(837,335)	(132,279)	(1,249,324)
Total nonoperating revenues (expenses)	3,812,563	(18,597)	(997,896)	(78,581)	2,717,489
Income (loss) before contributions and transfers	1,780,239	7,485,132	12,467,027	1,932,934	23,665,332
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	-	-	1,614,948	875,583	2,490,531
Transfers in	-	491,826	885,839	-	1,377,665
Transfers out	-	(4,654,390)	(6,329,092)	(295,216)	(11,278,698)
Total contributions and transfers	-	(4,162,564)	(3,828,305)	580,367	(7,410,502)
Change in net position	1,780,239	3,322,568	8,638,722	2,513,301	16,254,830
Net position - beginning	69,432,994	4,108,351	126,283,106	8,935,624	208,760,075
Net position - ending	\$ 71,213,233	\$ 7,430,919	\$ 134,921,828	\$ 11,448,925	\$ 225,014,905

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

City of Killeen, Texas
Statement of Cash Flows
Enterprise Funds
For the Year Ended September 30, 2017

	Business-type Activities				Governmental Activities
	Airport Enterprise	Solid Waste Enterprise	Water and Sewer Enterprise	Drainage Utility Enterprise	Total Enterprise Funds Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 2,303,470	\$ 18,115,787	\$ 39,081,183	\$ 4,062,179	\$ 63,562,619
Payments to suppliers	(1,351,859)	(6,764,832)	(18,276,028)	(855,271)	(27,247,990)
Payments to employees	(1,911,996)	(4,511,504)	(5,116,257)	(1,673,979)	(13,213,736)
Net cash provided (used) by operating activities	(960,385)	6,839,451	15,688,898	1,532,929	23,100,893
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	-	491,826	885,839	-	1,377,665
Transfers out to other funds	-	(4,654,390)	(6,329,092)	(295,216)	(11,278,698)
Industrial development	-	-	(362,527)	-	(362,527)
Net cash (used) by noncapital financing activities	-	(4,162,564)	(5,805,780)	(295,216)	(10,263,560)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions/grants	3,786,372	-	-	-	3,786,372
Purchase and construction of capital assets	(3,533,246)	(36,532)	(3,463,651)	(1,675,284)	(8,708,713)
Proceeds from sale of assets	-	174,578	12,060	-	186,638
Insurance proceeds	5,888	966	9,537	-	16,391
Lease revenue	-	58,000	-	-	58,000
Principal paid on long-term debt	-	(400,000)	(5,205,000)	(360,000)	(5,965,000)
Interest and fees paid on long-term debt	-	(320,458)	(847,103)	(191,001)	(1,358,562)
Net cash provided (used) by capital and related financing activities	259,014	(523,446)	(9,494,157)	(2,226,285)	(11,984,874)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	-	-	2,045,203	-	2,045,203
Interest and dividends on investments	20,303	27,569	180,369	53,698	281,939
Net cash provided by investing activities	20,303	27,569	2,225,572	53,698	2,327,142
Net increase (decrease) in cash and cash equivalents	(681,068)	2,181,010	2,614,533	(934,874)	3,179,601
Cash and cash equivalents, beginning of year	2,926,712	2,470,363	19,717,498	7,377,819	32,492,392
Cash and cash equivalents, end of year	\$ 2,245,644	\$ 4,651,373	\$ 22,332,031	\$ 6,442,945	\$ 35,671,993
Cash and cash equivalents	\$ -	\$ 4,651,373	\$ 13,236,635	\$ 4,983,272	\$ 22,871,280
Cash and cash equivalents - restricted	2,245,644	-	9,095,396	1,459,673	12,800,713
Total	\$ 2,245,644	\$ 4,651,373	\$ 22,332,031	\$ 6,442,945	\$ 35,671,993
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (2,032,324)	\$ 7,503,729	\$ 13,464,923	\$ 2,011,515	\$ 20,947,843
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	3,735,614	1,461,814	5,862,503	612,686	11,672,617
Changes in assets and liabilities:					
Decrease (increase) in receivables	(1,509,802)	(178,649)	(360,800)	(211,043)	(2,260,294)
Decrease (increase) in inventories	(20,237)	-	41,790	-	21,553
Decrease (increase) in other assets	-	-	718,000	-	718,000
Decrease (increase) in pension related deferred outflows	46,871	111,954	154,124	35,545	348,494
Increase (decrease) in payables	(198,234)	304,435	(783,676)	(207,846)	(885,321)
Increase (decrease) in customer deposits	2,400	4,000	12,146	-	18,546
Increase (decrease) in accrued salaries payable	561	(3,209)	(71,056)	1,749	(71,955)
Increase (decrease) in compensated absences	5,326	28,492	(81,117)	6,808	(40,491)
Increase (decrease) in unearned revenue	18,156	1,174	(4,549)	-	14,781
Increase (decrease) in pension related deferred inflows	32,848	77,970	106,272	23,332	240,422
Increase (decrease) in net pension liability	(1,041,564)	(2,472,259)	(3,369,662)	(739,817)	(7,623,302)
Total adjustments	1,071,939	(664,278)	2,223,975	(478,586)	2,153,050
Net cash provided (used) by operating activities	\$ (960,385)	\$ 6,839,451	\$ 15,688,898	\$ 1,532,929	\$ 23,100,893
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contributions of capital assets	\$ -	\$ -	\$ 1,614,948	\$ 875,583	\$ 2,490,531

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

City of Killeen, Texas
Statement of Fiduciary Net Position
Employee Benefits Trust Fund
September 30, 2017

ASSETS

Cash and cash equivalents	\$ 48,024
Accounts receivable	<u>501,146</u>
Total assets	<u><u>\$ 549,170</u></u>

LIABILITIES AND NET POSITION

Liabilities:

Distributions payable	<u>\$ 539,638</u>
Total liabilities	<u>539,638</u>

Net Position:

Net position held in trust for employee benefits	<u>9,532</u>
Total net position	<u>9,532</u>

Total liabilities and net position	<u><u>\$ 549,170</u></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 Position
Employee Benefits Trust Fund
For the Year Ended September 30, 2017

ADDITIONS

Contributions:

Employer	\$ 4,577,346
Employee	1,546,159
Retiree	422,119
COBRA	26,738
Total contributions	<u>6,572,362</u>

Net investment income:

Interest earnings	<u>36</u>
Total net investment income	<u>36</u>
Total additions	<u>6,572,398</u>

DEDUCTIONS

Benefit payments	<u>6,557,540</u>
Total deductions	<u>6,557,540</u>

Change in net position	14,858
Net position - beginning of the year	<u>(5,326)</u>
Net position - end of the year	<u><u>\$ 9,532</u></u>

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

City of Killeen, Texas
Notes to the Financial Statement
September 30, 2017

Table of Contents

	<u>Page</u>
I Summary of Significant Accounting Policies	31
A Description of Government-Wide Financial Statements	31
B Reporting Entity	31
C Blended Component Unit	31
D Discretely Presented Component Unit	32
E Basis of Presentation - Government-Wide and Fund Financial Statements	32
F Basis of Presentation - Fund Financial Statements	32
G Measurement Focus and Basis of Accounting	34
H Budgetary Information	34
I Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	36
J Revenues and Expenditures/Expenses	39
II Reconciliation of Government-Wide and Fund Financial Statements	41
A Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position	41
B Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities	42
III Stewardship, Compliance and Accountability	43
A Deficit Fund Equity	43
IV Detailed Notes on All Funds	44
A Deposits	44
B Cash and Investments	44
C External Investment Pools	45
D Receivables	46
E Capital Assets	47
F Accrued Liabilities	50
G Pension Obligations	50
H Postemployment Benefits other than Pensions	62
I Construction and Other Significant Commitments	65
J Risk Management	66

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

K	Long-Term Liabilities	66
L	Fund Balance	70
M	Inter-fund Receivables and Payables	70
N	Inter-fund Transfers	70
O	Discretely Presented Component Unit	71
V	Tax Abatements	71
VI	Restatement of Fund Balance/Net Position	72
VI	Subsequent Events	72
VII	Authoritative Pronouncements not yet Effective	73

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

I. Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Killeen, Texas (the “City”) is a Home-Rule Municipal Corporation organized and existing under the Provisions of the Constitution of the State of Texas. The City operates under a home rule charter which was approved by the electorate March 3, 1949. The charter provides for the Council-Manager form of government for the City. As authorized by its charter, the City provides the following services: public safety (police, fire, municipal court, code enforcement, and permits), public works, community services, solid waste, water and sewer, airport, drainage, and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

C. Blended Component Unit

Killeen Volunteers, Inc. (KVI) is a nonprofit corporation organized under the Texas Nonprofit Corporation Act for the exclusive purpose of benefitting and accomplishing a public purpose of the City of Killeen by providing leadership to improve the image of the City and to support and encourage individuals and organizations in the common goal for a better community. KVI is governed by a board appointed by the City of Killeen City Council. The board consists of one representative of Killeen Independent School District, one representative of Killeen Chamber of Commerce, one representative of Central Texas College, one representative of Fort Hood, the Chairpersons of the KVI program committees, and ten citizens at large. The Ex Officio members, which count towards a quorum and have voting privileges, include the Director of Volunteer Services and two City Council members. KVI is reported as a special revenue fund and does not issue separate financial statements.

On November 4, 2008, the City Council approved the creation of Tax Increment Reinvestment Zone Number Two (“TIRZ #2”) which covers approximately 2.126 acres of vacant and partially developed land in the City. TIRZ #2 was established to provide a funding mechanism for public infrastructure improvements, including water, sewer, roads, landscaping, lighting, sidewalks, and park improvements within TIRZ #2 utilizing the property tax increment, or growth in value, subsequent to the creation of TIRZ #2. Bell County and the Central Texas College District are also participants in TIRZ #2. The board consists of four representatives of the City, two representatives of Bell County, and one representative of

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

the Central Texas College District. The scheduled expiration date of TIRZ #2 is December 31, 2028. The TIRZ is reported as a blended component unit due to the TIRZ providing services almost entirely for the City. The TIRZ is reported as a special revenue fund and does not issue separate financial statements.

D. 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. 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 nonvoting members. KEDC has been included in the reporting entity as a 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.

E. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

F. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of revenues that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

The City reports the following major enterprise funds:

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

The *solid waste fund* accounts for the provision of solid waste collection and disposal services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, operations and maintenance, and financing and related debt service.

The *water and sewer fund* accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, operations, maintenance, financing and related debt service, billing, and collection.

The *drainage utility fund* accounts for operations related to providing storm drainage services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, operations and maintenance and financing and related debt service.

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 project funds account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The *internal service fund* accounts for fleet management provided to other departments or agencies of the government on a cost-reimbursement basis.

The *employee benefits trust fund* accounts for the City's health and life insurance benefits. It does not include pension information. This fund is reported as a fiduciary fund.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

G. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

H. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. The appropriated budget is prepared by fund, department, and division. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- i. 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.
- ii. On or before September 20, the budget is legally adopted by the City Council.
- iii. 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 fund. Each special revenue fund and capital projects fund represents a single department. The City Manager may reallocate expenditures within a department without prior City Council approval.
- iv. Formal budgetary integration is employed as a management control device by the expenditure category for the following funds, which have legally adopted annual budgets: general fund, debt service fund, special revenue funds, and enterprise funds. Annual budgetary integration is not employed for the capital projects funds because the contracts and projects in these funds provide effective project-length budgetary control.
- v. Budgets for the general fund, the special revenue funds, and enterprise funds are adopted on a basis specified by the charge of the City, which is consistent with the modified accrual basis of accounting.

All budget appropriations lapse at year-end and do not carry forward to future periods except for appropriations for major capital projects.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

2. Expenditures in Excess of Appropriations

For the year ended September 30, 2017, expenditures exceeded appropriations at the legal level of budgetary control as follows:

<u>Debt Service Fund</u>	
Fiscal charges	\$ 2,608
<u>Nonmajor Funds</u>	
Fire Department:	
Public safety	\$ 854
Animal Control Donations:	
Public safety	\$11,101
JLUS Grant	
General government	\$12,594

I. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, external investment pools, and deposits in the City's internal cash and investment pool.

Investments for the City are reported at cost or amortized cost. The City invests in public funds investment pools that were created to function as money market mutual funds. Each of these public funds investment pools seeks to maintain a constant \$1.00 net asset value per share.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first out (FIFO) method and consist of expendable supplies, vehicle repair parts, and fuel. The cost of such inventories is recorded as expenditures/expenses 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for facility and infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For facility and infrastructure assets, the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$25,000 are reported as capital assets.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

As the City constructs or acquires additional capital assets each period, including facility and infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of enterprise funds 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.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	10-50
Machinery and equipment	5-35
Vehicles	5-10
Improvements	5-50
Infrastructure	10-50

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- i. Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- ii. Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- iii. Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- iv. Changes in actuarial assumptions – These changes are deferred and amortized over the average of the expected service lives of pension plan members.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

taxes, ambulance fees, and parks and recreation fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City also has two items, which arise under a full accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, the difference in expected and actual pension experience and changes in actuarial assumptions, are deferred and recognized over the estimated average remaining service lives of all pension plan members determined as of the measurement date.

5. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bonds or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered applied.

It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

6. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the purpose, committed fund balance depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The nonspendable fund balance classification includes amounts that are not in spendable form such as inventory and prepaid amounts.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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:

- i. 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.
- ii. 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.
- iii. Committed fund balance – amounts that can only be used for specific purposes, pursuant to constraints imposed to establish, modify, or rescind a fund balance commitment by the City Council through an ordinance.
- iv. 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.
- v. 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.

J. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. 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 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.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Legislation has been passed by the Texas Legislature, which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislation creates a “property tax code” and provides, among other things, for the establishment of county appraisal districts and for a state property tax board.

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 assessment 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.

3. Compensated Absences

i. Vacation

The City’s policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

ii. Sick Leave

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 liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

iii. Compensatory Leave

All nonexempt employees will receive payment for accumulated compensatory leave upon separation from the City. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the airport fund, solid waste fund, water and sewer fund, drainage fund, and internal service fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 Position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$234,648,719 difference are as follows:

Land	\$ 7,570,005
Construction in progress	59,969,117
Buildings	103,737,282
Vehicles	26,509,413
Furniture, fixtures, and equipment	6,530,849
Infrastructure	147,653,562
Accumulated depreciation	<u>(117,321,509)</u>
Net adjustment to increase <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 234,648,719</u></u>

Another element of that reconciliation explains that "other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds." The details of this \$1,213,312 difference are as follows:

Ambulance fees receivable	\$ 570,408
Ad valorem taxes receivable	599,760
Other receivable	<u>43,144</u>
Net adjustment to increase <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 1,213,312</u></u>

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

The final 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 \$200,540,663 difference are as follows:

Bonds payable	\$ 182,560,000
Issuance premium/(discount) (to be amortized over life of debt)	16,665,784
Accrued interest payable	<u>1,314,879</u>
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ 200,540,663</u></u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position 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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.” The details of this \$4,654,347 difference are as follows:

Capital outlay	\$ 7,873,908
Book value of retired assets	(233,896)
Depreciation expense	<u>(12,294,359)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (4,654,347)</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$8,010,000 difference are as follows:

Principal repayments	<u>\$ 8,010,000</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 8,010,000</u></u>

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Another element of that reconciliation states that “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 \$20,726,612 difference are as follows:

Compensated absences	\$ 434,815
Pension related debt	26,614,943
Accrued interest	45,651
Net other postemployment benefits obligation	(362,789)
Amortization of bond premiums	1,045,537
Amortization of deferred charge on refunding	<u>(7,051,545)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 20,726,612</u></u>

The final element of that reconciliation explains that “some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds.” The details of this \$1,192,639 difference are as follows:

Ambulance fees	\$ 291,511
Ad valorem taxes	(2,309)
TxDOT ROW reimbursement	(1,489,812)
Other	<u>7,971</u>
Net adjustment to decrease <i>fund balance – total government funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 1,192,639</u></u>

III. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

At year end, the community development grant fund, a nonmajor fund, has a deficit fund balance of \$13,836. The reason for the deficit is that the grant fund is funded on a reimbursement basis once all grant requirements are met. The City accrued personnel liabilities that were paid in the following year and which reduced fund equity in the amount of \$7,780. A corresponding receivable was not accrued due to the reimbursement nature of the grant. This deficit will be eliminated as resources are obtained from the grantor.

The photo red light enforcement fund, a nonmajor fund, also has a deficit fund balance of \$34,390. The City terminated its contract with Redflex Traffic Systems, Inc. in April 2017 and removed the red light cameras from the applicable intersections. The City anticipates that payments of previously issued red light citations will be received in FY 2018 to offset the deficit fund balance.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

IV. Detailed Notes on All Funds

A. 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, 102 percent of the uninsured 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, 2017, 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.

B. Cash and Investments

Investments are made in accordance with the investment policy most recently updated and adopted by the City on September 26, 2017 to comply with the Public Funds Investment Act.

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, 2017.

The City utilized a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

As of September 30, 2017, the City had the following cash and investments:

	Value	Maturity (days)	Method
Demand Accounts	\$10,965,870	1	Cost
Investment Pools	1,559,058	1	Amortized Cost
Money Market Accounts	20,958,525	1	Cost
Certificates of Deposit	33,911,726	94-460	Cost
Total	\$67,395,179		
Weighted Average Maturity		129	

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

- 1. 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 and pooled funds shall have a weighted maximum average dollar maturity of less than ninety days. Limiting investment maturities and purchasing government securities are the City's means for limiting exposure to fair value losses arising from interest rate fluctuations.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

2. **Credit Risk** – Any 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 AAAm 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. Money market mutual funds must be registered with and regulated by the Securities and Exchange Commission (SEC) 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.
3. **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.
4. **Custodial Credit Risk** – 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. Therefore, the City is not exposed to custodial credit risk on its investments.

C. External Investment Pools

TexStar

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

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.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

D. Receivables

Receivables at September 30, 2017 for the City's individual major governmental funds, in the aggregate nonmajor governmental funds, proprietary funds, and the fiduciary fund, net of allowances for uncollectible accounts, consist of the following:

	Taxes	Accounts	Intergovernmental	Total Net
General	\$ 4,688,301	\$ 1,203,694	\$ 866,362	\$ 6,758,357
Debt Service	208,357	-	2,038,985	2,247,342
Other Governmental Funds	197,025	25,280	615,817	838,122
Airport	-	90,172	1,524,028	1,614,200
Solid Waste	-	2,107,513	-	2,107,513
Water & Sewer	-	5,136,275	-	5,136,275
Drainage Utility	-	511,921	-	511,921
Total	<u>\$ 5,093,683</u>	<u>\$ 9,074,855</u>	<u>\$ 5,045,192</u>	<u>\$ 19,213,730</u>
Employee Benefits Trust	<u>\$ -</u>	<u>\$ 501,146</u>	<u>\$ -</u>	<u>\$ 501,146</u>

The enterprise funds' accounts receivable include unbilled charges for services rendered at September 30, 2017.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

E. Capital Assets

Capital assets activity for the year ended September 30, 2017, was as follows:

Governmental Activities:

	Balance 9/30/2016	Additions	Deletions	Reclassifications	Balance 9/30/2017
Capital assets not being depreciated:					
Land	\$ 7,570,005	\$ -	\$ -	\$ -	\$ 7,570,005
Construction in progress	54,196,580	6,265,947	-	(493,410)	59,969,117
Total capital assets not being depreciated	61,766,585	6,265,947	-	(493,410)	67,539,122
Capital assets, being depreciated:					
Buildings	105,088,700	253,596	(1,605,014)	-	103,737,282
Furniture and equipment	10,867,206	1,122,078	(5,458,435)	-	6,530,849
Vehicles	30,914,118	3,309,120	(4,221,285)	-	30,001,953
Infrastructure assets	146,927,865	232,287	-	493,410	147,653,562
Total capital assets being depreciated	293,797,889	4,917,081	(11,284,734)	493,410	287,923,646
Less accumulated depreciation for:					
Buildings	37,382,263	3,829,061	(1,605,014)	-	39,606,310
Furniture and equipment	8,666,273	790,094	(5,458,435)	-	3,997,932
Vehicles	24,359,882	3,467,605	(3,987,390)	-	23,840,097
Infrastructure assets	45,669,570	5,173,004	-	-	50,842,574
Total accumulated depreciation	116,077,988	13,259,764	(11,050,839)	-	118,286,913
Total capital assets being depreciated, net	177,719,901	(8,342,683)	(233,895)	493,410	169,636,733
Governmental activities capital assets, net	<u>\$ 239,486,486</u>	<u>\$ (2,076,736)</u>	<u>\$ (233,895)</u>	<u>\$ -</u>	<u>\$ 237,175,855</u>

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

Governmental activities:	
General government	\$ 1,363,177
Public safety	3,892,255
Public works	4,692,514
Community services	1,517,971
Community development	828,442
Fleet	965,405
Total depreciation expense-governmental activities	<u>\$ 13,259,764</u>

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Business - Type Activities: Airport

	Balance 9/30/2016	Additions	Deletions	Reclassifications	Balance 9/30/2017
Capital assets not being depreciated:					
Land	\$ 1,319,003	\$ -	\$ -	\$ -	\$ 1,319,003
Construction in progress	581,642	3,301,857	-	(37,143)	3,846,356
Total capital assets not being depreciated	1,900,645	3,301,857	-	(37,143)	5,165,359
Capital assets being depreciated:					
Buildings	3,395,694	11,849	(342,679)	-	3,064,864
Improvements other than buildings	96,886,712	190,536	-	37,143	97,114,391
Furniture and equipment	1,602,838	20,014	(133,165)	-	1,489,687
Vehicles	1,102,650	-	(17,293)	-	1,085,357
Infrastructure assets	1,376	8,987	-	-	10,363
Total capital assets being depreciated	102,989,270	231,386	(493,137)	37,143	102,764,662
Less accumulated depreciation for:					
Buildings	2,739,723	105,833	(342,679)	-	2,502,877
Improvements other than buildings	31,456,448	3,398,642	-	-	34,855,090
Furniture and equipment	1,317,590	208,587	(133,165)	-	1,393,012
Vehicles	993,766	21,940	(17,293)	-	998,413
Infrastructure assets	115	612	-	-	727
Total accumulated depreciation	36,507,642	3,735,614	(493,137)	-	39,750,119
Total capital assets being depreciated, net	66,481,628	(3,504,228)	-	37,143	63,014,543
Airport activities capital assets, net	\$ 68,382,273	\$ (202,371)	\$ -	\$ -	\$ 68,179,902

Business-Type Activities: Solid Waste

	Balance 9/30/2016	Additions	Deletions	Reclassifications	Balance 9/30/2017
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	12,494,536	-	(40,298)	-	12,454,238
Furniture and equipment	3,725,201	27,234	(3,154,201)	-	598,234
Vehicles	13,681,167	-	(2,294,627)	-	11,386,540
Infrastructure assets	2,750	9,300	-	-	12,050
Total capital assets being depreciated	29,903,654	36,534	(5,489,126)	-	24,451,062
Less accumulated depreciation for:					
Buildings	4,922,107	398,690	(40,298)	-	5,280,499
Furniture and equipment	3,308,637	113,693	(3,154,201)	-	268,129
Vehicles	9,855,021	948,532	(2,294,627)	-	8,508,926
Infrastructure assets	229	899	-	-	1,128
Total accumulated depreciation	18,085,994	1,461,814	(5,489,126)	-	14,058,682
Total capital assets being depreciated, net	11,817,660	(1,425,280)	-	-	10,392,380
Solid waste activities capital assets, net	\$ 11,889,825	\$ (1,425,280)	\$ -	\$ -	\$ 10,464,545

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Business-Type Activities: Water and Sewer

	Balance 9/30/2016	Additions	Deletions	Reclassifications	Balance 9/30/2017
Capital assets not being depreciated:					
Land	\$ 243,332	\$ -	\$ -	\$ -	\$ 243,332
Construction in progress	8,907,386	1,771,389	-	(5,007,094)	5,671,681
Total capital assets not being depreciated	9,150,718	1,771,389	-	(5,007,094)	5,915,013
Capital assets being depreciated:					
Buildings	92,630,369	-	(463,699)	-	92,166,670
Improvements other than buildings	109,222,619	-	(9,700)	-	109,212,919
Furniture and equipment	1,655,987	122,843	(687,743)	-	1,091,087
Vehicles	5,571,949	-	(524,183)	-	5,047,766
Infrastructure assets	4,759,675	3,184,366	-	5,007,094	12,951,135
Total capital assets being depreciated	213,840,599	3,307,209	(1,685,325)	5,007,094	220,469,577
Less accumulated depreciation for:					
Buildings	31,481,253	1,901,277	(463,699)	-	32,918,831
Improvements other than buildings	24,278,594	3,029,784	(9,700)	-	27,298,678
Furniture and equipment	1,207,630	207,551	(687,743)	-	727,438
Vehicles	4,265,427	490,237	(524,183)	-	4,231,481
Infrastructure assets	29,253	233,653	-	-	262,906
Total accumulated depreciation	61,262,157	5,862,502	(1,685,325)	-	65,439,334
Total capital assets being depreciated, net	152,578,442	(2,555,293)	-	5,007,094	155,030,243
Water and Sewer activities capital assets, net	\$ 161,729,160	\$ (783,904)	\$ -	\$ -	\$ 160,945,256

Business-Type Activities: Drainage Utility

	Balance 9/30/2016	Additions	Deletions	Reclassifications	Balance 9/30/2017
Capital assets not being depreciated:					
Land	\$ 172,190	\$ -	\$ -	\$ -	\$ 172,190
Construction in progress	49,700	1,287,689	-	(16,750)	1,320,639
Total capital assets not being depreciated	221,890	1,287,689	-	(16,750)	1,492,829
Capital assets being depreciated:					
Improvements other than buildings	8,811,230	1,004,523	-	16,750	9,832,503
Furniture and equipment	113,401	17,511	(73,186)	-	57,726
Vehicles	2,369,217	241,145	(6,461)	-	2,603,901
Total capital assets being depreciated	11,293,848	1,263,179	(79,647)	16,750	12,494,130
Less accumulated depreciation for:					
Improvements other than buildings	2,202,489	441,594	-	-	2,644,083
Furniture and equipment	93,266	10,151	(73,186)	-	30,231
Vehicles	1,828,842	160,941	(6,461)	-	1,983,322
Total accumulated depreciation	4,124,597	612,686	(79,647)	-	4,657,636
Total capital assets being depreciated, net	7,169,251	650,493	-	16,750	7,836,494
Drainage Utility activities capital assets, net	\$ 7,391,141	\$ 1,938,182	\$ -	\$ -	\$ 9,329,323

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Business-Type Activities: Total

	Balance 9/30/2016	Additions	Deletions	Reclassifications	Balance 9/30/2017
Capital assets not being depreciated:					
Land	\$ 1,806,690	\$ -	\$ -	\$ -	\$ 1,806,690
Construction in progress	9,538,728	6,360,935	-	(5,060,987)	10,838,676
Total capital assets not being depreciated	11,345,418	6,360,935	-	(5,060,987)	12,645,366
Capital assets being depreciated:					
Buildings	108,520,599	11,849	(846,676)	-	107,685,772
Improvements other than buildings	214,920,561	1,195,059	(9,700)	53,893	216,159,813
Furniture and equipment	7,097,427	187,602	(4,048,295)	-	3,236,734
Vehicles	22,724,983	241,145	(2,842,564)	-	20,123,564
Infrastructure assets	4,763,801	3,202,653	-	5,007,094	12,973,548
Total capital assets being depreciated	358,027,371	4,838,308	(7,747,235)	5,060,987	360,179,431
Less accumulated depreciation for:					
Buildings	39,143,083	2,405,800	(846,676)	-	40,702,207
Improvements other than buildings	57,937,531	6,870,020	(9,700)	-	64,797,851
Furniture and equipment	5,927,123	539,982	(4,048,295)	-	2,418,810
Vehicles	16,943,056	1,621,650	(2,842,564)	-	15,722,142
Infrastructure assets	29,597	235,164	-	-	264,761
Total accumulated depreciation	119,980,390	11,672,616	(7,747,235)	-	123,905,771
Total capital assets being depreciated, net	238,046,981	(6,834,308)	-	5,060,987	236,273,660
Business-type activities capital assets, net	\$ 249,392,399	\$ (473,373)	\$ -	\$ -	\$ 248,919,026

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

Business-type activities:	
Airport	\$ 3,735,614
Solid Waste	1,461,814
Water and Sewer	5,862,502
Drainage	612,686
Total depreciation expense-business-type activities	<u>\$ 11,672,616</u>

F. Accrued Liabilities

Accrued liabilities reported by governmental funds at September 30, 2017 were as follows:

	General	Nonmajor Governmental	Total Governmental Funds
Salary and employee benefits	<u>\$ 2,217,386</u>	<u>\$ 42,214</u>	<u>\$ 2,259,600</u>

G. Pension Obligations

1. Texas Municipal Retirement System

i. Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the “Board”). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City, except for firefighters, are required to participate in TMRS.

ii. **Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Plan provisions for the City are as follows:

	<u>Plan Year 2016</u>
Employee deposit rate	7.0%
City match	2-1
Vested requirement	5 years
Service retirement eligibility	60/5, 0/20
Updated service credit	Last adopted 2016, 100% - Transfers
Annuity increase (to retirees)	Last adopted 2015, 70%
Military service credit	Yes, adopted 1-2001
Restricted prior service credit	Yes, adopted 1-1998
Buy back last adopted	2-1989

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

iii. Employees Covered by Benefit Terms

At the valuation and measurement date, the following employees were covered by the benefit terms:

	Plan Year 2014	Plan Year 2015	Plan Year 2016
Inactive employees or beneficiaries currently receiving benefits	407	437	466
Inactive employees entitled to, but not yet receiving, benefits	337	400	458
Active employees	1017	1041	1004
Total	1761	1878	1928

iv. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Killeen were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.26% and 9.62% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$4,155,119 and were equal to the required contributions.

v. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

a) Actuarial Assumptions:

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

b) Discount Rate:

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

c) Changes in NPL:

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 6,829,331	\$ -	\$ 6,829,331
Interest	11,923,879	-	11,923,879
Change in current period benefits	(31,349,348)	-	(31,349,348)
Difference between expected and actual experience	(1,945,285)	-	(1,945,285)
Changes in assumptions	-	-	-
Contributions - employer	-	3,850,502	(3,850,502)
Contributions - employee	-	3,262,703	(3,262,703)
Net investment income	-	9,649,863	(9,649,863)
Benefit payments, including refunds of employee contributions	(8,772,730)	(8,772,730)	-
Administrative expense	-	(108,991)	108,991
Other changes	-	(5,872)	5,872
Net Changes	(23,314,153)	7,875,475	(31,189,628)
Balance at December 31, 2015	208,971,110	142,798,377	66,172,733
Balance at December 31, 2016	\$ 185,656,957	\$ 150,673,852	\$ 34,983,105

d) Sensitivity of the NPL to Changes in the Discount Rate:

The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$60,917,481	\$34,983,105	\$13,638,205

e) Pension Plan Fiduciary Net Position:

Detailed information about the TMRS's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

vi. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension income of \$24,038,307. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$3,097,402
Changes in actuarial assumptions	-	24,231
Difference between projected and actual investment earnings	6,569,430	-
Contributions subsequent to the measurement date	3,137,243	-
Total	<u>\$9,706,673</u>	<u>\$3,121,633</u>

\$3,137,243 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2018	\$1,344,561
2019	1,344,562
2020	1,205,442
2021	(435,166)
2022	(11,602)
Thereafter	-
Total	<u>\$3,447,797</u>

2. Supplemental Death Benefits Fund

i. Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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. Retirees are responsible for 100% of premiums paid for the benefit.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

The City of Killeen offers supplemental death to:	<u>Plan Year 2016</u>	<u>Plan Year 2017</u>
Active employees	Yes	Yes
Retirees	Yes	Yes

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.

Schedule of Contribution Rates (RETIREE-only portion of the rate, for OPEB)			
Plan/Calendar Year	Annual Required Contribution (Rate)	Annual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.03%	0.03%	100.0%
2016	0.03%	0.03%	100.0%
2017	0.03%	0.03%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were \$13,481, 14,095, and \$14,042, respectively, which equaled the required contributions each year.

3. Deferred Compensation Fund

i. Plan Description

The City offers its employees two deferred compensation plans (the "Plans") created in accordance with Internal Revenue Code Section 457. The Plans are administered by Nationwide Retirement Solutions and ICMA. 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's trust agreements establish 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 Plans other than remitting employees' contributions to the trustee. Accordingly, the City has not presented the assets and income from the Plans in these financial statements. Deferred compensation investments are held by an outside trustee, and Plan investments are chosen by the individual participant (employee).

The Plans, available to all permanent City employees, permit 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.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

4. Firefighter's Relief And Retirement System

i. Plan Description

The City contributes to the retirement plan for firefighters in the Killeen Fire Department known as the Killeen Firefighter's Relief and Retirement Fund (the "Fund"). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The Fund is administered by the Board of Trustees of the Killeen Firefighter's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Killeen Firefighter's Relief and Retirement Fund at P.O. Box 497, Conroe, Texas 77305. See that report for all information about the plan fiduciary net position.

ii. Benefits Provided

Firefighters in the Killeen Fire Department are covered by the Fund which provides service retirement, death, disability, and termination benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 25 years or at age 55 with 20 years of service. A partially vested benefit is provided for paid firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a fully or partially vested benefit, he may retire starting on the date he would have satisfied service retirement eligibility if he had remained a Killeen firefighter. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 58.40% of highest 60-month average salary plus 2.275% of highest 60-month average salary for each year of service in excess of 20.

A retiring firefighter who is at least 3.5 years beyond first becoming eligible for service retirement has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and highest 60-monthly average salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date which is 3.5 years following his earliest eligibility for retirement and the date two years prior to the date he actually retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits that member would have received between the RETRO DROP benefit calculation date and the date he retired under the Fund. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

iii. Members Covered by the Fund

In the September 30, 2016 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	61
Inactive employees entitled to, but not yet receiving, benefits	9
Active employees and volunteers	<u>224</u>
Total	<u>294</u>

iv. Funding Policy

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City and as a dollar amount for volunteer firefighters by the City.

The funding policy of Fund requires contributions equal to 11% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes 13% of pay for each active firefighter according to the annual City budget process, but with an unwritten understanding between the City and the Fund's board that the rate will not be reduced. The actuarial valuation includes the assumption that the City contribution rate will be 13% over the unfunded actuarial accrued liability ("UAAL") amortization period and that the contributions for volunteers will continue each year. The costs of administering the Fund are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the Board of Trustees (the "Board"). The Board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending September 30, 2016, the money-weighted rate of return was 9.83%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed City contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the Fund's normal cost contributions 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 Fund's UAAL. The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

v. Net Pension Liability

The City of Killeen's NPL was measured at September 30, 2016 and the TPL used to calculate the NPL was determined by an actuarial valuation as of September 30, 2016.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Total pension liability	\$ 53,652,777
Plan fiduciary net position	35,342,830
City's net pension liability	<u>\$ 18,309,947</u>
Plan fiduciary net position as a percentage of the total pension liability	65.9%

a) Actuarial Assumptions

The TPL in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%	
Salary increases	3.25%	Plus promotion, step, and longevity increases that vary by service
Investment rate of return	7.75%	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.57%) and by adding expected inflation (3.25%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.07% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large cap domestic	30.00%	5.99%
Small/mid cap domestic	10	6.75
International developed	15	6.38
Fixed Income		
Domestic core	18.5	1.41
Direct lending	6.5	1.49
Global	5	1.66
Alternatives		
Tactical strategies	3.5	7.09
Private equity	1.5	6.84
Real estate	5	3.59
Balanced fund	5	3.5
Cash	0	0.24
Total	100.00%	
Weighted Average		4.57%

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

b) Discount Rate

The discount rate used to measure the TPL was 7.75%. No projection of cash flows was used to determine the discount rate because the September 30, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the UAAL in 23 years. Because of the 23-year amortization period of the UAAL, the Fund's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on Fund investments of 7.75% was applied to all periods of projected benefit payments as the discount rate to determine the TPL.

c) Sensitivity of the NPL ability to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 7.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
6.75%	7.75%	8.75%
<u>\$25,990,237</u>	<u>\$18,309,947</u>	<u>\$11,951,837</u>

d) Fund Fiduciary Net Position

The Fund fiduciary net position reported above is the same as reported by the Fund. Detailed information about the Fund fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

e) Changes in NPL

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Amounts as of September 30, 2016 (1)	\$ 52,431,265	\$ 31,072,702	\$ 21,358,563
Changes for the year:			
Service cost	1,891,004	-	1,891,004
Interest	4,132,431	-	4,132,431
Difference between expected and actual experience	(2,575,843)	-	(2,575,843)
Contributions – employer	-	1,770,872	(1,770,872)
Contributions – firefighter	-	1,483,972	(1,483,972)
Net investment income	-	3,110,934	(3,110,934)
Benefit payments	(2,001,167)	(2,001,167)	-
Administrative expense	-	(94,483)	94,483
Assumption changes	(224,913)	-	(224,913)
Net changes	1,221,512	4,270,128	(3,048,616)
Amounts as of September 30, 2017 (2)	\$ 53,652,777	\$ 35,342,830	\$ 18,309,947

(1) Measurements for the fiscal year ended September 30, 2016 were taken as of September 30, 2015.

(2) Measurements for the fiscal year ended September 30, 2017 were taken as of September 30, 2016.

vi. **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the City's GASB 68 pension expense was \$2,727,698. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

vii. **Deferred Outflows of Resources to Be Recognized in Pension Expense in Future Years**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$1,964,928	\$ -
Changes in actuarial assumptions	567,747	205,321
Differences between expected and actual experience	-	2,351,466
Contributions subsequent to the measurement date	1,805,355	-
Total	\$4,338,030	\$2,556,787

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2018	\$ 546,805
2019	546,804
2020	482,888
2021	(304,913)
2022	(173,336)
Thereafter	(1,122,360)
Total	<u>\$ (24,112)</u>

The total of the contributions by the City to the Fund contributed subsequent to the measurement date of the NPL, September 30, 2016, through September 30, 2017, is a deferred outflow of resources that will be recognized as a reduction in the NPL in the fiscal year ending September 30, 2018.

H. Postemployment Benefits other than Pensions

Effective in 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.

i. Plan Description

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 TMRS or the Fund through a single-employer defined benefit healthcare plan (the “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.

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

ii. Funding Policy

Current retirees contribute to the Healthcare Plan 100% of the total blended premium for active and retired participants, resulting in an implicit subsidy. Retiree contribution rates per year depend on the coverage levels selected. Consequently, since the Healthcare Plan is funded 100% by the retirees, the City has not established a trust arrangement to fund the Healthcare Plan since it does not contribute to the Healthcare Plan. The liability discussed in this section is strictly a result of the fact that the City’s Healthcare Plan is based on a blended premium rate, or implicit subsidy as noted above. This means that the premiums paid by the City and its employees are slightly inflated due to the fact that retirees participate in the plan.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Based on the funding policy noted above, 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 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 actuarially determined annual OPEB cost for the fiscal year ending September 30, 2017 is as follows:

	Fiscal Year-End	
	09/30/2016	09/30/2017
Determination of Annual Required Contribution:		
Normal Cost at fiscal year end	\$416,466	\$416,466
Amortization of UAAL	277,567	277,567
Annual Required Contribution (ARC)	<u>\$694,033</u>	<u>\$694,033</u>
Determination of Net OPEB Obligation:		
Net OPEB Obligation – beginning	\$1,833,119	\$2,247,455
ARC	694,033	694,033
Interest on prior year Net OPEB Obligation	82,490	101,135
Adjustment to ARC	(80,324)	(98,480)
Annual OPEB Cost	<u>696,199</u>	<u>696,688</u>
Actual Contributions made	<u>(281,863)</u>	<u>(333,899)</u>
Estimated Increase in Net OPEB Obligation	414,336	362,789
Estimated Net OPEB Obligation - ending	<u>\$2,247,455</u>	<u>\$2,610,244</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Healthcare Plan, and the net OPEB obligation for fiscal year ending September 30, 2017 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
09/30/2015	4.50%	\$604,359	50.4%	\$1,833,119
09/30/2016	4.50%	\$696,199	40.5%	\$2,247,455
09/30/2017	4.50%	\$696,688	47.9%	\$2,610,244

Funding Status and Funding Progress

Under the reporting parameters, the Health Care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$6,334,479 at October 1, 2016. The actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of (UAAL) of \$6,334,479. The annual covered payroll is \$47,063,726 and the UAAL as a percentage of covered payroll is 13.5%.

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 ARC of the Healthcare Plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

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.

iii. Actuarial Methods and Assumptions

The projected unit credit actuarial cost method is used to calculate the GASB ARC for the Healthcare Plan. Using the Healthcare 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 Healthcare 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:

Actuarial Methods and Assumptions	
Measurement Date	October 1, 2015
Discount Rate	4.50% per annum
Payroll Growth	3.00% per annum
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level as a percentage of employee payroll
Amortization Period	30-year open amortization

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

I. Construction and Other Significant Commitments

The City has active construction projects as of September 30, 2017. At year end, the City's construction commitments for governmental activities are as follows:

Project Title	Expended to Date	Remaining Commitment
Stagecoach improvements	\$ 17,942,112	\$ 1,352,390
Fire station #9	5,481,274	33,536
Trimmier	6,570,773	1,159,269
Blackburn cabin restoration	23,500	8,000
Lions Park playground	-	158,583
Heritage Park Trail	272,742	60,500
Rosewood extension	636,872	105,175
Total	<u>\$ 30,927,273</u>	<u>\$ 2,877,453</u>

At year end, the City's construction commitments for business-type activities are as follows:

Project Title	Expended to Date	Remaining Commitment
Sewer line rehabilitation phase 3	\$ 47,368	\$ 665,652
Little Trimmier Creek gravity main	-	161,456
Water line rehabilitation phase 2	-	300,000
18" gravity main	-	231,239
Sewerline SSES	277,972	91,417
Water supply project	37,357	1,825,822
Aviation CFC projects	5,574	3,400
Aviation PFC projects	46,330	42,545
S. Nolan Creek at Odom	1,571,963	206,861
Patriotic Ditch	70,805	14,576
Bermuda	983,021	6,883
Valley Ditch	32,950	59,750
Total	<u>\$ 3,073,340</u>	<u>\$ 3,609,601</u>

The City is committed under various leases for 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 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 (the "Lease") 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.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

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.

The City, along with other participating entities, entered into an agreement with Bell County Water Control Improvement District No. 1 ("WCID No. 1") to enable WCID No. 1 to build a \$50 million water treatment plant that will supplement the City's water needs through 2050. The treatment plan is expected to be completed in spring 2019 and is expected to provide an extra 10 million gallons per day once operational. WCID No. 1 agrees to deliver and meter water required by the City. WCID No. 1 bills for water purchased, at rates that are reviewed and adjusted periodically. The rates are determined by amounts necessary to retire WCID No. 1 debt and cover maintenance and operating expenses. During the fiscal year ended September 30, 2017, the City purchased 70,159,400 gallons of water from WCID No. 1 for a total charge of \$3,408,002. In addition, it paid WCID No. 1 \$2,936,988 for its share of debt service related to bonds issued for the treatment plant.

The City initially funded \$5 million to be used to offset charges to the WCID No. 1 in years 2015 through 2019. The City is contractually obligated to purchase water from WCID No. 1, which includes rates for normal operation and maintenance and fixed costs to cover debt service obligation of WCID No. 1. The City's fixed costs to cover its proportional share of WCID No. 1 debt service is based on the Maximum Daily Rate of Delivery (MDRD) of water. The agreements increased the City's total MDRD from 32 million gallons per day (MGD) by 10 MGD, for a total of 42 MGD. The City portion of the debt service based on the MDRD is 51.5%. The total fixed costs (WCID No. 1 debt service requirements) that the City is obligated to pay is \$66 million at September 30, 2017. Normal maintenance and operational costs will vary by year and allocated to the City based on its proportional share of the plant.

J. Risk Management

The City has insurable risks in various areas, including property, casualty, automobile, airport, surety bonding, comprehensive liability, and workers' 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 (the "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 the Pool. However, in the event the Pool became insolvent, or otherwise is unable to pay claims, the City may have to pay the claims.

K. Long-Term Liabilities

A summary of long-term debt transactions, including current portions, for the year ended September 30, 2017 is as follows:

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Governmental Activities

	September 30, 2016	Additions	Deletions	September 30, 2017	Due Within One Year
General obligation bonds	\$ 123,625,000	\$ -	\$ (4,565,000)	\$ 119,060,000	\$ 4,995,000
Tax/revenue certificates of obligation	66,945,000	-	(3,445,000)	63,500,000	3,550,000
Unamortized bond premiums/(discounts)	17,711,321	-	(1,045,537)	16,665,784	-
Total bonds payable	208,281,321	-	(9,055,537)	199,225,784	8,545,000
Compensated absences	11,645,112	-	(374,042)	11,271,070	3,265,356
Net OPEB obligation	2,247,455	362,789	-	2,610,244	-
Net pension liability	74,772,484	-	(26,614,943)	48,157,541	-
Governmental activities long-term debt	<u>\$ 296,946,372</u>	<u>\$ 362,789</u>	<u>\$ (36,044,522)</u>	<u>\$ 261,264,639</u>	<u>\$ 11,810,356</u>

Business-Type Activities

	September 30, 2016	Additions	Deletions	September 30, 2017	Due Within One Year
Revenue bonds	\$ 50,745,000	\$ -	\$ (5,205,000)	\$ 45,540,000	\$ 4,335,000
General obligation bonds	11,295,000	-	(675,000)	10,620,000	690,000
Certificates of obligation	270,000	-	(85,000)	185,000	90,000
Unamortized bond premiums/(discounts)	5,151,179	-	(566,541)	4,584,638	-
Total bonds payable	67,461,179	-	(6,531,541)	60,929,638	5,115,000
Compensated absences	768,205	-	(40,492)	727,713	374,232
Net pension liability	12,758,812	-	(7,623,302)	5,135,510	-
Business-type activities long-term debt	<u>\$ 80,988,196</u>	<u>\$ -</u>	<u>\$ (14,195,335)</u>	<u>\$ 66,792,861</u>	<u>\$ 5,489,232</u>

Long-term debt at September 30, 2017 is comprised of the following:

Governmental Activities

	Interest Rates to Maturity (%)	Issue Date	Maturity Date	Original Issue	Outstanding
General Obligation Bonds:					
2009 Various purpose	3.00-4.80	2009	2034	\$ 13,175,000	\$ 840,000
2010 Refunding HOT	2.00-4.00	2010	2030	8,500,000	6,070,000
2010 Refunding	2.00-4.00	2010	2030	4,830,000	3,180,000
2011 Refunding	3.25-5.00	2011	2023	6,875,000	4,215,000
2012 Various purpose and refunding	2.00-5.00	2012	2032	19,500,000	16,945,000
2013 Refunding	2.00-5.00	2013	2032	37,290,000	36,615,000
2014 Refunding	2.00-5.00	2014	2034	10,610,000	7,105,000
2015 Refunding	3.00-4.00	2015	2034	8,640,000	8,640,000
2016 Refunding	3.00-5.00	2016	2034	34,715,000	34,715,000
2016 Refunding HOT	3.00-5.00	2016	2034	735,000	735,000
Total General Obligation Bonds				<u>144,870,000</u>	<u>119,060,000</u>
Tax/Revenue Certificates of Obligation:					
2009 Various purpose	2.75-4.35	2009	2029	6,500,000	625,000
2011 Various purpose	2.00-5.00	2011	2036	32,040,000	15,190,000
2011 PTF 195/201	2.00-5.00	2011	2034	18,060,000	4,285,000
2011A PTF 190/2410	2.00-5.00	2011	2035	31,400,000	24,610,000
2012 Various Purpose and Refunding	2.00-3.00	2012	2032	6,765,000	6,030,000
2014 Various Purpose	2.00-5.00	2014	2039	13,060,000	12,760,000
Total Tax/Revenue Certificates of Obligation				<u>107,825,000</u>	<u>63,500,000</u>
Total Governmental Activities				<u>\$252,695,000</u>	<u>\$182,560,000</u>

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Business-Type Activities

	Interest Rates to Maturity (%)	Issue Date	Maturity Date	Original Issue	Outstanding
Revenue Bonds:					
2010 Refunding	2.00-4.00	2010	2021	\$ 6,870,000	\$ 2,565,000
2011 Refunding	3.75-5.00	2011	2022	11,135,000	7,375,000
2012 Refunding	2.98	2012	2027	7,365,000	7,110,000
2013 Refunding and Improvement	2.00-5.00	2013	2033	29,030,000	27,210,000
2013 Refunding	0.40-1.62	2013	2019	8,270,000	1,280,000
Total Revenue Bonds				<u>62,670,000</u>	<u>45,540,000</u>
General Obligation Bonds:					
2012 Various Purpose and Refunding	2.00-5.00	2012	2032	6,215,000	5,595,000
2013 Refunding	2.00-5.00	2013	2032	3,935,000	3,880,000
2015 Refunding	3.00-4.00	2015	2034	300,000	300,000
2016 Refunding	3.00-5.00	2016	2034	845,000	845,000
Total General Obligation Bonds				<u>11,295,000</u>	<u>10,620,000</u>
Tax/Revenue Certificates of Obligation:					
2009 Various purpose	2.75-4.35	2009	2029	2,000,000	185,000
Total Tax/Revenue Certificates of Obligation				<u>2,000,000</u>	<u>185,000</u>
Total Business-Type Activities				<u>\$75,965,000</u>	<u>\$56,345,000</u>

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
2018	\$ 4,995,000	\$ 5,207,800	\$ 690,000	\$ 472,863
2019	5,250,000	5,020,150	720,000	448,913
2020	5,775,000	4,823,350	830,000	423,513
2021	6,015,000	4,611,450	860,000	391,613
2022	6,300,000	4,344,000	905,000	350,413
2023-2027	45,810,000	16,233,700	4,730,000	1,028,315
2028-2032	39,995,000	5,526,957	1,885,000	130,214
2033-2034	4,920,000	281,600	-	-
Total	<u>\$ 119,060,000</u>	<u>\$ 46,049,007</u>	<u>\$ 10,620,000</u>	<u>\$ 3,245,844</u>

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Revenue Bonds

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. These revenue bonds constitute special obligations of the City solely secured by a lien and a pledge of the net revenues of the water and sewer system established by the bond ordinances and covenants. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amount and certain financial ratios are met. Management of the City believes that it is in compliance with all significant requirements as of September 30, 2017. Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Business-Type Activities	
	Principal	Interest
2018	\$ 4,335,000	\$ 1,830,871
2019	4,480,000	1,690,688
2020	3,935,000	1,528,158
2021	4,125,000	1,371,421
2022	3,675,000	1,191,934
2023-2027	16,700,000	3,747,355
2028-2032	6,755,000	1,312,256
2033	1,535,000	76,750
Total	<u>\$ 45,540,000</u>	<u>\$ 12,749,433</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
2018	\$ 3,550,000	\$ 2,681,460	\$ 90,000	\$ 6,060
2019	3,870,000	2,543,548	95,000	3,135
2020	3,715,000	2,369,388	-	-
2021	3,890,000	2,201,838	-	-
2022	4,070,000	2,021,988	-	-
2023-2027	9,240,000	8,292,788	-	-
2028-2032	14,530,000	6,470,638	-	-
2033-2037	18,880,000	2,497,263	-	-
2038-2039	1,755,000	114,750	-	-
Total	<u>\$ 63,500,000</u>	<u>\$ 29,193,661</u>	<u>\$ 185,000</u>	<u>\$ 9,195</u>

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

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.

L. Fund Balance

Minimum fund balance policy. The City Council has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund and net position for the enterprise funds collectively. The target level is set at 22% of operating expenditures/expenses. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for the development of a plan for City Council that addresses the shortfall.

M. Inter-fund Receivables and Payables

The composition of inter-fund balances as of September 30, 2017:

Receivable Fund	Payable Fund	Amount
General	Total nonmajor governmental funds	\$ 494,910

The outstanding balances between funds are comprised of working capital loans made to several nonmajor governmental funds which the general fund expects to collect in the subsequent year.

N. Inter-fund Transfers

The composition of inter-fund transfers for the year ended September 30, 2017 is as follows:

	Transfers In				
	Enterprise Funds				Total Funds
	General	Debt Service	Solid Waste	Water and Sewer	
Transfers Out:					
Other Governmental Funds	\$ -	\$ 851,937	\$ -	\$ -	\$ 851,937
Internal Service Fund	-	-	491,826	885,839	1,377,665
Solid Waste Fund	4,654,390	-	-	-	4,654,390
Water and Sewer Fund	6,329,092	-	-	-	6,329,092
Drainage Fund	295,216	-	-	-	295,216
Total Transfers	<u>\$ 11,278,698</u>	<u>\$ 851,937</u>	<u>\$ 491,826</u>	<u>\$ 885,839</u>	<u>\$ 13,508,300</u>

Transfers are used to move revenues from the fund responsible for collecting them to the fund responsible for expending them as required by statute or budget.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

Further, during the year ended September 30, 2017, the City made the following one-time transfers:

- \$851,937 of surplus bond funds were transferred to the debt service fund for the principal and interest payments related to the bond issue.
- \$1,377,665 was returned to the enterprise funds due to the termination of the Fleet Replacement Program.
- \$1,677,216 was transferred to the general fund from the solid waste fund to mitigate the budgetary deficit within the general fund.

O. Discretely Presented Component Unit

Capital asset activity for the KEDC for the year ended September 30, 2017 was as follows:

	Balance 9/30/2016	Additions	Deletions	Reclassifications	Balance 9/30/2017
Capital assets not being depreciated:					
Land					
KEDC - owned	\$ 244,255	\$ -	\$ -	\$ -	\$ 244,255
Industrial Park	1,680,837	-	-	-	1,680,837
Convergys	110,000	-	-	-	110,000
Enterprise	100,000	-	-	-	100,000
First National Bank	90,303	-	-	-	90,303
Total capital assets not being depreciated	2,225,395	-	-	-	2,225,395
Capital assets being depreciated:					
Buildings					
Presidium	3,563,745	-	-	-	3,563,745
First National Bank/Raytheon	1,850,700	-	-	-	1,850,700
Entrance Sign	31,382	-	-	-	31,382
Total capital assets being depreciated	5,445,827	-	-	-	5,445,827
Less accumulated depreciation for:					
Buildings	2,580,291	145,409	-	-	2,725,700
Total accumulated depreciation	2,580,291	145,409	-	-	2,725,700
Total capital assets being depreciated, net	2,865,536	(145,409)	-	-	2,720,127
KEDC capital assets, net	\$ 5,090,931	\$ (145,409)	\$ -	\$ -	\$ 4,945,522

V. Tax Abatements

The City of Killeen has adopted a tax abatement policy (the “Policy”). Under the Policy, a property owner agrees to construct certain improvements on its property and the City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the abatement agreement (the “Agreement”). The Agreement could last for a period of up to 10 years. The City has adopted criteria for granting tax abatements which establish guidelines regarding the number of jobs to be created and the amount of new value to be added by the taxpayer in return for the abatement. The Agreements provide for recapture in the event of material breach.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

The City has entered into a Chapter 380 Retail Economic Development Program and Performance Agreement with Northwest Tidwell, Ltd. (the “380 Agreement”) to construct a multitenant retail development that includes a Super Walmart facility (the “Project”) generally located near the southwest corner of the intersection of West Stan Schlueter Loop and Bunny Lane within the City. Pursuant to the 380 Agreement, the City will provide an annual sales tax rebate of one half of 1% collected by the City from the sale of taxable items at the Project (less certain administrative fees and other expenses) until the earlier of (a) \$1,010,000 has been rebated or (b) five years after the opening of the Project. The 380 Agreement was fully executed on May 19, 2014 and expires approximately five years after the opening of the Project, which occurred on April 22, 2015.

The City has entered into a 380 Agreement with La Cascata Retail Village LLP to construct a multitenant retail development (the “Project”) generally located near the western border of Skylark Field within the City. Pursuant to the 380 Agreement, the City will provide an annual sales tax rebate of one half of 1% collected by the City from the sale of taxable items at the Project (less certain administrative fees and other expenses) until the earlier of (a) \$3,600,000 has been rebated or (b) five years after the opening of the Project. The 380 Agreement was fully executed on October 27, 2015 and expires approximately five years after the opening of the Project, which is currently under construction.

VI. Restatement of Fund Balance/Net Position

Killeen Volunteers, Inc. is a blended component unit of the City which had not been included in the City’s financial statements previously. A prior period adjustment was made to the Killeen Volunteers, Inc. special revenue fund to record \$101,258 of prior year fund balance.

The City has restated beginning net position to record a deferred outflow for contributions made to the Firefighter’s Relief and Retirement Fund between the initial measurement date and the end of the prior fiscal year, September 30, 2016.

	Governmental Activities	<u>Nonmajor Fund</u> Killeen Volunteers, Inc (KVI)
Beginning fund balance/net position, as reported	\$ 3,573,854	\$ -
Restatement-deferred outflows	1,753,760	-
Restatement-asset balance	101,258	101,258
Beginning fund balance/net position, restated	<u>\$ 5,428,872</u>	<u>\$ 101,258</u>

VII. Subsequent Events

On December 21, 2017, the City issued \$33,455,000 of general obligation refunding bonds to refund all or a portion of the following bond issues: 2010 general obligation refunding bonds, 2010 general obligation bonds, 2011 certificates of obligation, 2011 pass through funding bonds, and the 2011A pass through bonds. The interest rate on the bonds range from 2.00% to 5.00% percent and the maturity date is August 1, 2036. Standard & Poor’s reviewed the general obligation bond rating prior to the refunding and lowered the rating from AA to AA- while affirming the stable outlook.

City of Killeen, Texas
Notes to the Financial Statement (Continued)
September 30, 2017

VIII. Authoritative Pronouncements not yet Effective

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will become effective for the City in fiscal year 2018. This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibly funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date.

GASB Statement No. 81, Irrevocable Split-Interest Agreements, will become effective for the City in fiscal year 2018. This statement is to improve accounting and financial reporting by providing measurement and recognition for split-interest agreements under which a donor transfers resources to an intermediary to administer for the benefit of the donor (or a third party) and a government.



City of Killeen, Texas
Required Supplementary Information (Unaudited)
Texas Municipal Retirement System
Schedule of Changes in the City's Net Pension Liability and Related Ratios ⁽¹⁾
September 30, 2017

	December 31, 2016	December 31, 2015	December 31, 2014
1. Total Pension Liability			
a. Service cost	\$ 6,829,331	\$ 7,756,102	\$ 7,127,298
b. Interest	11,923,879	13,747,572	12,950,074
c. Changes of benefit provisions	-	-	-
d. Change in benefit terms including substantially automatic status	(31,349,348)	-	-
e. Differences between expected and actual experience	(1,945,285)	(1,223,578)	(1,781,423)
f. Changes of assumptions	-	(39,423)	-
g. Benefit payments, including refunds of employee contributions	(8,772,730)	(7,570,788)	(6,864,254)
h. Net Change in Total Pension Liability	(23,314,153)	12,669,885	11,431,695
i. Total Pension Liability - Beginning	208,971,110	196,301,225	184,869,530
j. Total Pension Liability - Ending	<u>\$ 185,656,957</u>	<u>\$ 208,971,110</u>	<u>\$ 196,301,225</u>
2. Plan Fiduciary Net Position			
a. Contributions - employer	\$ 3,850,502	\$ 3,878,184	\$ 3,555,987
b. Contributions - employee	3,262,703	3,296,020	3,166,911
c. Net investment income	9,649,863	211,180	7,756,563
d. Benefit payments, including refunds of employee contributions	(8,772,730)	(7,570,788)	(6,864,254)
e. Administrative expenses	(108,991)	(128,630)	(80,983)
f. Other	(5,872)	(6,353)	(6,658)
g. Net Change in Plan Fiduciary Net Position	7,875,475	(320,387)	7,527,566
h. Plan Fiduciary Net Position - Beginning	142,798,377	143,118,764	135,591,198
i. Plan Fiduciary Net Position - Ending	<u>\$ 150,673,852</u>	<u>\$ 142,798,377</u>	<u>\$ 143,118,764</u>
3. Net Pension Liability - Ending [Item 1(j) - 2(i)]	\$ 34,983,105	\$ 66,172,733	\$ 53,182,461
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.16%	68.33%	72.91%
5. Covered Payroll for Year (Estimated)	\$ 46,584,793	\$ 47,063,726	\$ 45,235,558
6. City's Net Pension Liability as a Percentage of Covered Payroll	75.10%	140.60%	117.57%

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown.

City of Killeen, Texas
Required Supplementary Information (Unaudited)
Texas Municipal Retirement System
Schedule of Contribution for the Last 10 Fiscal Years
September 30, 2017

Fiscal Year	(1) Actuarially Determined Contribution	(2) Contribution in relation to the actuarially determined contribution	(3) Contribution excess (deficiency) (2) - (1)	(4) Covered employee payroll	(5) Contributions as a percentage of covered employee payroll (2)/(4)
2008	\$ 3,795,179	\$ 3,795,179	\$ -	\$ 31,035,339	12.23%
2009	\$ 4,388,259	\$ 4,388,259	\$ -	\$ 34,856,263	12.59%
2010	\$ 4,567,683	\$ 4,567,683	\$ -	\$ 36,579,718	12.49%
2011	\$ 4,132,298	\$ 4,132,298	\$ -	\$ 38,174,700	10.82%
2012	\$ 4,410,989	\$ 4,410,989	\$ -	\$ 41,425,056	10.65%
2013	\$ 3,134,221	\$ 3,134,221	\$ -	\$ 41,575,749	7.54%
2014	\$ 3,429,108	\$ 3,429,108	\$ -	\$ 44,998,507	7.62%
2015	\$ 3,879,674	\$ 3,879,674	\$ -	\$ 46,806,060	8.29%
2016	\$ 3,948,703	\$ 3,948,703	\$ -	\$ 47,063,726	8.39%
2017	\$ 4,155,119	\$ 4,155,119	\$ -	\$ 44,936,667	9.25%

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10-year Smoothed Market, 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

There were no benefit changes during the year.

City of Killeen, Texas
Required Supplementary Information (Unaudited)
Firefighter's Relief and Retirement Fund
Schedule of Changes in the City's Net Pension Liability and Related Ratios for the Last 10 Fiscal Years
September 30, 2017

	September 30, 2017	September 30, 2016	September 30, 2015
1. Total Pension Liability			
a. Service cost	\$ 1,891,004	\$ 1,827,057	\$ 1,830,207
b. Interest	4,132,431	3,854,103	3,548,068
c. Changes of benefit provisions	-	-	-
d. Differences between expected and actual experience	(2,575,843)	-	-
e. Changes of assumptions	(224,913)	-	779,646
f. Benefit payments	(2,001,167)	(2,306,409)	(2,105,453)
g. Net Change in Total Pension Liability	1,221,512	3,374,751	4,052,468
h. Total Pension Liability - Beginning	52,431,265	49,056,514	45,004,046 ⁽¹⁾
i. Total Pension Liability - Ending	<u>\$ 53,652,777</u>	<u>\$ 52,431,265 ⁽²⁾</u>	<u>\$ 49,056,514</u>
2. Plan Fiduciary Net Position			
a. Contributions by the city	\$ 1,770,872	\$ 1,696,664	\$ 1,541,096
b. Contributions by the firefighters	1,483,972	1,419,132	1,284,686
c. Net investment income	3,110,934	(1,444,977)	1,972,592
d. Benefit payments	(2,001,167)	(2,306,409)	(2,105,453)
e. Administrative expenses	(94,483)	(135,909)	(130,049)
f. Other	-	-	-
g. Net Change in Plan Fiduciary Net Position	4,270,128	(771,499)	2,562,872
h. Plan Fiduciary Net Position - Beginning	31,072,702	31,844,201	29,281,329
i. Plan Fiduciary Net Position - Ending	<u>\$ 35,342,830</u>	<u>\$ 31,072,702</u>	<u>\$ 31,844,201</u>
3. City's Net Pension Liability - Ending [Item 1(i) - 2(i)]	\$ 18,309,947	\$ 21,358,563	\$ 17,212,313
4. Plan Fiduciary Net Position as a Percentage of the Total Pension	65.9%	59.3%	64.9%
5. Covered Payroll for Year (Estimated) 4	\$ 13,490,655	\$ 12,901,200	\$ 12,457,025
6. City's Net Pension Liability as a Percentage of Covered Payroll	135.7%	165.6%	138.2%

(1) Determined from the ending pension liability as of September 30, 2014, but based on the actuarial assumptions for the September 30, 2012 actuarial valuation, using the roll back procedure allowed for the initial year of implementing GASB 68.

(2) Determined from the beginning of year total pension liability, using the roll forward procedure allowed by GASB 68.

Notes:

Until a full 10-year trend is compiled, only available information is shown. The measurement date is September 30, 12 months prior to the fiscal year end. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates. A schedule of City contributions is not required because the City contributions to the Fund are neither actuarially determined nor statutorily or contractually established.

City of Killeen, Texas
Required Supplementary Information (Unaudited)
Other Post Employment Benefits
Schedule of Funding Progress
September 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liability (AAL) (1)	Unfunded AAL (UAAL) (2)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2013	-	4.5%	\$5,560,589	\$5,560,589	0.0%	\$ 41,575,749	13.37%
10/1/2014	-	4.5%	5,948,779	5,948,779	0.0%	44,998,507	13.22%
10/1/2015	-	4.5%	6,334,479	6,334,479	0.0%	46,806,060	13.53%
10/1/2016	-	4.5%	6,334,479	6,334,479	0.0%	47,063,726	13.46%

(1) Actuarial Accrued Liability determined under the projected unit credit cost method.

(2) Actuarial Accrued Liability less Actuarial Value of Assets.



City of Killeen, Texas
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues:				
Taxes:				
Ad valorem	\$ 23,584,961	\$ 23,524,272	\$ 23,524,272	\$ 60,689
Penalty and interest	143,551	200,000	200,000	(56,449)
Total ad valorem	23,728,512	23,724,272	23,724,272	4,240
Franchise	5,279,080	5,344,500	5,344,500	(65,420)
Sales and occupancy	22,945,955	22,718,639	22,718,639	227,316
Total taxes	51,953,547	51,787,411	51,787,411	166,136
Licenses, permits and fees:				
Building permits and inspections	576,093	737,500	737,500	(161,407)
Electrical permits and inspections	131,337	120,844	120,844	10,493
Plumbing permits and inspections	100,767	120,627	120,627	(19,860)
Miscellaneous licenses	306,200	315,134	315,134	(8,934)
Taxi operators licenses	2,285	4,500	4,500	(2,215)
Food handlers permits	25,400	25,000	25,000	400
Trailer court licenses	8,745	9,700	9,700	(955)
Building plans review	147,146	133,313	133,313	13,833
Mechanical inspections	43,393	45,000	45,000	(1,607)
Code enforcement abatement	185,827	235,000	235,000	(49,173)
Total licenses, permits, and fees	1,527,193	1,746,618	1,746,618	(219,425)
Intergovernmental:				
Community development	904,365	1,051,689	1,051,689	(147,324)
Public safety	4,088,077	5,026,885	5,069,215	(981,138)
Public works	24,070	24,070	24,070	-
Total intergovernmental	5,016,512	6,102,644	6,144,974	(1,128,462)
Charges for Services:				
Ambulance service fees	2,635,882	3,578,000	3,578,000	(942,118)
Miscellaneous police receipts	26,899	41,700	41,700	(14,801)
Planning and zoning fees	53,420	40,000	40,000	13,420
Golf course	1,043,385	1,088,817	1,088,817	(45,432)
Parks and Recreation	1,065,838	1,250,778	1,315,778	(249,940)
Library charges and contributions	33,109	28,500	28,500	4,609
Killeen arts and activities center	60,385	89,600	89,600	(29,215)
General government	515,718	15,000	15,000	500,718
Leases	351,917	315,885	315,885	36,032
Total charges for services	5,786,553	6,448,280	6,513,280	(726,727)
Municipal court fines	3,052,125	2,944,418	2,944,418	107,707
Investment earnings	200,213	67,100	67,100	133,113
Contributions	8,293	168,257	168,257	(159,964)
Miscellaneous	194,057	166,200	166,200	27,857
Total revenues	67,738,493	69,430,928	69,538,258	(1,799,765)
Expenditures:				
General Government:				
City council	\$ 52,928	\$ 67,676	\$ 67,676	\$ 14,748
City manager	499,183	616,388	542,824	43,641
Assistant city manager	132,483	-	135,187	2,704
Deputy city manager	228,098	237,696	234,491	6,393
City auditor	67,942	120,536	69,281	1,339
Communications	378,427	218,319	406,573	28,146
City attorney	937,941	984,632	988,360	50,419
Financial services	1,806,258	1,612,435	1,896,436	90,178
Support services	31,075	2,240,945	35,249	4,174
Human resources	1,032,676	1,136,841	1,101,412	68,736
Information systems	1,536,195	1,627,385	1,581,722	45,527
Planning and development	496,298	587,882	554,848	58,550
Nondepartmental	1,722,566	1,730,905	1,891,592	169,026
Total general government	8,922,070	11,181,640	9,505,651	583,581

The accompanying notes are an integral part of this financial statement

City of Killeen, Texas
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Continued)
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Public Safety:				
Municipal court	\$ 931,057	\$ 931,913	\$ 939,291	\$ 8,234
Building inspections	850,301	875,796	865,743	15,442
Code enforcement	729,652	789,642	771,179	41,527
Police	28,921,844	30,739,253	30,907,324	1,985,480
Animal control	799,860	892,432	902,615	102,755
Fire	21,133,839	21,660,067	21,564,072	430,233
Total public safety	53,366,553	55,889,103	55,950,224	2,583,671
Public Works:				
Public works	9,074	11,444	11,444	2,370
Traffic	379,589	369,818	393,130	13,541
Streets	3,823,933	3,374,725	4,074,893	250,960
Planning	161,110	493,505	168,737	7,627
Total public works	4,373,706	4,249,492	4,648,204	274,498
Community Services:				
Volunteer services	156,831	150,748	156,462	(369)
Golf course	1,451,161	1,397,057	1,439,613	(11,548)
Community center operations	141,157	170,684	161,419	20,262
Parks	1,744,348	1,743,883	1,771,378	27,030
Operations	778,564	870,938	768,788	(9,776)
Family aquatics center	443,155	455,081	488,929	45,774
Recreation	191,791	204,228	191,058	(733)
Athletics	293,146	344,327	337,098	43,952
Cemetery	198,433	200,999	213,762	15,329
Senior citizens	161,602	168,635	166,788	5,186
Swimming pools	12,252	21,543	20,021	7,769
Total community services	5,572,440	5,728,123	5,715,316	142,876
Community Development:				
Library	1,293,705	1,320,010	1,323,205	29,500
Killeen arts and activities center	385,381	466,804	468,269	82,888
Community development	181,916	387,734	392,506	210,590
Building services	818,504	-	825,909	7,405
Custodial services	650,692	-	663,658	12,966
Lien services	132,182	138,478	139,427	7,245
Total community development	3,462,380	2,313,026	3,812,974	350,594
Capital Outlay	1,118,966	1,085,544	1,332,001	213,035
Total expenditures	76,816,115	80,446,928	80,964,370	4,148,255
(Deficiency) of revenues (under) expenditures	(9,077,622)	(11,016,000)	(11,426,112)	(2,348,490)
Other Financing Sources (Uses)				
Insurance proceeds	295,067	-	56,275	238,792
Sale of assets	25,664	-	-	25,664
Transfers in	11,278,698	9,601,481	11,278,697	1
Total other financing sources	11,599,429	9,601,481	11,334,972	264,457
Net change in fund balance	2,521,807	\$ (1,414,519)	\$ (91,140)	\$ 2,612,947
Fund balance - beginning	17,655,211			
Fund balance - ending	\$ 20,177,018			

The accompanying notes are an integral part of this financial statement



City of Killeen, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Cash and cash equivalents	\$ 3,784,926	\$ 7,083,921	\$ 10,868,847
Receivables (net of allowances for uncollectibles):			
Taxes	197,025	-	197,025
Accounts	25,280	-	25,280
Intergovernmental receivable	106,658	509,159	615,817
Inventories	7,871	-	7,871
Total assets	<u>\$ 4,121,760</u>	<u>\$ 7,593,080</u>	<u>\$ 11,714,840</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 506,465	\$ 903,524	\$ 1,409,989
Due to other governments	551	-	551
Due to other funds	44,477	450,433	494,910
Accrued salaries payable	42,214	-	42,214
Unearned revenue	37,456	-	37,456
Total liabilities	<u>631,163</u>	<u>1,353,957</u>	<u>1,985,120</u>
Fund Balances:			
Nonspendable:			
Inventories	7,871	-	7,871
Restricted for:			
Debt service	288,593	-	288,593
Capital projects	-	6,239,123	6,239,123
Other purposes	3,242,359	-	3,242,359
Unassigned	(48,226)	-	(48,226)
Total fund balances	<u>3,490,597</u>	<u>6,239,123</u>	<u>9,729,720</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,121,760</u>	<u>\$ 7,593,080</u>	<u>\$ 11,714,840</u>

City of Killeen, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES			
Taxes	\$ 2,107,434	\$ -	\$ 2,107,434
Intergovernmental	2,430,586	1,998,971	4,429,557
Investment earnings	30,963	76,743	107,706
Contributions	388,017	189,395	577,412
Charges for services	625,534	-	625,534
Fines	1,420,766	-	1,420,766
Miscellaneous	178,842	45,392	224,234
Total revenues	<u>7,182,142</u>	<u>2,310,501</u>	<u>9,492,643</u>
EXPENDITURES			
Current:			
General government	212,267	-	212,267
Public safety	2,022,006	-	2,022,006
Public works	-	35,849	35,849
Community services	3,199,881	-	3,199,881
Debt service:			
Principal	405,000	-	405,000
Interest and fiscal charges	334,719	-	334,719
Capital outlay	1,065,068	5,689,873	6,754,941
Total expenditures	<u>7,238,941</u>	<u>5,725,722</u>	<u>12,964,663</u>
(Deficiency) of revenues (under) expenditures	<u>(56,799)</u>	<u>(3,415,221)</u>	<u>(3,472,020)</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	7,501	-	7,501
Insurance proceeds	1,195	-	1,195
Transfers out (net)	-	(851,937)	(851,937)
Total other financing sources (uses)	<u>8,696</u>	<u>(851,937)</u>	<u>(843,241)</u>
Net changes in fund balances	(48,103)	(4,267,158)	(4,315,261)
Fund balance - beginning	<u>3,437,442</u>	<u>10,506,281</u>	<u>13,943,723</u>
Prior period adjustment	101,258	-	101,258
Fund balance - ending	<u>\$ 3,490,597</u>	<u>\$ 6,239,123</u>	<u>\$ 9,729,720</u>



City of Killeen, Texas
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: This fund accounts for the operation of projects utilizing Justice Assistance Grant funds. These projects are for the purpose of reducing crime and improving public safety.

State Seizure Fund: This fund accounts for the revenues and expenditures restricted by state seizure requirements for the Police Department.

Federal Seizure Fund: This fund accounts for revenues and expenditures restricted by federal seizure requirements for the Police Department.

Emergency Management Fund: This fund accounts for revenues and expenditures restricted for the management of emergency situations.

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

Special Events Center Fund: This fund accounts for the funds to be used for the construction and operation of the Special Events Center.

Cable System Improvements Fund: This fund accounts for resources contributed to the City, the use of which are restricted to the acquisition of appropriate equipment and other expenditure items for the benefit of the cable franchise system.

Library Memorial Fund: This fund accounts for revenues that are restricted for use for the Public Library.

Community Development Fund: This fund accounts 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.

Home Program Fund: This fund accounts 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.

TIRZ #2 Fund: This fund accounts 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.

Parks Donations Fund: This fund accounts for resources contributed to the City and restricted to the park activities.

Teen Court Program Fund: This fund accounts for teen court fees collected in connection with citations issued by the City to juveniles who elect to attend the teen court program.

City of Killeen, Texas
Special Revenue Funds

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

Court Security Fund: This fund accounts for Municipal Court security related expenditures from security fees collected as enacted by the Texas Legislature.

Juvenile Case Manager Fund: This fund accounts 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 Municipal Court's order in Juvenile Court.

Photo Red Light Enforcement Fund: This fund accounts for fees received from the photo red light ticket violation enforcement program and applicable authorized expenditures.

Fire Department Fund: This fund accounts for receipts and expenditures related to fire activities.

Animal Control Donations Fund: This fund accounts for receipts and expenditures related to animal control.

Child Safety Fund: This fund accounts for child safety fees collected in connection with citations issued by the City. State law requires that revenue from these fees be used for child safety infrastructure projects.

Police Department Donations Fund: This fund accounts for receipts and expenditures related to police activities.

JLUS Grant Fund: This fund accounts for receipts and expenditures related to the Joint Land Use Study.

Employee Wellness Fund: This fund accounts for receipts and expenditures related to the employee wellness program.

Killeen Volunteers Inc. ("KVI") Fund: This fund accounts for the activity of the City's blended component unit KVI.

City of Killeen, Texas
Combining Balance Sheet
Nonmajor Special Revenue Funds
September 30, 2017

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management	Hotel Occupancy Tax
ASSETS					
Cash and cash equivalents	\$ 42,239	\$ 127,533	\$ 350,366	\$ 1,758	\$ 260,415
Receivables (net of allowances for uncollectibles):					
Taxes	-	-	-	-	138,629
Accounts	-	-	-	-	19
Intergovernmental receivable	20,893	-	-	-	-
Inventories	-	-	-	-	7,871
Total assets	<u>\$ 63,132</u>	<u>\$ 127,533</u>	<u>\$ 350,366</u>	<u>\$ 1,758</u>	<u>\$ 406,934</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 21,562	\$ 48,181	\$ -	\$ -	\$ 86,931
Due to other governments	551	-	-	-	-
Due to other funds	-	-	-	-	-
Accrued salaries payable	-	-	-	-	23,539
Unearned revenue	37,456	-	-	-	-
Total liabilities	<u>59,569</u>	<u>48,181</u>	<u>-</u>	<u>-</u>	<u>110,470</u>
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	-	7,871
Restricted for:					
Debt service	-	-	-	-	288,593
Other purposes	3,563	79,352	350,366	1,758	-
Unassigned	-	-	-	-	-
Total fund balances	<u>3,563</u>	<u>79,352</u>	<u>350,366</u>	<u>1,758</u>	<u>296,464</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 63,132</u>	<u>\$ 127,533</u>	<u>\$ 350,366</u>	<u>\$ 1,758</u>	<u>\$ 406,934</u>

Special Events Center	Cable System Improvements	Library Memorial	Community Development	Home Program	TIRZ #2	Parks Donations
\$ 17,675	\$ 795,572	\$ 34,546	\$ -	\$ 59,482	\$ 525,733	\$ 82,738
-	58,396	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	54,147	31,618	-	-
-	-	-	-	-	-	-
<u>\$ 17,675</u>	<u>\$ 853,968</u>	<u>\$ 34,546</u>	<u>\$ 54,147</u>	<u>\$ 91,100</u>	<u>\$ 525,733</u>	<u>\$ 82,738</u>
\$ -	\$ 2,511	\$ -	\$ 15,726	\$ 11,259	\$ -	\$ 1,501
-	-	-	-	-	-	-
-	-	-	44,477	-	-	-
-	6,279	-	7,780	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>8,790</u>	<u>-</u>	<u>67,983</u>	<u>11,259</u>	<u>-</u>	<u>1,501</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
17,675	845,178	34,546	-	79,841	525,733	81,237
-	-	-	(13,836)	-	-	-
<u>17,675</u>	<u>845,178</u>	<u>34,546</u>	<u>(13,836)</u>	<u>79,841</u>	<u>525,733</u>	<u>81,237</u>
<u>\$ 17,675</u>	<u>\$ 853,968</u>	<u>\$ 34,546</u>	<u>\$ 54,147</u>	<u>\$ 91,100</u>	<u>\$ 525,733</u>	<u>\$ 82,738</u>

City of Killeen, Texas
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
September 30, 2017

	Teen Court Program	Court Technology	Court Security	Juvenile Case Manager	Photo Red Light Enforcement
ASSETS					
Cash and cash equivalents	\$ 7,553	\$ 118,477	\$ 162,716	\$ 567,112	\$ 228,170
Receivables (net of allowances for uncollectibles):					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	25,261
Intergovernmental receivable	-	-	-	-	-
Inventories	-	-	-	-	-
Total assets	<u>\$ 7,553</u>	<u>\$ 118,477</u>	<u>\$ 162,716</u>	<u>\$ 567,112</u>	<u>\$ 253,431</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 163	\$ 815	\$ 220	\$ -	\$ 287,821
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
Accrued salaries payable	-	-	1,165	3,451	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>163</u>	<u>815</u>	<u>1,385</u>	<u>3,451</u>	<u>287,821</u>
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Other purposes	7,390	117,662	161,331	563,661	-
Unassigned	-	-	-	-	(34,390)
Total fund balances	<u>7,390</u>	<u>117,662</u>	<u>161,331</u>	<u>563,661</u>	<u>(34,390)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,553</u>	<u>\$ 118,477</u>	<u>\$ 162,716</u>	<u>\$ 567,112</u>	<u>\$ 253,431</u>

Fire Department	Animal Control Donations	Child Safety	Police Department Donations	JLUS Grant	Employee Wellness	Killeen Volunteers Inc. (KVI)	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 542	\$ 15,013	\$ 79,537	\$ 115,401	\$ -	\$ 109,691	\$ 82,657	\$ 3,784,926
-	-	-	-	-	-	-	197,025
-	-	-	-	-	-	-	25,280
-	-	-	-	-	-	-	106,658
-	-	-	-	-	-	-	7,871
<u>\$ 542</u>	<u>\$ 15,013</u>	<u>\$ 79,537</u>	<u>\$ 115,401</u>	<u>\$ -</u>	<u>\$ 109,691</u>	<u>\$ 82,657</u>	<u>\$ 4,121,760</u>
\$ 156	\$ -	\$ 28,098	\$ 1,504	\$ -	\$ 17	\$ -	\$ 506,465
-	-	-	-	-	-	-	551
-	-	-	-	-	-	-	44,477
-	-	-	-	-	-	-	42,214
-	-	-	-	-	-	-	37,456
<u>156</u>	<u>-</u>	<u>28,098</u>	<u>1,504</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>631,163</u>
-	-	-	-	-	-	-	7,871
-	-	-	-	-	-	-	288,593
386	15,013	51,439	113,897	-	109,674	82,657	3,242,359
-	-	-	-	-	-	-	(48,226)
<u>386</u>	<u>15,013</u>	<u>51,439</u>	<u>113,897</u>	<u>-</u>	<u>109,674</u>	<u>82,657</u>	<u>3,490,597</u>
<u>\$ 542</u>	<u>\$ 15,013</u>	<u>\$ 79,537</u>	<u>\$ 115,401</u>	<u>\$ -</u>	<u>\$ 109,691</u>	<u>\$ 82,657</u>	<u>\$ 4,121,760</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, 2017

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management	Hotel Occupancy Tax
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,815,226
Intergovernmental	67,350	40,924	300,759	-	82,498
Investment earnings	436	1,263	1,378	13	4,046
Contributions	-	-	-	-	-
Charges for services	-	-	-	-	599,472
Fines	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>67,786</u>	<u>42,187</u>	<u>302,137</u>	<u>13</u>	<u>2,501,242</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	67,351	99,270	-	-	-
Community services	-	-	-	-	1,475,285
Debt service:					
Principal	-	-	-	-	405,000
Interest and fiscal charges	-	-	-	-	334,719
Capital outlay	-	14,340	-	-	289,677
Total expenditures	<u>67,351</u>	<u>113,610</u>	<u>-</u>	<u>-</u>	<u>2,504,681</u>
Excess (deficiency) of revenues over (under) expenditures	<u>435</u>	<u>(71,423)</u>	<u>302,137</u>	<u>13</u>	<u>(3,439)</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	-	18
Insurance proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Net changes in fund balances	435	(71,423)	302,137	13	(3,421)
Fund balance - beginning	<u>3,128</u>	<u>150,775</u>	<u>48,229</u>	<u>1,745</u>	<u>299,885</u>
Prior period adjustment	-	-	-	-	-
Fund balance - ending	<u>\$ 3,563</u>	<u>\$ 79,352</u>	<u>\$ 350,366</u>	<u>\$ 1,758</u>	<u>\$ 296,464</u>

Special Events Center	Cablesystem Improvements	Library Memorial	Community Development	CDBG Home Program	TIRZ #2	Parks Donations
\$ -	\$ 225,552	\$ -	\$ -	\$ -	\$ 66,656	\$ -
-	-	-	1,066,479	354,987	49,587	-
103	6,047	240	-	31	3,803	588
-	-	9,477	-	-	-	63,921
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	13,070	53,792	-	-
103	231,599	9,717	1,079,549	408,810	120,046	64,509
-	171,983	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,092,044	335,344	-	25,384
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	8,740	-	-	-	-	-
-	180,723	-	1,092,044	335,344	-	25,384
103	50,876	9,717	(12,495)	73,466	120,046	39,125
-	-	-	-	-	-	-
-	-	-	-	-	-	1,195
-	-	-	-	-	-	1,195
103	50,876	9,717	(12,495)	73,466	120,046	40,320
17,572	794,302	24,829	(1,341)	6,375	405,687	40,917
-	-	-	-	-	-	-
\$ 17,675	\$ 845,178	\$ 34,546	\$ (13,836)	\$ 79,841	\$ 525,733	\$ 81,237

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, 2017

	Teen Court Program	Court Technology	Court Security	Juvenile Case Manager	Photo Red Light Enforcement
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	800	-	-
Investment earnings	61	1,012	1,208	4,357	3,003
Contributions	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines	2,310	67,026	50,310	100,054	1,178,950
Miscellaneous	-	-	-	-	-
Total revenues	<u>2,371</u>	<u>68,038</u>	<u>52,318</u>	<u>104,411</u>	<u>1,181,953</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	2,193	101,956	36,970	80,675	1,537,169
Community services	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	16,427	-	-	-
Total expenditures	<u>2,193</u>	<u>118,383</u>	<u>36,970</u>	<u>80,675</u>	<u>1,537,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>178</u>	<u>(50,345)</u>	<u>15,348</u>	<u>23,736</u>	<u>(355,216)</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	-	-
Insurance proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	178	(50,345)	15,348	23,736	(355,216)
Fund balance - beginning	<u>7,212</u>	<u>168,007</u>	<u>145,983</u>	<u>539,925</u>	<u>320,826</u>
Prior period adjustment	-	-	-	-	-
Fund balance - ending	<u>\$ 7,390</u>	<u>\$ 117,662</u>	<u>\$ 161,331</u>	<u>\$ 563,661</u>	<u>\$ (34,390)</u>

Fire Department	Animal Control Donations	Child Safety	Police Department Donations	JLUS Grant	Employee Wellness	Killeen Volunteers Inc. (KVI)	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,107,434
859	-	409,014	19,540	37,789	-	-	2,430,586
10	125	1,824	971	-	444	-	30,963
50	10,585	-	50,761	-	-	253,223	388,017
-	-	-	26,062	-	-	-	625,534
-	-	22,116	-	-	-	-	1,420,766
-	-	255	-	-	111,725	-	178,842
919	10,710	433,209	97,334	37,789	112,169	253,223	7,182,142
-	-	-	-	37,789	2,495	-	212,267
2,551	11,101	20,793	61,977	-	-	-	2,022,006
-	-	-	-	-	-	271,824	3,199,881
-	-	-	-	-	-	-	405,000
-	-	-	-	-	-	-	334,719
-	-	735,884	-	-	-	-	1,065,068
2,551	11,101	756,677	61,977	37,789	2,495	271,824	7,238,941
(1,632)	(391)	(323,468)	35,357	-	109,674	(18,601)	(56,799)
-	-	-	7,483	-	-	-	7,501
-	-	-	-	-	-	-	1,195
-	-	-	7,483	-	-	-	8,696
(1,632)	(391)	(323,468)	42,840	-	109,674	(18,601)	(48,103)
2,018	15,404	374,907	71,057	-	-	-	3,437,442
-	-	-	-	-	-	101,258	101,258
\$ 386	\$ 15,013	\$ 51,439	\$ 113,897	\$ -	\$ 109,674	\$ 82,657	\$ 3,490,597



City of Killeen, Texas
Capital Projects Funds

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

2009 C.O. Bonds: This fund accounts 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.

2011A Pass-Through Financing 190/2410: This fund accounts 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.

2011 Pass-Through Financing 195/201: This fund accounts 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.

2011 C.O. Bonds: This fund accounts for expenditures of funds to be used for street improvements.

2012 G.O. Bonds: This fund accounts for expenditures of funds to be used for renovating and equipping the existing Community Center.

Downtown Improvements Phase II: This fund accounts for the Killeen Economic Development Corporation's share of Phase II of the downtown improvement project.

2014 C.O. Bonds: This fund accounts for expenditures of funds to be used for the constructing, improving, and repairing of City fire facilities and community service facilities, as well as completing various streets projects.

2014 G.O. Bonds: This fund accounts for expenditures of funds to be used for public safety buildings/facilities and parks and recreation projects.

Governmental Capital Projects: This fund accounts for miscellaneous capital project activity attributable to the governmental funds.

Golf Capital Projects: This fund accounts for capital improvements to the golf course.

Rosewood Extension Project: This fund accounts for the design and construction of an extension to Rosewood Drive and Heritage Oaks Hike and Bike Trail Segment 3.

City of Killeen, Texas
Combining Balance Sheet
Nonmajor Capital Projects Funds
September 30, 2017

	2009 C.O. Bonds	2011A Pass-Through Financing 190/2410	2011 Pass-Through Financing 195/201	2011 C.O. Bonds	2012 G.O. Bonds
ASSETS					
Cash and cash equivalents	\$ -	\$ 109,546	\$ -	\$ 2,412,970	\$ 136,060
Intergovernmental receivable	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 109,546</u>	<u>\$ -</u>	<u>\$ 2,412,970</u>	<u>\$ 136,060</u>
LIABILITIES					
AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 742,404	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>742,404</u>	<u>-</u>
Fund balances:					
Restricted for:					
Capital projects	-	109,546	-	1,670,566	136,060
Total fund balances	<u>-</u>	<u>109,546</u>	<u>-</u>	<u>1,670,566</u>	<u>136,060</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 109,546</u>	<u>\$ -</u>	<u>\$ 2,412,970</u>	<u>\$ 136,060</u>

Downtown Improvements Phase II	2014 C.O. Bonds	2014 G.O. Bonds	Governmental Capital Projects	Golf Capital Projects	Rosewood Extension Project	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 78,468	\$ 1,380,359	\$ 1,445,409	\$ 1,489,832	\$ 31,277	\$ -	\$ 7,083,921
-	-	-	-	-	509,159	509,159
<u>\$ 78,468</u>	<u>\$ 1,380,359</u>	<u>\$ 1,445,409</u>	<u>\$ 1,489,832</u>	<u>\$ 31,277</u>	<u>\$ 509,159</u>	<u>\$ 7,593,080</u>
\$ -	\$ 152,695	\$ 8,001	\$ -	\$ -	\$ 424	\$ 903,524
-	-	-	-	-	450,433	450,433
<u>-</u>	<u>152,695</u>	<u>8,001</u>	<u>-</u>	<u>-</u>	<u>450,857</u>	<u>1,353,957</u>
78,468	1,227,664	1,437,408	1,489,832	31,277	58,302	6,239,123
<u>78,468</u>	<u>1,227,664</u>	<u>1,437,408</u>	<u>1,489,832</u>	<u>31,277</u>	<u>58,302</u>	<u>6,239,123</u>
<u>\$ 78,468</u>	<u>\$ 1,380,359</u>	<u>\$ 1,445,409</u>	<u>\$ 1,489,832</u>	<u>\$ 31,277</u>	<u>\$ 509,159</u>	<u>\$ 7,593,080</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, 2017

	2009 C.O. Bonds	2011A Pass Thru Financing 190/2410	2011 Pass Thru Financing 195/201	2011 C.O. Bonds	2012 G.O. Bonds
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	31	1,501	6,702	18,966	1,062
Contributions	-	-	-	-	-
Miscellaneous	-	345	37	-	-
Total revenues	<u>31</u>	<u>1,846</u>	<u>6,739</u>	<u>18,966</u>	<u>1,062</u>
EXPENDITURES					
Public works	-	1,899	1,446	-	-
Capital outlay	<u>37,180</u>	<u>460,059</u>	<u>4,500</u>	<u>32,446</u>	<u>-</u>
Total expenditures	<u>37,180</u>	<u>461,958</u>	<u>5,946</u>	<u>32,446</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,149)</u>	<u>(460,112)</u>	<u>793</u>	<u>(13,480)</u>	<u>1,062</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	3,095
Transfers out	<u>(3,095)</u>	<u>-</u>	<u>(851,937)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,095)</u>	<u>-</u>	<u>(851,937)</u>	<u>-</u>	<u>3,095</u>
Net change in fund balances	(40,244)	(460,112)	(851,144)	(13,480)	4,157
Fund balance - beginning	<u>40,244</u>	<u>569,658</u>	<u>851,144</u>	<u>1,684,046</u>	<u>131,903</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 109,546</u>	<u>\$ -</u>	<u>\$ 1,670,566</u>	<u>\$ 136,060</u>

Downtown Improvements Phase II	2014 C.O. Bonds	2014 G.O. Bonds	Governmental Capital Projects	Golf Capital Projects	Rosewood Extension Project	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ 1,489,812	\$ -	\$ 509,159	\$ 1,998,971
614	35,301	12,059	-	228	279	76,743
-	189,395	-	-	-	-	189,395
-	237	324	-	44,449	-	45,392
614	224,933	12,383	1,489,812	44,677	509,438	2,310,501
-	2,744	2,661	-	27,099	-	35,849
-	4,240,857	256,575	-	21,384	636,872	5,689,873
-	4,243,601	259,236	-	48,483	636,872	5,725,722
614	(4,018,668)	(246,853)	1,489,812	(3,806)	(127,434)	(3,415,221)
-	-	-	-	-	-	3,095
-	-	-	-	-	-	(855,032)
-	-	-	-	-	-	(851,937)
614	(4,018,668)	(246,853)	1,489,812	(3,806)	(127,434)	(4,267,158)
77,854	5,246,332	1,684,261	20	35,083	185,736	10,506,281
\$ 78,468	\$ 1,227,664	\$ 1,437,408	\$ 1,489,832	\$ 31,277	\$ 58,302	\$ 6,239,123



City of Killeen, Texas
Law Enforcement Grant Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Intergovernmental	\$ 67,350	\$ 74,170	\$ 74,170	\$ (6,820)
Investments earnings	436	100	100	536
Miscellaneous	-	40	40	40
Total revenues	67,786	74,310	74,310	(6,244)
EXPENDITURES				
Current:				
Public safety	67,351	74,310	74,310	6,959
Total expenditures	67,351	74,310	74,310	6,959
Net change in fund balance	435	\$ -	\$ -	\$ 435
Fund balance - beginning	3,128			
Fund balance - ending	\$ 3,563			

City of Killeen, Texas
State Seizure Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Intergovernmental	\$ 40,924	\$ -	\$ -	\$ 40,924
Investment earnings	1,263	-	-	1,263
Total revenues	42,187	-	-	42,187
EXPENDITURES				
Current:				
Public safety	99,270	-	203,603	104,333
Capital outlay	14,340	-	45,928	31,588
Total expenditures	113,610	-	249,531	135,921
Net change in fund balance	(71,423)	\$ -	\$ (249,531)	\$ 178,108
Fund balance - beginning	150,775			
Fund balance - ending	\$ 79,352			

City of Killeen, Texas
Federal Seizure Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Intergovernmental	\$ 300,759	\$ -	\$ -	\$ 300,759
Investment earnings	1,378	-	-	1,378
Total revenues	302,137	-	-	302,137
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	302,137	\$ -	\$ -	\$ 302,137
Fund balance - beginning	48,229			
Fund balance - ending	<u>\$ 350,366</u>			

City of Killeen, Texas
Emergency Management Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Investment earnings	\$ 13	\$ 4	\$ 4	\$ 9
Total revenues	13	4	4	9
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	13	\$ 4	\$ 4	\$ 9
Fund balance - beginning	1,745			
Fund balance - ending	\$ 1,758			

City of Killeen, Texas
Hotel Occupancy Tax Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 1,815,226	\$ 1,687,000	\$ 1,687,000	\$ 128,226
Intergovernmental	82,498	80,000	80,000	2,498
Charges for services	599,472	679,500	679,500	(80,028)
Investment earnings	4,046	360	360	3,686
Total revenues	2,501,242	2,446,860	2,446,860	54,382
EXPENDITURES				
Current:				
Community services	1,475,285	1,666,941	1,667,166	191,881
Debt service:				
Principal	405,000	405,000	405,000	-
Interest and fiscal charges	334,719	335,588	335,588	869
Capital outlay	289,677	24,684	304,247	14,570
Total expenditures	2,504,681	2,432,213	2,712,001	207,320
Excess (deficiency) of revenues over (under) expenditures	(3,439)	14,647	(265,141)	261,702
OTHER FINANCING SOURCES (USES)				
Sale of assets	18	-	-	18
Total other financing sources	18	-	-	18
Net change in fund balance	(3,421)	\$ 14,647	\$ (265,141)	\$ 261,720
Fund balance - beginning	299,885			
Fund balance - ending	\$ 296,464			

City of Killeen, Texas
Special Events Center Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Investment earnings	\$ 103	\$ 20	\$ 20	\$ 83
Total revenues	103	20	20	83
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	103	\$ 20	\$ 20	\$ 83
Fund balance - beginning	17,572			
Fund balance - ending	<u>\$ 17,675</u>			

City of Killeen, Texas
Cable System Improvements Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 225,552	\$ 208,000	\$ 208,000	\$ 17,552
Investment earnings	6,047	1,800	1,800	4,247
Total revenues	231,599	209,800	209,800	21,799
EXPENDITURES				
Current:				
General government	171,983	229,360	220,860	48,877
Capital outlay	8,740	-	8,967	227
Total expenditures	180,723	229,360	229,827	49,104
Net change in fund balance	50,876	\$ (19,560)	\$ (20,027)	\$ 70,903
Fund balance - beginning	794,302			
Fund balance - ending	\$ 845,178			

City of Killeen, Texas
Library Memorial Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2016

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Contributions	\$ 9,477	\$ 11,000	\$ 11,000	\$ (1,523)
Investment earnings	240	50	50	190
Total revenues	9,717	11,050	11,050	(1,333)
EXPENDITURES				
Current:				
Community services	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	9,717	\$ 11,050	\$ 11,050	\$ (1,333)
Fund balance - beginning	24,829			
Fund balance - ending	\$ 34,546			

City of Killeen, Texas
Community Development Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,066,479	\$ 1,103,346	\$ 1,103,346	\$ (36,867)
Miscellaneous	13,070	8,600	8,600	4,470
Total revenues	1,079,549	1,111,946	1,111,946	(32,397)
EXPENDITURES				
Current:				
Community services	1,092,044	243,194	1,665,613	573,569
Total expenditures	1,092,044	243,194	1,665,613	573,569
Net change in fund balance	(12,495)	\$ 868,752	\$ (553,667)	\$ 541,172
Fund balance - beginning	(1,341)			
Fund balance - ending	\$ (13,836)			

City of Killeen, Texas
CDBG Home Program Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Intergovernmental	\$ 354,987	\$ 900,678	\$ 900,678	\$ (545,691)
Investment earnings	31	100	100	(69)
Miscellaneous	53,792	50,112	50,112	3,680
Total revenues	408,810	950,890	950,890	(542,080)
EXPENDITURES				
Current:				
Community services	335,344	373,688	1,077,110	741,766
Total expenditures	335,344	373,688	1,077,110	741,766
Net change in fund balance	73,466	\$ 577,202	\$ (126,220)	\$ 199,686
Fund balance - beginning	6,375			
Fund balance - ending	\$ 79,841			

City of Killeen, Texas
TIRZ #2 Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 66,656	\$ 65,442	\$ 65,442	\$ 1,214
Intergovernmental	49,587	41,150	41,150	8,437
Investment earnings	3,803	1,000	1,000	2,803
Total revenues	120,046	107,592	107,592	12,454
EXPENDITURES				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	120,046	\$ 107,592	\$ 107,592	\$ 12,454
Fund balance - beginning	405,687			
Fund balance - ending	\$ 525,733			

City of Killeen, Texas
Parks Donations Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Contributions	\$ 63,921	\$ 30,000	\$ 180,000	\$ (116,079)
Investment earnings	588	100	100	488
Total revenues	64,509	30,100	180,100	(115,591)
EXPENDITURES				
Current:				
Community services	25,384	-	150,000	124,616
Total expenditures	25,384	-	150,000	124,616
Excess (deficiency) of revenues over (under) expenditures	39,125	30,100	30,100	9,025
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	1,195	-	-	1,195
Total other financing sources	1,195	-	-	1,195
Net change in fund balance	40,320	\$ 30,100	\$ 30,100	\$ 10,220
Fund balance - beginning	40,917			
Fund balance - ending	\$ 81,237			

City of Killeen, Texas
Teen Court Program Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 2,310	\$ 3,500	\$ 3,500	\$ (1,190)
Investment earnings	61	20	20	(41)
Total revenues	2,371	3,520	3,520	(1,231)
EXPENDITURES				
Current:				
Public safety	2,193	3,789	3,789	1,596
Total expenditures	2,193	3,789	3,789	1,596
Net change in fund balance	178	\$ (269)	\$ (269)	\$ 365
Fund balance - beginning	7,212			
Fund balance - ending	\$ 7,390			

City of Killeen, Texas
Court Technology Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Fines	\$ 67,026	\$ 81,078	\$ 81,078	\$ (14,052)
Investment earnings	1,012	500	500	(512)
Total revenues	68,038	81,578	81,578	(14,564)
EXPENDITURES				
Current:				
Public safety	101,956	158,200	143,200	41,244
Capital outlay	16,427	-	18,472	2,045
Total expenditures	118,383	158,200	161,672	43,289
Net change in fund balance	(50,345)	\$ (76,622)	\$ (80,094)	\$ 29,749
Fund balance - beginning	168,007			
Fund balance - ending	\$ 117,662			

City of Killeen, Texas
Court Security Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 800	\$ 785	\$ 785	\$ 15
Fines	50,310	62,899	62,899	(12,589)
Investment earnings	1,208	400	400	808
Total revenues	52,318	64,084	64,084	(11,766)
EXPENDITURES				
Current:				
Public safety	36,970	48,122	48,122	11,152
Total expenditures	36,970	48,122	48,122	11,152
Net change in fund balance	15,348	\$ 15,962	\$ 15,962	\$ (614)
Fund balance - beginning	145,983			
Fund balance - ending	\$ 161,331			

City of Killeen, Texas
Juvenile Case Manager Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Fines	\$ 100,054	\$ 119,737	\$ 119,737	\$ (19,683)
Investment earnings	4,357	1,500	1,500	2,857
Total revenues	104,411	121,237	121,237	(16,826)
EXPENDITURES				
Current:				
Public safety	80,675	89,965	89,965	9,290
Total expenditures	80,675	89,965	89,965	9,290
Net change in fund balance	23,736	\$ 31,272	\$ 31,272	\$ (7,536)
Fund balance - beginning	539,925			
Fund balance - ending	\$ 563,661			

City of Killeen, Texas
Photo Red Light Enforcement Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Fines	\$ 1,178,950	\$ 1,300,000	\$ 1,300,000	\$ (121,050)
Investment earnings	3,003	1,000	1,000	2,003
Total revenues	1,181,953	1,301,000	1,301,000	(119,047)
EXPENDITURES				
Current:				
Public safety	1,537,169	1,665,544	1,665,544	128,375
Total expenditures	1,537,169	1,665,544	1,665,544	128,375
Net change in fund balance	(355,216)	\$ (364,544)	\$ (364,544)	\$ 9,328
Fund balance - beginning	320,826			
Fund balance - ending	\$ (34,390)			

City of Killeen, Texas
Fire Department Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Intergovernmental	\$ 859	\$ -	\$ 1,697	\$ (838)
Contributions	50	-	-	50
Investment earnings	10	-	-	10
Total revenues	919	-	1,697	(778)
EXPENDITURES				
Current:				
Public safety	2,551	-	1,697	(854)
Total expenditures	2,551	-	1,697	(854)
Net change in fund balance	(1,632)	\$ -	\$ -	\$ (1,632)
Fund balance - beginning	2,018			
Fund balance - ending	\$ 386			

City of Killeen, Texas
Animal Control Donations Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

		Budgeted Amounts		Variance -
	Actual	Original	Final	Positive (Negative)
REVENUES				
Contributions	\$ 10,585	\$ 20,000	\$ 20,000	\$ (9,415)
Investment earnings	125	70	70	55
Total revenues	10,710	20,070	20,070	(9,360)
EXPENDITURES				
Current:				
Public safety	11,101	-	-	(11,101)
Total expenditures	11,101	-	-	(11,101)
Net change in fund balance	(391)	\$ 20,070	\$ 20,070	\$ (20,461)
Fund balance - beginning	15,404			
Fund balance - ending	\$ 15,013			

City of Killeen, Texas
Child Safety Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 409,014	\$ 150,000	\$ 400,000	\$ 9,014
Fines	22,116	35,000	35,000	(12,884)
Investments earnings	1,824	1,000	1,000	824
Miscellaneous	255	-	-	255
Total revenues	433,209	186,000	436,000	(2,791)
EXPENDITURES				
Current:				
Public safety	20,793	40,000	40,000	19,207
Capital outlay	735,884	250,000	831,283	95,399
Total expenditures	756,677	290,000	871,283	114,606
Net change in fund balance	(323,468)	<u>\$ (104,000)</u>	<u>\$ (435,283)</u>	<u>\$ 111,815</u>
Fund balance - beginning	374,907			
Fund balance - ending	<u>\$ 51,439</u>			

City of Killeen, Texas
Police Department Donations Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 19,540	\$ 17,303	\$ 17,303	\$ 2,237
Investment earnings	971	200	200	771
Contributions	50,761	8,175	53,175	(2,414)
Charges for services	26,062	20,800	20,800	5,262
Miscellaneous	-	2,000	2,000	(2,000)
Total revenues	97,334	48,478	93,478	3,856
EXPENDITURES				
Public safety	61,977	91,936	186,936	124,959
Total expenditures	61,977	91,936	186,936	124,959
Excess (deficiency) of revenues over (under) expenditures	35,357	(43,458)	(93,458)	128,815
OTHER FINANCING SOURCES (USES)				
Sale of assets	7,483	4,600	4,600	2,883
Total other financing sources	7,483	4,600	4,600	2,883
Net change in fund balance	42,840	\$ (38,858)	\$ (88,858)	\$ 131,698
Fund balance - beginning	71,057			
Fund balance - ending	\$ 113,897			

City of Killeen, Texas
JLUS Grant Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 37,789	-	-	\$ 37,789
Total revenues	37,789	-	-	37,789
EXPENDITURES				
Current:				
General government	37,789	-	25,195	(12,594)
Total expenditures	37,789	-	25,195	(12,594)
Net change in fund balance	-	\$ -	\$ (25,195)	\$ 25,195
Fund balance - beginning	-			
Fund balance - ending	\$ -			

City of Killeen, Texas
Employee Wellness Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Interest earnings	\$ 444	\$ -	\$ -	\$ 444
Miscellaneous	111,725	-	100,000	11,725
Total revenues	112,169	-	100,000	12,169
EXPENDITURES				
Current:				
General government	2,495	-	100,000	97,505
Total expenditures	2,495	-	100,000	97,505
Net change in fund balance	109,674	\$ -	\$ -	\$ 109,674
Fund balance - beginning	-			
Fund balance - ending	\$ 109,674			

City of Killeen, Texas
Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 16,048,942	\$ 15,898,999	\$ 15,898,999	\$ 149,943
Intergovernmental	2,038,985	1,700,000	1,700,000	338,985
Investment earnings	63,435	26,100	26,100	37,335
Total revenues	18,151,362	17,625,099	17,625,099	526,263
EXPENDITURES				
Debt service:				
Principal	7,605,000	7,605,000	7,605,000	-
Interest and fiscal charges	7,854,661	7,852,053	7,852,053	(2,608)
Total expenditures	15,459,661	15,457,053	15,457,053	(2,608)
Excess of revenues over expenditures	2,691,701	2,168,046	2,168,046	523,655
OTHER FINANCING SOURCES (USES)				
Transfers in	851,937	-	-	851,937
Total other financing sources	851,937	-	-	851,937
Net change in fund balance	3,543,638	\$ 2,168,046	\$ 2,168,046	\$ 1,375,592
Fund balance - beginning	513,222			
Fund balance - ending	\$ 4,056,860			

**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 required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	128
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	138
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	142
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	148
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.</i>	150
Continuing Financial Disclosures <i>These tables present various financial data originally distributed in a debt official statement. The City is required to update financial tables originally distributed in a debt official statement within six months after the end of each fiscal year. This financial information is provided to the Municipal Securities Rulemaking Board (MSRB) annually via the Electronic Municipal Market Access (EMMA) system.</i>	158

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

City of Killeen, Texas
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 71,779,033	\$ 70,086,573	\$ 66,697,447	\$ 67,024,699
Restricted for:				
Debt service	3,440,517	3,359,077	3,008,055	6,033,367
Capital projects	5,073,720	9,269,562	8,085,411	7,134,634
Other purposes	2,976,016	3,944,130	3,271,170	2,768,621
Unrestricted	19,250,157	17,417,463	16,516,531	12,126,100
Total governmental activities net position	<u>\$ 102,519,443</u>	<u>\$ 104,076,805</u>	<u>\$ 97,578,614</u>	<u>\$ 95,087,421</u>
Business-type activities				
Net investment in capital assets	\$ 157,885,676	\$ 160,788,607	\$ 164,542,836	\$ 171,472,647
Restricted for:				
Debt service	6,466,505	9,025,106	7,987,426	7,963,550
Capital projects	-	-	-	-
Unrestricted	36,562,391	31,232,183	32,495,856	33,318,199
Total business-type activities net position	<u>\$ 200,914,572</u>	<u>\$ 201,045,896</u>	<u>\$ 205,026,118</u>	<u>\$ 212,754,396</u>
Primary government				
Net investment in capital assets	\$ 229,664,709	\$ 230,875,180	\$ 231,240,283	\$ 238,497,346
Restricted for:				
Debt service	9,907,022	12,384,183	10,995,481	13,996,917
Capital projects	5,073,720	9,269,562	8,085,411	7,134,634
Other purposes	2,976,016	3,944,130	3,271,170	2,768,621
Unrestricted	55,812,548	48,649,646	49,012,387	45,444,299
Total primary government activities net position	<u>\$ 303,434,015</u>	<u>\$ 305,122,701</u>	<u>\$ 302,604,732</u>	<u>\$ 307,841,817</u>

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

Table I

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 62,566,576	\$ 62,867,902	\$ 54,564,150	\$ 55,015,444	\$ 52,004,821	\$ 48,083,942
4,893,750	1,730,132	3,131,449	905,327	-	3,238,931
2,089,363	2,910,571	2,472,582	2,414,025	298,693	6,239,123
3,045,444	2,963,110	2,952,565	2,641,546	3,138,898	3,242,359
16,857,071	14,455,124	11,671,245	(51,826,021)	(51,868,558)	(33,339,549)
<u>\$ 89,452,204</u>	<u>\$ 84,926,839</u>	<u>\$ 74,791,991</u>	<u>\$ 9,150,321</u>	<u>\$ 3,573,854</u>	<u>\$ 27,464,806</u>
\$ 176,347,544	\$ 188,453,458	\$ 192,106,889	\$ 203,053,020	\$ 181,931,220	\$ 201,056,728
7,999,802	8,724,350	8,437,776	8,436,533	5,965,000	5,115,000
-	-	-	-	14,588,933	3,054,410
33,556,533	31,760,856	21,921,142	3,450,901	6,274,922	15,788,767
<u>\$ 217,903,879</u>	<u>\$ 228,938,664</u>	<u>\$ 222,465,807</u>	<u>\$ 214,940,454</u>	<u>\$ 208,760,075</u>	<u>\$ 225,014,905</u>
\$ 238,914,120	\$ 251,321,360	\$ 246,671,039	\$ 258,068,464	\$ 233,936,041	\$ 249,140,670
12,893,552	10,454,482	11,569,225	9,341,860	5,965,000	8,353,931
2,089,363	2,910,571	2,472,582	2,414,025	14,887,626	9,293,533
3,045,444	2,963,110	2,952,565	2,641,546	3,138,898	3,242,359
50,413,604	46,215,980	33,592,387	(48,375,120)	(45,593,636)	(17,550,782)
<u>\$ 307,356,083</u>	<u>\$ 313,865,503</u>	<u>\$ 297,257,798</u>	<u>\$ 224,090,775</u>	<u>\$ 212,333,929</u>	<u>\$ 252,479,711</u>

City of Killeen, Texas
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 16,345,666	\$ 13,873,564	\$ 16,580,327	\$ 18,165,769
Public safety	34,735,208	38,080,463	38,841,024	44,462,918
Public works	8,982,754	10,655,648	11,062,840	10,395,353
Community services	9,187,704	10,977,545	10,110,998	11,071,638
Community development	1,454,180	1,683,583	1,481,728	1,607,797
Fleet services	-	-	-	-
Interest on long-term debt	5,229,662	5,092,447	5,280,410	5,418,468
Total governmental activities expenses	<u>75,935,174</u>	<u>80,363,250</u>	<u>83,357,327</u>	<u>91,121,943</u>
Business-type activities				
Airport operations	6,945,205	6,788,224	6,843,195	7,266,448
Solid waste	11,119,731	11,811,015	12,239,129	12,522,011
Water and sewer	23,228,947	24,610,252	25,586,685	26,689,831
Drainage utility	1,792,628	2,405,678	2,336,704	2,926,201
Total business-type activities expenses	<u>43,086,511</u>	<u>45,615,169</u>	<u>47,005,713</u>	<u>49,404,491</u>
Total primary government expenses	<u>\$ 119,021,685</u>	<u>\$ 125,978,419</u>	<u>\$ 130,363,040</u>	<u>\$ 140,526,434</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 3,781,035	\$ 4,501,278	\$ 4,185,056	\$ 4,613,298
Public safety	3,015,438	4,116,109	3,601,361	3,784,908
Community services	1,545,706	2,323,438	3,001,552	3,098,699
Community development	48,501	39,973	42,879	40,032
Community development/services	-	-	-	-
Fleet services	-	-	-	-
Operating grants and contributions	3,402,527	3,079,605	2,816,838	3,398,318
Capital grants and contributions	6,400,992	2,348,835	1,842,757	5,300,013
Total governmental activities program revenues	<u>\$ 18,194,199</u>	<u>\$ 16,409,238</u>	<u>\$ 15,490,443</u>	<u>\$ 20,235,268</u>
Business-type activities:				
Charges for services:				
Airport operations	\$ 4,349,157	\$ 4,165,638	\$ 4,632,837	\$ 4,699,432
Solid waste	11,669,439	11,688,896	13,530,501	14,405,513
Water and sewer	30,195,389	30,603,258	30,001,656	35,659,361
Drainage utility	2,807,992	2,909,004	3,016,767	3,597,206
Operating grants and contributions	49,885	-	-	-
Capital grants and contributions	6,263,495	4,590,343	5,125,074	6,195,071
Total business-type activities program revenues	<u>55,335,357</u>	<u>53,957,139</u>	<u>56,306,835</u>	<u>64,556,583</u>
Total primary government program revenues	<u>\$ 73,529,556</u>	<u>\$ 70,366,377</u>	<u>\$ 71,797,278</u>	<u>\$ 84,791,851</u>
Net (expense)/revenue:				
Governmental activities	\$ (57,740,975)	\$ (63,954,012)	\$ (69,866,884)	\$ (70,886,675)
Business-type activities	12,248,846	8,341,970	9,301,122	15,152,092
Total primary government net expense	<u>\$ (45,492,129)</u>	<u>\$ (55,612,042)</u>	<u>\$ (60,565,762)</u>	<u>\$ (55,734,583)</u>

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

Table II

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 16,841,919	\$ 18,130,388	\$ 18,280,688	\$ 19,738,067	\$ 23,881,088	\$ 7,640,003	
45,108,412	47,472,507	49,434,466	57,032,023	59,748,462	47,145,776	
11,038,454	10,041,012	11,861,694	10,859,949	7,240,120	7,144,108	
9,524,690	9,682,663	9,549,328	10,741,314	10,686,576	9,468,049	
1,494,038	1,563,247	2,292,071	2,306,419	3,218,079	3,199,353	
-	-	-	-	-	1,164,394	
7,632,519	8,547,412	8,263,132	8,598,463	7,610,776	7,739,808	
91,640,032	95,437,229	99,681,379	109,276,235	112,385,101	83,501,491	
7,244,913	7,287,062	7,572,452	7,439,685	8,253,375	5,827,440	
13,019,791	12,871,668	12,953,683	13,025,124	13,579,907	11,069,243	
27,525,085	28,455,634	34,975,124	32,611,994	32,027,836	27,181,470	
2,778,690	2,949,262	3,400,443	3,092,520	3,289,469	2,393,986	
50,568,479	51,563,626	58,901,702	56,169,323	57,150,587	46,472,139	
\$ 142,208,511	\$ 147,000,855	\$ 158,583,081	\$ 165,445,558	\$ 169,535,688	\$ 129,973,630	
\$ 5,340,754	\$ 5,894,028	\$ 5,750,455	\$ 3,755,430	\$ 6,610,874	\$ 1,127,516	
3,777,581	3,091,333	3,612,991	3,367,392	4,182,979	8,737,207	
3,193,406	3,210,649	2,331,670	2,273,902	2,198,783	2,153,672	
40,430	38,892	40,365	38,757	717,784	692,966	
-	-	756,278	847,315	-	-	
-	-	-	-	-	1,138,067	
2,143,652	2,726,431	3,326,406	4,220,705	5,450,879	6,929,957	
954,919	5,489,297	2,113,813	6,385,540	4,964,996	3,717,656	
\$ 15,450,742	\$ 20,450,630	\$ 17,931,978	\$ 20,889,041	\$ 24,126,295	\$ 24,497,041	
\$ 4,470,443	\$ 4,573,403	\$ 4,234,301	\$ 4,071,067	\$ 3,669,270	\$ 3,795,116	
15,366,604	15,053,351	15,535,858	16,074,277	17,644,259	18,293,262	
37,571,221	36,532,116	35,391,913	37,487,713	38,806,421	39,446,531	
3,732,993	3,779,799	3,828,757	3,888,581	4,008,810	4,273,222	
21,759	6,418	6,900	-	-	-	
2,322,768	9,643,994	2,424,583	5,096,651	846,368	6,276,903	
63,485,788	69,589,081	61,422,312	66,618,289	64,975,128	72,085,034	
\$ 78,936,530	\$ 90,039,711	\$ 79,354,290	\$ 87,507,330	\$ 89,101,423	\$ 96,582,075	
\$ (76,189,290)	\$ (74,986,599)	\$ (81,749,401)	\$ (88,387,194)	\$ (88,258,806)	\$ (59,004,450)	
12,917,309	18,025,455	2,520,610	10,448,966	7,824,541	25,612,895	
\$ (63,271,981)	\$ (56,961,144)	\$ (79,228,791)	\$ (77,938,228)	\$ (80,434,265)	\$ (33,391,555)	

City of Killeen, Texas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
General revenues and other changes in net position				
Governmental activities:				
Ad valorem taxes	\$ 27,138,872	\$ 29,974,075	\$ 31,029,266	\$ 33,365,766
Mixed beverage taxes	310,536	268,902	293,119	254,405
Franchise taxes	5,078,001	5,203,332	5,406,007	6,277,179
Sales and occupancy taxes	21,220,074	19,850,152	20,648,682	20,306,910
Bingo taxes	222,237	221,231	220,694	213,972
Investment income	3,380,735	1,013,032	211,699	353,738
Insurance proceeds	-	-	-	-
Gain on sale of capital assets	-	-	-	-
Lease revenue	-	-	-	-
Transfers	5,877,838	7,697,188	5,559,226	7,623,512
Total governmental activities	63,228,293	64,227,912	63,368,693	68,395,482
Business-type activities:				
Investment income	2,500,202	747,651	203,576	128,751
Insurance proceeds	-	-	-	-
Gain on sale of capital assets	31,794	22,353	34,750	21,334
Lease revenue	-	-	-	49,613
Transfers	(5,877,838)	(7,697,188)	(5,559,226)	(7,623,512)
Total business-type activities	(3,345,842)	(6,927,184)	(5,320,900)	(7,423,814)
Total primary government	\$ 59,882,451	\$ 57,300,728	\$ 58,047,793	\$ 60,971,668
Changes in net position:				
Governmental activities	\$ 5,487,318	\$ 273,900	\$ (6,498,191)	\$ (2,491,193)
Business-type activities	8,903,004	1,414,786	3,980,222	7,728,278
Total primary government	\$ 14,390,322	\$ 1,688,686	\$ (2,517,969)	\$ 5,237,085

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

Table II

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 34,287,877	\$ 34,847,841	\$ 36,002,184	\$ 36,509,352	\$ 37,499,361	\$ 39,841,800
202,262	179,856	293,502	233,159	236,722	253,215
5,621,923	5,269,332	5,428,953	5,836,042	5,268,332	5,504,632
21,557,147	22,058,498	22,118,887	23,315,571	23,725,822	24,354,825
218,269	218,595	258,546	203,264	198,375	153,142
502,041	314,478	140,560	135,958	204,862	383,558
-	-	-	-	795,893	296,262
27,600	-	24,192	262,934	90,763	-
166,113	153,092	165,351	309,270	331,441	351,917
7,970,841	7,419,542	8,394,420	9,294,363	14,330,769	9,901,033
70,554,073	70,461,234	72,826,595	76,099,913	82,682,340	81,040,384
144,151	168,372	140,175	120,247	155,399	281,939
-	-	-	-	43,439	16,391
31,364	212,404	14,853	193,875	55,511	186,638
27,500	48,096	66,000	27,500	71,500	58,000
(7,970,841)	(7,419,542)	(8,394,420)	(9,294,363)	(14,330,769)	(9,901,033)
(7,767,826)	(6,990,670)	(8,173,392)	(8,952,741)	(14,004,920)	(9,358,065)
\$ 62,786,247	\$ 63,470,564	\$ 64,653,203	\$ 67,147,172	\$ 68,677,420	\$ 71,682,319
\$ (5,635,217)	\$ (4,525,365)	\$ (8,922,806)	\$ (12,287,281)	\$ (5,576,466)	\$ 22,035,934
5,149,483	11,034,785	(5,652,782)	1,496,225	(6,180,379)	16,254,830
\$ (485,734)	\$ 6,509,420	\$ (14,575,588)	\$ (10,791,056)	\$ (11,756,845)	\$ 38,290,764

City of Killeen, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
General fund				
Reserved				
Encumbrances	\$ 754,278	\$ 692,172	\$ 635,783	\$ -
Inventories	414,624	368,180	404,478	-
Debt service	240,170	240,170	240,170	-
Unreserved				
Designated	1,525,000	1,837,688	1,891,405	-
Undesignated	21,177,858	19,825,761	19,029,602	-
Nonspendable:				
Inventories	-	-	-	417,664
Prepaid assets	-	-	-	170,891
Restricted for:				
Debt service	-	-	-	240,171
Other purposes	-	-	-	380,641
Committed to:				
Vehicle replacement	-	-	-	63,383
Unassigned	-	-	-	17,977,741
Total general fund	<u>\$ 24,111,930</u>	<u>\$ 22,963,971</u>	<u>\$ 22,201,438</u>	<u>\$ 19,250,491</u>
All other governmental funds:				
Reserved for:				
Encumbrances	\$ 101,922	\$ 116,078	\$ 244,044	\$ -
Inventories	-	4,861	6,864	-
Debt service	4,019,172	4,042,477	3,630,277	-
Capital projects	45,197,523	34,946,977	18,801,542	-
Unreserved:				
Other governmental funds	-	1,972	-	-
Undesignated - special revenue	2,976,016	3,944,130	3,271,170	-
Nonspendable:				
Inventories	-	-	-	6,196
Prepaid expenses	-	-	-	-
Restricted for:				
Debt service	-	-	-	7,055,118
Capital projects	-	-	-	56,991,885
Other purposes	-	-	-	2,387,980
Committed to:				
Killeen Arts and Activities Center	-	-	-	38,232
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 52,294,633</u>	<u>\$ 43,056,495</u>	<u>\$ 25,953,897</u>	<u>\$ 66,479,411</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 the previous years' activity.

Table III

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
449,156	509,387	441,742	442,190	103,606	137,733
105,188	106,615	108,402	110,157	114,407	120,506
-	68,313	68,313	68,313	-	-
492,440	468,064	315,957	-	-	-
-	-	-	-	-	-
22,517,086	21,182,627	19,398,607	17,508,236	17,437,198	19,918,779
<u>\$ 23,563,870</u>	<u>\$ 22,335,006</u>	<u>\$ 20,333,021</u>	<u>\$ 18,128,896</u>	<u>\$ 17,655,211</u>	<u>\$ 20,177,018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,493	4,905	5,850	7,173	6,381	7,871
-	-	-	-	4,828	-
6,315,862	2,900,309	4,434,714	2,098,113	801,898	4,345,453
73,687,602	47,546,673	44,788,179	26,964,619	10,506,281	6,239,123
2,553,004	2,495,046	2,636,608	2,641,546	3,138,898	3,242,359
34,311	101,169	-	-	-	-
-	-	-	(36,429)	(1,341)	(48,226)
<u>\$ 82,598,272</u>	<u>\$ 53,048,102</u>	<u>\$ 51,865,351</u>	<u>\$ 31,675,022</u>	<u>\$ 14,456,945</u>	<u>\$ 13,786,580</u>

City of Killeen, Texas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Revenues:				
Taxes	\$ 53,937,806	\$ 55,435,770	\$ 57,594,108	\$ 60,328,145
Licenses and permits	1,438,989	1,100,819	1,365,200	1,284,569
Intergovernmental	3,023,159	2,416,723	3,302,656	4,714,540
Charges for services	4,857,966	5,474,140	5,581,992	5,896,989
Fines	2,644,196	3,993,509	3,246,230	3,503,274
Investment earnings	-	-	-	-
Contributions	5,888,521	2,449,968	1,297,161	3,925,053
Miscellaneous	3,755,908	2,021,935	905,216	1,220,296
Total revenues	75,546,545	72,892,864	73,292,563	80,872,866
Expenditures:				
General government	7,096,970	8,709,995	10,465,499	10,794,299
Public safety	33,188,694	35,666,780	36,873,391	40,841,867
Public works	5,100,406	4,672,140	4,047,734	4,340,764
Community services	10,566,828	10,863,401	9,305,228	10,701,424
Community development	-	-	-	-
Miscellaneous	5,468,436	4,247,495	5,531,595	6,412,904
Capital outlay	30,278,105	37,746,644	20,243,349	19,187,531
Debt service:				
Principal	5,120,434	5,005,274	4,985,911	5,366,470
Interest and fiscal charges	5,054,526	4,957,056	5,220,832	5,136,579
Costs of issuance	-	-	109,000	335,000
Deferred amount on refunding	-	-	546,097	140,981
Total expenditures	101,874,399	111,868,785	97,328,636	103,257,819
(Deficiency) of revenues (under) expenditures	(26,327,854)	(38,975,921)	(24,036,073)	(22,384,953)
Other financing sources (uses):				
Capital-related bonds issued	42,868,775	19,675,000	-	50,100,000
Refunding bonds issued	-	744,600	13,330,000	6,875,000
Capital lease	-	-	-	-
Premium/discount on issuance of debt	(441,569)	(82,825)	365,808	2,451,008
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Payment to refunded bond escrow age	-	(727,601)	(13,084,092)	(7,090,000)
Transfers in	7,294,703	13,392,203	20,103,714	18,075,712
Transfers out	(1,416,865)	(5,695,015)	(14,544,488)	(10,452,200)
Total other financing sources	48,305,044	27,306,362	6,170,942	59,959,520
Net change in fund balances	\$ 21,977,190	\$ (11,669,559)	\$ (17,865,131)	\$ 37,574,567
Debt service as a percentage of noncapital expenditures	14.1%	13.3%	12.8%	12.4%

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

Table IV

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 61,993,688	\$ 62,585,863	\$ 64,115,782	\$ 66,189,875	\$ 66,997,659	\$ 70,109,923
1,396,708	1,290,444	1,898,797	1,589,563	1,615,634	1,527,193
2,067,471	4,761,906	3,043,666	4,958,666	6,706,747	11,485,054
5,952,211	5,487,183	5,944,876	6,186,000	6,241,344	6,412,087
3,308,807	3,893,338	3,488,335	3,761,425	4,287,878	4,472,891
-	-	-	-	168,320	371,354
450,532	513,433	766,886	321,188	1,709,636	585,705
1,931,194	1,711,522	1,424,859	1,938,413	1,283,522	418,291
77,100,611	80,243,689	80,683,201	84,945,130	89,010,740	95,382,498
10,704,020	11,193,546	11,297,186	11,890,861	14,491,763	9,134,337
41,517,877	42,733,351	44,735,530	48,458,020	51,064,651	55,388,559
5,097,995	4,249,519	4,769,726	4,144,229	4,608,741	4,409,555
8,858,814	9,056,971	-	-	8,968,135	8,772,321
-	-	9,636,330	10,395,629	2,196,927	3,462,380
5,451,968	6,181,920	6,256,371	6,495,235	-	-
19,626,046	30,380,527	22,861,208	20,640,470	18,972,495	7,873,907
5,575,102	5,915,391	4,421,871	5,718,681	7,580,693	8,010,000
7,597,361	8,991,182	8,103,822	8,888,561	7,950,995	8,189,380
336,101	170,215	196,863	2,261	584,349	-
-	-	-	-	-	-
104,765,284	118,872,622	112,278,907	116,633,947	116,418,749	105,240,439
(27,664,673)	(38,628,933)	(31,595,706)	(31,688,817)	(27,408,009)	(9,857,941)
39,320,000	-	18,730,000	-	-	-
18,345,000	37,290,000	4,940,000	-	44,090,000	-
-	258,936	-	-	-	-
3,391,957	5,716,664	1,739,296	-	7,810,525	-
-	-	-	-	795,893	296,262
-	-	-	-	90,763	33,165
(20,930,885)	(42,835,243)	(5,392,746)	-	(51,901,703)	-
10,257,467	11,216,236	10,629,638	14,865,656	15,322,481	12,130,635
(2,286,626)	(3,796,694)	(2,235,218)	(5,571,293)	(6,491,712)	(851,937)
48,096,913	7,849,899	28,410,970	9,294,363	9,716,247	11,608,125
\$ 20,432,240	\$ (30,779,034)	\$ (3,184,736)	\$ (22,394,454)	\$ (17,691,762)	\$ 1,750,184
15.5%	16.8%	14.0%	15.2%	16.1%	16.6%

Table V

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

Fiscal Year Ended	Taxable Assessed Value		Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property					
2008	\$3,977,228,893	\$370,077,827	\$371,725,172	\$3,975,581,548	\$ 0.6950	\$4,375,136,071	90.87%
2009	\$4,399,405,101	\$388,992,264	\$390,286,994	\$4,398,110,371	\$ 0.6950	\$4,810,217,058	91.43%
2010	\$4,697,341,556	\$381,864,985	\$513,563,290	\$4,565,643,251	\$ 0.6950	\$5,097,637,799	89.56%
2011	\$4,757,431,670	\$379,688,426	\$538,872,784	\$4,598,247,312	\$ 0.7428	\$5,153,883,639	89.22%
2012	\$4,910,126,647	\$372,499,175	\$555,982,344	\$4,726,643,478	\$ 0.7428	\$5,301,412,785	89.16%
2013	\$5,056,322,730	\$367,818,504	\$612,203,199	\$4,811,938,035	\$ 0.7428	\$5,439,453,166	88.46%
2014	\$5,260,588,761	\$414,547,783	\$670,960,505	\$5,004,176,039	\$ 0.7428	\$5,677,195,525	88.15%
2015	\$5,378,345,788	\$405,312,087	\$764,110,031	\$5,019,547,844	\$ 0.7498	\$5,784,580,161	86.77%
2016	\$5,601,877,911	\$434,281,825	\$860,867,315	\$5,175,292,421	\$ 0.7498	\$6,036,159,736	85.74%
2017	\$5,885,042,124	\$443,095,052	\$987,711,674	\$5,340,425,502	\$ 0.7498	\$6,328,137,176	84.39%

Source: Bell County Tax Appraisal District

Table VI

**City of Killeen, Texas
Property Tax Rates
Direct and Overlapping Governments**

Fiscal Year	Tax Year	City of Killeen			Overlapping Rates				Total Direct and Overlapping Rates
		Operating Rate	Debt Service Rate	Total Direct Rate	Bell County	Killeen ISD	Central Texas College	Clear Water Underground Water Conservation District	
2008	2007	\$0.46256	\$0.23244	\$ 0.6950	\$ 0.4094	\$ 1.1412	\$ 0.1420	\$ 0.00400	\$2.39159
2009	2008	\$0.49281	\$0.20219	\$ 0.6950	\$ 0.4078	\$ 1.1412	\$ 0.1410	\$ 0.00400	\$2.38899
2010	2009	\$0.49057	\$0.20443	\$ 0.6950	\$ 0.4058	\$ 1.1412	\$ 0.1409	\$ 0.00400	\$2.38689
2011	2010	\$0.50872	\$0.23408	\$ 0.7428	\$ 0.4119	\$ 1.1412	\$ 0.1409	\$ 0.00400	\$2.44079
2012	2011	\$0.54734	\$0.19546	\$ 0.7428	\$ 0.4395	\$ 1.1412	\$ 0.1409	\$ 0.00400	\$2.46839
2013	2012	\$0.50563	\$0.23717	\$ 0.7428	\$ 0.4511	\$ 1.1310	\$ 0.1400	\$ 0.00400	\$2.46890
2014	2013	\$0.50410	\$0.23870	\$ 0.7428	\$ 0.4511	\$ 1.1280	\$ 0.1370	\$ 0.00400	\$2.46290
2015	2014	\$0.52290	\$0.22690	\$ 0.7498	\$ 0.4511	\$ 1.1280	\$ 0.1366	\$ 0.00395	\$2.46945
2016	2015	\$0.49380	\$0.25600	\$ 0.7498	\$ 0.4511	\$ 1.1280	\$ 0.1366	\$ 0.00392	\$2.46942
2017	2016	\$0.44670	\$0.30310	\$ 0.7498	\$ 0.4511	\$ 1.1260	\$ 0.1366	\$ 0.00392	\$2.46742

Source: Bell County Tax Appraisal District

Table VII

City of Killeen, Texas
Principal Property Taxpayers
Current Year and Nine Years Ago

Name of Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Oncor Electric Delivery Co. LLC	\$ 56,592,367	1	1.06%	\$ 39,367,706	1	0.82%
Wal-Mart Real Estate Business Trus	16,216,089	2	0.30%	18,312,896	3	0.38%
Killeen Mall LLC	16,190,357	3	0.30%	16,975,285	4	0.35%
Stone Creek Investment LLC	14,778,440	4	0.28%	-	-	-
HEB Grocery Company LP	12,248,037	5	0.23%	10,816,431	8	0.22%
Watercrest Place LP	11,825,894	6	0.22%	13,889,636	5	0.29%
Feiga/Sierra Creek LP	11,129,161	7	0.21%	10,575,017	9	0.22%
Central Telephone Co. of Texas	10,442,861	8	0.20%	27,276,420	2	0.57%
Bentina LTD	10,401,396	9	0.19%	-	-	-
Stewart & Stevenson	10,316,239	10	0.19%	-	-	-
Sallie Mae Inc.	-	-	-	12,766,527	6	0.27%
TWE Advance/Newhouse	-	-	-	11,591,350	7	0.24%
WLC Brookside Apartments, LP	-	-	-	10,311,320	10	0.21%
Subtotal	170,140,841		3.18%	171,882,588		3.57%
All other taxpayers	5,170,284,661		96.82%	3,803,698,960		96.43%
	<u>\$ 5,340,425,502</u>		<u>100.00%</u>	<u>\$3,975,581,548</u>		<u>100.00%</u>

Source: Bell County Tax Appraisal District

Table VIII

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

Fiscal Year September 30	Total Tax Levy for Year	Ad Valorem Rate			Tax Levy	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years (1)	Total Collections to Date	
		Tax Rate	General Fund	Interest & Sinking Fund		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	2007	\$0.69500	\$0.46256	\$0.23244	\$27,630,290	\$26,697,567	96.62%	\$ 339,246	\$27,036,813	97.85%
2009	2008	\$0.69500	\$0.49281	\$0.20219	\$30,566,865	\$29,523,348	96.59%	\$ 354,100	\$29,877,448	97.74%
2010	2009	\$0.69500	\$0.49057	\$0.20443	\$31,715,948	\$30,605,848	96.50%	\$ 370,681	\$30,976,529	97.67%
2011	2010	\$0.74280	\$0.50870	\$0.23410	\$34,067,649	\$32,916,498	96.62%	\$ 295,346	\$33,211,844	97.49%
2012	2011	\$0.74280	\$0.54730	\$0.19550	\$35,011,924	\$33,901,259	96.83%	\$ 432,065	\$34,333,324	98.06%
2013	2012	\$0.74280	\$0.50560	\$0.23720	\$35,654,174	\$34,501,855	96.77%	\$ 248,085	\$34,749,940	97.46%
2014	2013	\$0.74280	\$0.50410	\$0.23870	\$37,098,327	\$35,407,969	95.44%	\$ 252,866	\$35,660,835	96.13%
2015	2014	\$0.74980	\$0.52290	\$0.22690	\$37,567,615	\$36,064,932	96.00%	\$ 228,450	\$36,293,382	96.61%
2016	2015	\$0.74980	\$0.49380	\$0.25600	\$38,715,541	\$38,091,782	98.39%	\$ 240,106	\$38,331,888	99.01%
2017	2016	\$0.74980	\$0.44670	\$0.30310	\$39,677,125	\$39,354,013	99.19%	\$ 225,640	\$39,579,653	99.75%

(1) Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy.

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

Fiscal Year	Governmental Activities					Business-Type Activities	
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Unamortized bond premiums/ discounts	Total Governmental Activities (1)	General Obligation Bonds	Revenue Bonds
2008	\$ 46,576,501	\$ 63,697,743	\$ 859,541	\$ (82,982)	\$111,050,803	\$ 4,523,499	\$ 63,105,000
2009	\$ 56,829,600	\$ 68,331,973	\$ 658,937	\$ (76,496)	\$125,744,014	\$ 3,635,400	\$ 60,390,000
2010	\$ 67,810,500	\$ 52,865,000	\$ 449,099	\$ 295,798	\$121,420,397	\$ 2,614,500	\$ 56,640,000
2011	\$ 72,163,200	\$ 93,250,000	\$ 229,602	\$ 2,735,003	\$168,377,805	\$ 1,626,800	\$ 53,570,000
2012	\$ 79,662,700	\$118,365,000	\$ -	\$ 5,995,983	\$204,023,683	\$ 6,887,300	\$ 50,945,000
2013	\$ 92,135,000	\$ 98,420,000	\$ 191,245	\$ 11,106,401	\$201,852,646	\$ 10,095,000	\$ 65,430,000
2014	\$ 97,255,000	\$107,520,000	\$ 129,374	\$ 12,498,860	\$217,403,234	\$ 11,105,000	\$ 60,775,000
2015	\$ 93,770,000	\$105,350,000	\$ 65,693	\$ 11,972,680	\$211,158,373	\$ 10,805,000	\$ 55,820,000
2016	\$123,625,000	\$ 66,945,000	\$ -	\$ 17,711,321	\$208,281,321	\$ 11,295,000	\$ 50,745,000
2017	\$119,060,000	\$ 63,500,000	\$ -	\$ 16,665,784	\$199,225,784	\$ 10,620,000	\$ 45,540,000

(1) Presented net of original issuance discounts and premiums

(2) Personal income is disclosed on Table 14

(3) Source: U. S. Census Bureau, Greater Killeen Chamber of Commerce

Table IX

Business-Type Activities			Total Primary Government (1)	Percentage of Personal Income (2)	Population (3)	Per Capita
Certificates of Obligation	Unamortized bond premiums/ discounts	Total Business-Type Activities (1)				
\$ 15,602,257	\$ 1,052,884	\$ 84,283,640	\$195,334,443	1.44%	112,434	\$ 1,737
\$ 17,073,027	\$ 974,532	\$ 82,072,959	\$207,816,973	1.41%	116,934	\$ 1,777
\$ 16,320,000	\$ 1,238,245	\$ 76,812,745	\$198,233,142	1.31%	119,510	\$ 1,659
\$ 15,710,000	\$ 1,571,499	\$ 72,478,299	\$240,856,104	1.54%	127,921	\$ 1,883
\$ 8,570,000	\$ 2,285,920	\$ 68,688,220	\$272,711,903	1.65%	131,286	\$ 2,077
\$ 3,725,000	\$ 6,069,368	\$ 85,319,368	\$287,172,014	1.71%	135,015	\$ 2,127
\$ 2,010,000	\$ 5,698,043	\$ 79,588,043	\$296,991,277	1.78%	137,147	\$ 2,165
\$ 1,590,000	\$ 5,341,354	\$ 73,556,354	\$284,714,727	1.72%	140,806	\$ 2,022
\$ 270,000	\$ 5,151,179	\$ 67,461,179	\$275,742,500	1.59%	143,400	\$ 1,923
\$ 185,000	\$ 4,584,638	\$ 60,929,638	\$260,155,422	1.49%	145,765	\$ 1,785

City of Killeen, Texas
Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years

Fiscal Year Ended September 30	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
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	1.36%	\$ 547
2012	\$ 86,550,000	\$ 4,115,000	\$ 82,435,000	1.55%	\$ 628
2013	\$ 102,230,000	\$ 2,840,000	\$ 99,390,000	1.83%	\$ 736
2014	\$ 108,360,000	\$ 3,785,000	\$ 104,575,000	1.84%	\$ 763
2015	\$ 104,575,000	\$ 4,900,000	\$ 99,675,000	1.72%	\$ 708
2016	\$ 134,920,000	\$ 5,240,000	\$ 129,680,000	2.15%	\$ 904
2017	\$ 129,680,000	\$ 4,056,860	\$ 125,623,140	1.99%	\$ 862

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

- (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.
- (2) This is the amount restricted for debt service principal payments.
- (3) See the Schedule of Assessed and Estimated Actual Value of Property for property value data.
- (4) Population data can be found in the Schedule of Demographic and Economic Statistics.

Table XI

City of Killeen, Texas
Direct and Overlapping Governmental Activities Debt
As of September 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (2)	Amount Applicable to Primary Government
Bell County	\$ 127,695,000	31.88%	\$ 40,710,739
Killeen Independent School District	\$ 50,665,000	69.42%	35,171,234
Subtotal, overlapping debt			75,881,973
City of Killeen, net debt payable from ad valorem taxes			175,355,000 (1)
Total direct and overlapping net funded debt			<u>\$ 251,236,973</u>
Ratio of Direct and Overlapping Net Funded Debt to Taxable Assessed Valuation			4.70% (1)
Per Capita Direct and Overlapping Net Funded Debt			\$ 1,724 (1)

Sources: Outstanding debt provided by each governmental unit.

(1) Excludes self-supporting debt.

(2) 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. 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 of each overlapping government.

Table XII

City of Killeen, Texas
Legal Debt Margin Information
September 30, 2017

Fiscal Year	Assessed Value, Tax Roll	Legal Debt Limit Percentage	Legal Debt Limit	Actual Amount Expended for General Obligation Debt Service During the Year
2008	\$ 3,975,581,548	1.50%	\$ 59,633,723	\$ 5,449,036
2009	\$ 4,398,110,371	1.50%	\$ 65,971,656	\$ 6,162,242
2010	\$ 4,565,643,251	1.50%	\$ 68,484,649	\$ 6,100,636
2011	\$ 4,598,247,312	1.50%	\$ 68,973,710	\$ 6,407,155
2012	\$ 4,726,643,478	1.50%	\$ 70,899,652	\$ 6,834,172
2013	\$ 4,811,938,035	1.50%	\$ 72,179,071	\$ 8,202,360
2014	\$ 5,004,176,039	1.50%	\$ 75,062,641	\$ 7,184,594
2015	\$ 5,019,547,844	1.50%	\$ 75,293,218	\$ 8,457,092
2016	\$ 5,175,292,421	1.50%	\$ 77,629,386	\$ 15,463,387
2017	\$ 5,340,425,502	1.50%	\$ 80,106,383	\$ 15,459,661

All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities such as the City to \$2.50 per \$100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum rate for all general obligation debt service calculated at the time of issuance based on 90% tax collections.

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

Table XIII

City of Killeen, Texas
Revenue Bond Coverage - Water and Sewer Fund
 Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Operating Expenses *	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2012	\$ 37,571,221	\$ 21,373,966	\$ 16,197,255	\$ 3,765,000	\$ 2,259,114	\$ 6,024,114	2.69
2013	\$ 36,532,116	\$ 21,749,379	\$ 14,782,737	\$ 4,655,000	\$ 2,780,579	\$ 7,435,579	1.99
2014	\$ 35,391,913	\$ 23,329,781	\$ 12,062,132	\$ 4,955,000	\$ 2,204,430	\$ 7,159,430	1.68
2015	\$ 37,487,713	\$ 24,850,101	\$ 12,637,612	\$ 5,075,000	\$ 2,088,175	\$ 7,163,175	1.76
2016	\$ 38,806,421	\$ 25,417,427	\$ 13,388,994	\$ 5,205,000	\$ 1,956,301	\$ 7,161,301	1.87
2017	\$ 39,446,531	\$ 20,119,105	\$ 19,327,426	\$ 4,335,000	\$ 1,830,870	\$ 6,165,870	3.13

Source: Finance Department, City of Killeen

* Total operating expenses less depreciation

Table XIV

City of Killeen, Texas
Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population (a)	Killeen-Temple Fort Hood Metropolitan Statistical Area Population (b)	Killeen-Temple Fort Hood Metropolitan Per Capita Income	Killeen-Temple Fort Hood Metropolitan Personal Income (amounts expressed in thousands) (b)	Killeen-Temple Fort Hood Metropolitan Unemployment Rates (c)
2008	112,434	378,935	\$ 35,895	\$ 13,601,991	5.4%
2009	116,934	379,231	\$ 38,757	\$ 14,697,693	7.1%
2010	119,510	408,366	\$ 37,142	\$ 15,167,523	7.8%
2011	127,921	405,300	\$ 38,260	\$ 15,620,330	8.5%
2012	131,286	412,804	\$ 39,971	\$ 16,500,090	7.2%
2013	135,015	420,532	\$ 39,973	\$ 16,809,925	7.2%
2014	137,147	423,257	\$ 39,520	\$ 16,727,204	5.9%
2015	140,806	424,858	\$ 39,017	\$ 16,576,889	4.7%
2016	143,400	433,658	\$ 40,237	\$ 17,343,479	4.8%
2017	145,765	435,857	\$ 40,096	\$ 17,475,962	3.8%

Sources: (a) U. S. Census Bureau, Greater Killeen Chamber of Commerce
 (b) U. S. Department of Commerce, Bureau of Economic
 (c) U. S. Department of Labor, Bureau of Labor Statistics.

Table XV

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

Name of Employer	Business Category	2017			2008		
		Employees	Rank	% of Total	Employees	Rank	% of Total
III Corp & Fort Hood	Government	35,611	1	59.63%	58,187	1	80.20%
Civilian Personnel Office	Government	6,620	2	11.08%	-	-	-
Killeen ISD	Education	6,000	3	10.05%	6,000	2	8.27%
Military Defense Contractors & Others	Defense Contractor	4,895	4	8.20%	-	-	-
Teleperformance	Call Center	1,700	5	2.85%	-	-	-
Central Texas College	Education	1,487	6	2.49%	1,360	3	1.87%
City of Killeen	Government	1,326	7	2.22%	1,100	6	1.52%
Metroplex Health System	Health Care	1,000	8	1.67%	1,300	4	1.79%
Z-Systems	Defense Contractor	660	9	1.11%	-	-	-
ESP, Inc.	Defense Contractor	425	10	0.71%	-	-	-
Fort Hood Exchange	-	-	-	-	1,218	5	1.68%
First National Bank	-	-	-	-	1,000	7	1.38%
Sallie Mae	-	-	-	-	936	8	1.29%
Killeen Mall	-	-	-	-	800	9	1.10%
Wal-Mart	-	-	-	-	650	10	0.90%
Total		<u>59,724</u>		<u>100.00%</u>	<u>72,551</u>		<u>100.00%</u>

Source: Greater Killeen Chamber of Commerce

Table XVI

City of Killeen, Texas
Full-time Equivalent Employees by Function
 Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Administration										
City Manager	4.0	4.0	4.0	4.0	3.0	4.0	2.0	2.0	2.0	2.0
Assistant City Manager	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	1.0
Deputy City Manager	-	-	-	-	-	-	2.0	2.0	2.0	1.0
Downtown Revitalization	1.0	-	-	-	1.0	-	-	-	-	-
City Auditor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Grant Administration	-	-	1.0	1.0	-	-	-	-	-	-
Total Administration	9.0	8.0	9.0	9.0	7.0	7.0	7.0	7.0	7.0	5.0
Municipal Court	23.0	24.0	24.0	24.0	24.0	25.0	23.0	23.0	23.0	22.0
Communications										
Communications	1.5	2.5	2.0	2.0	2.5	2.5	2.5	2.5	2.5	2.5
Printing Services	2.0	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	2.0
Total Communications	3.5	5.0	4.5	4.5	5.0	5.5	5.5	5.5	5.5	4.5
Legal										
City Attorney	7.0	7.0	7.0	8.0	8.0	7.0	7.0	7.0	8.0	7.0
City Secretary	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Legal	8.0	8.0	8.0	9.0	9.0	8.0	8.0	8.0	9.0	8.0
Finance										
Finance	13.0	13.0	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
EMS Billing and Collections	5.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	3.3
Purchasing	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Finance	22.0	22.0	21.0	23.0	24.0	24.0	24.0	24.0	24.0	21.3
Support Services	-	-	-	-	-	1.0	1.0	1.0	2.0	-
Human Resources	11.0	12.0	12.0	12.0	12.0	12.0	13.0	14.0	14.0	13.0
Information Technology	14.0	15.0	15.0	15.0	14.0	17.0	17.0	19.0	19.0	17.0
Community Services										
Volunteer Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Golf Course	18.0	18.0	19.0	19.0	19.0	20.0	19.0	18.5	20.2	19.0
Golf Course Food and Beverage	5.0	5.0	5.0	5.0	-	-	-	-	-	-
Community Center Operations	6.0	6.0	6.0	6.0	6.0	3.0	5.0	3.0	3.0	3.0
Parks	33.0	33.0	33.0	33.0	33.0	33.0	35.0	37.0	37.0	33.0
Lions Club Park	14.0	14.0	14.0	14.0	14.0	13.0	12.0	16.0	15.5	14.5
Family Aquatics Center	-	2.0	2.0	2.0	2.0	2.0	2.0	1.0	15.3	16.4
Recreation	6.0	6.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Athletics	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Cemetery	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	4.0
Senior Citizens	6.0	6.0	6.0	6.0	6.0	4.0	4.0	4.0	4.0	3.0
Total Community Services	100.0	102.0	99.0	99.0	94.0	89.0	91.0	92.5	107.9	100.9
Community Development										
Library Services	32.0	32.0	32.0	32.0	32.0	29.0	26.0	26.0	27.0	25.5
Arts and Activities Center	-	-	-	-	4.0	4.0	4.5	5.0	6.0	6.0
Community Development	3.0	3.0	3.0	3.0	3.0	4.0	5.0	4.0	4.0	4.0
Home Program	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Lien Services	-	-	-	-	-	-	-	2.0	2.0	2.0
Building Services	3.0	3.5	3.5	3.5	3.5	6.0	6.0	7.0	7.0	7.0
Custodial Services	10.0	10.0	13.0	13.0	12.0	18.0	18.0	18.0	18.0	18.0
Total Community Development	49.0	49.5	52.5	52.5	55.5	62.0	60.5	63.0	65.0	63.5
Public Works										
Public Works	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.1	0.1
Street Operations	53.0	57.0	57.0	57.0	58.0	57.0	57.0	57.0	57.0	54.0
Engineering	2.0	2.0	2.0	2.0	-	-	-	-	-	2.3
Total Public Works	57.0	61.0	61.0	61.0	60.0	59.0	59.0	59.0	57.1	56.4

Table XVI

City of Killeen, Texas
Full-time Equivalent Employees by Function (Continued)
 Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Planning and Development										
Planning and Development	9.0	9.0	10.0	10.0	10.0	7.0	7.0	7.0	7.0	6.0
Building Inspections	14.0	14.0	15.0	15.0	15.0	15.0	14.0	14.0	14.0	14.0
Code Enforcement	8.0	9.0	9.0	11.0	11.0	13.0	14.0	15.0	15.0	14.0
Total Planning & Development	31.0	32.0	34.0	36.0	36.0	35.0	35.0	36.0	36.0	34.0
Police										
Commissioned Officers	208.0	225.0	225.0	240.0	242.0	244.0	256.0	268.0	281.0	280.0
Civilian Personnel	79.0	80.0	89.0	76.0	85.0	75.0	86.0	87.0	87.0	85.0
Animal Control	11.0	11.0	11.0	11.0	11.0	12.0	13.0	17.0	18.0	18.0
Total Police	298.0	316.0	325.0	327.0	338.0	331.0	355.0	372.0	386.0	383.0
Fire										
Commissioned Officers	189.0	195.0	195.0	195.0	195.0	195.0	195.0	195.0	231.0	230.0
Civilian Personnel	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0
Emergency Management	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Fire	195.0	201.0	201.0	201.0	201.0	201.0	201.0	201.0	238.0	237.0
Total General Fund	820.5	855.5	866.0	873.0	879.5	876.5	900.0	925.0	993.5	965.5
Aviation Funds										
Killeen-Fort Hood Regional Airport										
Operations	37.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0	37.0
Information Technology	3.0	3.0	3.0	3.0	3.0	3.0	3.0	1.0	1.0	1.0
Total KFHRA	40.0	41.0	41.0	41.0	41.0	41.0	41.0	39.0	39.0	38.0
Skylark Field	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total Aviation Funds	44.0	45.0	45.0	45.0	45.0	45.0	45.0	43.0	43.0	42.0
Solid Waste Fund										
Public Works	-	-	-	-	-	-	-	-	0.6	0.6
Custodial	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Accounting	-	-	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Residential Services	38.0	40.0	41.2	41.2	42.2	44.0	44.5	44.5	43.5	38.0
Commercial Services	20.0	21.0	20.0	20.0	20.0	20.0	21.0	21.0	23.0	23.0
Recycling	7.0	7.0	7.0	7.0	7.0	7.0	6.0	6.0	6.2	5.2
Transfer Station	13.0	13.0	15.0	15.0	16.0	16.0	15.5	15.5	15.5	15.5
Mowing Operations	11.0	19.0	22.0	22.0	22.0	17.5	22.5	22.5	21.5	20.5
Total Solid Waste Fund	90.0	101.0	110.2	110.2	112.2	109.5	113.5	113.5	114.3	106.8
Water/Sewer Fund										
Public Works	-	-	-	-	-	-	-	-	1.2	1.2
Utility Collections	34.0	35.0	38.0	38.0	38.0	40.0	40.5	40.5	40.5	39.5
Fleet Services	22.0	23.0	23.0	23.0	23.0	26.0	26.0	26.0	27.0	-
Information Technology	-	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Water Distribution	15.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Sanitary Sewers	13.0	13.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	19.0
Water and Sewer Operations	20.0	24.0	24.0	24.0	26.0	27.0	28.0	28.0	28.0	29.0
Engineering	8.0	9.0	9.6	9.6	10.6	11.8	11.8	13.8	13.8	12.2
Total Water/Sewer Fund	112.0	123.0	133.6	133.6	136.6	143.8	145.3	147.3	149.5	124.9

Table XVI

City of Killeen, Texas
Full-time Equivalent Employees by Function (Continued)
 Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Drainage Utility Fund										
Public Works	-	-	-	-	-	-	-	-	0.1	0.1
Engineering	3.0	3.0	3.2	3.2	4.2	4.2	4.0	4.0	4.0	3.3
Drainage Maintenance	12.0	21.0	30.0	30.0	31.0	32.5	33.5	33.5	35.2	36.0
Environmental Services	-	-	-	-	-	-	1.2	1.2	1.2	1.2
Total Drainage Utility Fund	15.0	24.0	33.2	33.2	35.2	36.7	38.7	38.7	40.5	40.6
Special Revenue Funds										
Killeen Civic Conference Center	14.0	14.0	14.0	14.0	14.0	14.0	11.5	11.5	11.5	11.0
Convention Visitor Bureau	-	-	-	-	-	-	2.5	2.5	2.5	2.5
Community Development	4.0	4.0	5.0	5.0	2.0	2.0	1.0	1.0	1.0	1.0
Cablesystem Improvements PEG	1.5	1.5	1.5	1.5	3.1	3.5	3.5	3.5	3.5	2.5
Home Program	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-
Court Security Fund	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Juvenile Case Manager Fund	-	-	-	-	-	-	1.0	2.0	2.0	2.0
Total Special Revenue Fund	20.5	20.5	21.5	21.5	20.1	20.5	21.5	22.5	21.5	20.0
Capital Project Funds										
Bond Construction	-	-	1.0	1.0	1.0	1.0	-	-	-	-
Water and Sewer Improvements	-	-	-	-	-	-	-	5.0	4.0	-
Pass-Through Finance Construction	-	-	-	-	5.0	5.0	8.0	8.0	4.0	-
Total Capital Project Funds	-	-	1.0	1.0	6.0	6.0	8.0	13.0	8.0	-
Internal Service Funds - Fleet	-	-	-	-	-	-	-	-	-	26.0
Total Personnel	1,102.0	1,169.0	1,210.5	1,217.5	1,234.6	1,238.0	1,272.0	1,303.0	1,370.3	1,325.7

Table XVII

City of Killeen, Texas
Operating Indicators by Function
 Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Building Permits Issued	20,874	16,316	11,468	11,620	11,126	10,711	16,091	12,264	10,522	10,373
Public Safety										
Police										
Calls for Service	134,223	135,530	157,625	161,936	171,736	166,454	170,695	156,167	149,738	163,947
Citations	20,284	20,039	24,570	23,615	22,641	31,985	23,278	20,979	19,843	19,439
Traffic Accidents	3,596	3,293	3,045	2,319	2,479	2,199	2,324	2,396	2,540	2,258
UCR Part 1 Violent Crimes	886	751	999	815	850	753	846	869	992	1,147
UCR Part 1 Non-violent Crimes	4,757	5,516	5,837	5,199	5,006	4,791	4,703	4,034	3,946	4,175
Arrests	7,624	7,426	7,515	7,887	7,932	7,913	6,449	5,355	4,459	4,624
Fire										
Fire Emergency Responses	614	560	479	685	447	486	529	459	468	516
Fire Inspections	2,557	3,135	1,930	1,486	1,451	1,321	1,225	1,000	1,124	1,085
EMS Responses	12,385	12,229	13,548	13,831	14,245	13,725	13,961	15,763	16,877	18,436
Public Works										
Number of Shade Trees:										
Removed	4	10	3	19	13	6	6	6	19	11
Trimmed	98	28	90	66	181	179	119	755	536	552
Added	-	-	-	-	-	-	-	-	-	5
Library										
Visitors	303,771	308,007	269,360	294,139	292,086	284,072	271,495	270,983	227,411	242,223
Volumes in Collection	105,450	116,908	119,679	128,268	134,567	136,022	138,140	140,235	143,012	148,295
Children's Program Attendance	16,875	11,108	14,701	11,166	9,655	9,427	7,816	8,933	8,679	9,866
Public Computer Sessions	90,700	59,114	92,110	99,563	98,371	100,560	100,057	81,897	56,308	57,921
Aviation										
Airlines	3	3	3	3	3	3	3	3	3	3
Passengers Enplaning	192,718	198,827	211,439	188,121	168,487	175,353	165,452	149,008	136,008	128,978
Passengers Deplaning	193,867	198,487	208,473	189,800	165,568	174,961	163,722	154,124	135,412	131,891
Solid Waste										
Tons Collected and Disposed:										
Solid Waste - Residential	-	-	-	-	-	-	52,421	54,367	56,542	53,378
Solid Waste - Commercial	-	-	-	-	-	-	35,838	35,887	36,595	41,637
Recyclable Material	-	-	-	-	-	-	5,549	5,825	5,859	5,539
Water										
Metered Accounts	41,802	43,440	44,689	45,873	47,040	48,172	49,189	50,175	51,058	52,200
Water Demand (Purchased) (MG)	5,468	5,157	5,063	5,940	5,855	5,497	5,371	5,585	4,967	5,325
Avg. Daily Demand (MGD)	14	15	15	15	15	15	15	15	14	15
Avg. Monthly Demand/Cust (gal)	3,897	3,596	3,298	3,838	3,711	3,440	3,318	3,405	2,990	3,125
Peak Demand (MGD)	23	26	26	25	26	25	22	22	25	25
Sewer										
Service Connections	36,007	36,520	39,321	40,786	39,945	43,205	52,636	52,636	55,786	47,407
Total Sewer Flows (MGD)	11	13	13	10	11	11	11	14	12	11
Total Sewer Flow (MG)	3,921	4,581	4,742	3,607	3,871	3,941	4,165	5,022	4,470	4,149
Avg Daily Demand (MGD)	11	13	13	10	11	11	11	14	12	11
Avg Daily Demand/Cust (gal)	92	105	102	77	81	81	85	101	89	80

City of Killeen, Texas
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year				
	2008	2009	2010	2011	2012
General Government					
Area of City (square miles)	45.41	54.69	54.72	54.72	55.47
Vehicles	-	-	-	-	-
Public Safety					
Police					
Police Stations	3	3	3	3	3
Firing Ranges	1	1	1	1	1
Patrol Vehicles	-	-	-	-	-
Other Police Vehicles	-	-	-	-	-
Animal Shelters	1	1	1	1	1
Animal Control Vehicles	-	-	-	-	-
Fire					
Fire Stations	7	8	8	8	8
Fire Apparatus	16	17	27	35	20
EMS Units	11	12	11	11	10
Other Vehicles	-	-	-	-	-
Public Works					
Paved Streets (miles)	489	503	512	522	525
Unpaved Streets (miles)	1	1	1	1	1
Curb and Gutter (miles)	600	600	866	866	866
Signalized Intersections	81	87	87	89	92
Vehicles	-	-	-	-	-
Parks and Recreation					
Parks	19	19	21	21	21
Playgrounds	22	22	22	22	22
Municipal Golf Courses	1	1	1	1	1
Disc Golf Course	-	-	-	1	1
Swimming Pools	2	2	2	2	2
Tennis Courts	9	9	9	9	9
Recreation Centers	1	1	1	1	1
Baseball/Softball Fields	14	14	15	15	15
Soccer Fields	-	-	6	6	6
Jogging/Walking Trails	-	-	6	6	7
Senior Centers	-	2	2	2	2
Aquatics Centers	-	-	1	1	1
Vehicles	-	-	-	-	-
Library					
Libraries	2	2	2	2	2
Vehicles	-	-	-	-	-

Table XVIII

Fiscal Year				
2013	2014	2015	2016	2017
55.562	55.564	55.564	55.564	55.868
-	-	-	48	50
3	3	3	3	3
1	1	1	1	1
-	-	-	140	159
-	-	-	147	145
1	1	1	1	1
-	-	-	8	10
8	8	8	8	8
19	23	23	20	22
11	14	14	18	18
-	-	-	24	24
533	539	552	563	575
1	1	1	1	1
866	878	878	900	924
95	88	92	97	99
-	-	-	44	39
21	21	21	21	21
22	22	22	22	22
1	1	1	1	1
1	1	1	1	1
2	2	2	1	1
9	9	5	5	5
1	1	1	1	1
15	15	15	15	15
6	6	6	6	6
7	7	7	3	3
2	2	2	2	2
1	1	1	1	1
-	-	-	26	26
2	2	2	2	2
-	-	-	1	1

City of Killeen, Texas
Capital Asset Statistics by Function (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2008	2009	2010	2011	2012
Aviation					
Airports	2	2	2	2	2
Acreage	289	289	289	289	289
Skylark on road vehicles	2	2	2	2	2
Skylark off road vehicles	1	1	1	1	1
KFHRA on road vehicles	6	6	6	6	6
KFHRA off road vehicles	3	3	3	3	3
Solid Waste					
Refuse Disposal Vehicles	-	-	-	-	-
Other Vehicles	-	-	-	-	-
Water					
Rated Daily Capacity (gpd)	29,500,000	29,500,000	29,500,000	32,000,000	32,000,000
Storage Capacity (gallons)	19,650,000	29,250,000	29,250,000	29,250,000	32,380,000
Water Mains (miles)	521	677	685	602	617
Fire Hydrants	3,368	3,431	3,530	3,630	4,315
Vehicles	-	-	-	-	-
Sewer					
Sanitary Sewers (miles)	484.50	511.86	521.86	520.20	522.41
Manholes	-	-	6,247	6,630	6,780
Sewer Treatment Capacity:					
Plant 1 (mgd)	15	15	15	15	15
Plant 2 (mgd)	6	6	6	6	6
Plant 3 (mgd)	6	6	6	6	6
Vehicles	-	-	-	-	-
Drainage					
Storm Sewers (linear feet)	150,000	150,000	150,000	150,000	150,000
Inlets and Outfalls	3,000	3,000	3,000	3,173	3,173
Open Channels (miles)	83.0	150.0	131.0	283.0	316.6
Vehicles	-	-	-	-	-
Fleet					
Buildings	1	1	1	1	1
Vehicles	-	-	-	-	-

Table XVIII

Fiscal Year				
2013	2014	2015	2016	2017
2	2	2	2	2
289	289	289	289	289
3	3	3	3	3
1	1	1	1	2
6	6	6	6	6
3	3	3	3	3
-	-	-	58	51
-	-	-	35	37
32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
41,000,000	41,000,000	41,000,000	41,000,000	41,000,000
617	618	618	618	655
4,800	5,000	5,000	5,000	4,611
-	-	-	61	31
535.00	535.00	535.00	574.00	595.00
7,230	7,230	7,230	7,863	8,197
15	18	18	18	18
6	6	6	6	6
6	-	-	-	-
-	-	-	15	46
150,000	150,000	93,099	93,099	94,349
3,173	3,173	3,125	3,173	3,233
312.0	312	96.0	197.0	140.4
-	-	-	22	25
1	1	1	1	1
-	-	-	7	7

Table XIX

City of Killeen, Texas
General Obligation Bond Tables
Valuation, Exemptions, and Tax Supported Debt
September 30, 2017

Market Valuation Established by Bell County Appraisal District		\$ 6,328,137,176
Less Exemptions/Deductions		987,711,674
Net Taxable Assessed Valuation		<u>\$ 5,340,425,502</u>
Debt Payable from Ad Valorem Taxes		
General Obligation Bonds	\$ 129,680,000	
Certificates of Obligation	<u>63,685,000</u>	
Debt Payable from Ad Valorem Taxes		\$ 193,365,000
Less Self-Supporting Debt ⁽¹⁾		18,010,000
Net Debt Payable from Ad Valorem Taxes		<u>\$ 175,355,000</u>
Interest and Sinking Fund		<u>\$ 4,056,860</u>
Ratio of Tax Supported Debt to Taxable Assessed Valuation		3.62%
Ratio of Net Tax Supported Debt to Taxable Assessed Valuation		3.28%
Estimated Population		145,765
Per Capita Taxable Assessed Valuation	\$	36,637
Per Capita Net Debt Payable from Ad Valorem Taxes	\$	1,203

(1) Certain tax-supported indebtedness which was issued for, and is currently being paid from revenues of, the City's waterworks and sewer system, solid waste system, drainage utility system, and hotel occupancy tax/civic center, is considered by the City to be self-supporting debt. While the City considers such tax-supported debt to be self-supporting, revenues are not (except to the extent of certain limited pledges of surplus net revenues of the waterworks and sewer system, solid waste system, drainage utility system, or hotel occupancy tax/civic center which may or may not have been fully satisfied) pledged to the payment of such debt. The transfer of such revenues to make debt service payments on such tax debt is discretionary and may be discontinued by the City, in whole or in part, at any time. In the event and to the extent of such revenue transfers, the City will be required to levy ad valorem taxes or to appropriate other lawfully available funds of the City in an amount sufficient to pay the debt service on such debt.

City of Killeen, Texas
General Obligation Bond Tables
Valuation and General Obligation Debt History

<u>Fiscal Year</u>	<u>Estimated Population⁽¹⁾</u>	<u>Taxable Assessed Valuation</u>	<u>Taxable Assessed Valuation Per Capita</u>	<u>Funded Debt Outstanding at Year End (2) (3)</u>	<u>Ratio of Funded Debt to Taxable Assessed Valuation</u>	<u>Funded Debt Per Capita</u>
2011	127,921	\$ 4,598,247,312	\$ 35,946	\$ 182,979,601	3.98%	\$ 1,430
2012	130,018	\$ 4,726,643,478	\$ 36,354	\$ 213,485,000	4.52%	\$ 1,642
2013	134,654	\$ 4,811,938,035	\$ 35,736	\$ 204,375,000	4.25%	\$ 1,518
2014	137,147	\$ 5,004,176,039	\$ 36,488	\$ 217,890,000	4.35%	\$ 1,589
2015	140,806	\$ 5,019,547,844	\$ 35,649	\$ 211,515,000	4.21%	\$ 1,502
2016	143,400	\$ 5,175,292,421	\$ 36,090	\$ 232,730,000	4.50%	\$ 1,623
2017	145,765	\$ 5,340,425,502	\$ 36,637	\$ 193,365,000	3.62%	\$ 1,327

(1) Source: U.S. Census Bureau.

(2) Includes self-supporting debt. See Table 1, footnote 1 for more information.

(3) Includes capital lease payable which was paid off in fiscal year Ended September 30, 2012.

Table XXI

City of Killeen, Texas
General Obligation Bond Tables
General Obligation Debt Service Requirements

Fiscal Year	Outstanding Debt ⁽¹⁾			System- Supported Debt Service	Total Tax- Supported Debt Service
	Principal	Interest	Total		
2018	\$ 9,325,000	\$ 8,368,184	\$ 17,693,184	\$ 1,979,523	\$ 15,713,661
2019	9,935,000	8,015,746	17,950,746	1,985,048	15,965,698
2020	10,320,000	7,616,251	17,936,251	1,973,313	15,962,938
2021	10,765,000	7,204,901	17,969,901	1,972,363	15,997,538
2022	11,275,000	6,716,401	17,991,401	1,976,263	16,015,138
2023	11,815,000	6,205,151	18,020,151	1,975,313	16,044,838
2024	11,525,000	5,666,038	17,191,038	1,976,263	15,214,775
2025	12,095,000	5,138,438	17,233,438	1,988,863	15,244,575
2026	12,655,000	4,570,038	17,225,038	1,978,663	15,246,375
2027	11,690,000	3,975,138	15,665,138	1,435,413	14,229,725
2028	12,255,000	3,421,888	15,676,888	1,439,863	14,237,025
2029	12,795,000	2,888,338	15,683,338	1,433,313	14,250,025
2030	11,270,000	2,363,920	13,633,920	1,289,638	12,344,282
2031	9,825,000	1,940,101	11,765,101	109,200	11,655,901
2032	10,265,000	1,513,564	11,778,564	-	11,778,564
2033	7,210,000	1,116,050	8,326,050	-	8,326,050
2034	7,460,000	807,450	8,267,450	-	8,267,450
2035	5,210,000	488,325	5,698,325	-	5,698,325
2036	3,095,000	255,338	3,350,338	-	3,350,338
2037	825,000	111,700	936,700	-	936,700
2038	860,000	76,000	936,000	-	936,000
2039	895,000	38,750	933,750	-	933,750
	<u>\$ 193,365,000</u>	<u>\$ 78,497,710</u>	<u>\$ 271,862,710</u>	<u>\$ 23,513,039</u>	<u>\$ 248,349,671</u>

(1) Includes general obligation debt considered self-supporting.

City of Killeen, Texas
General Obligation Bond Tables
Municipal Sales Tax History

<u>Fiscal Year</u>	<u>Total Collected</u>	<u>% of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>	<u>Per Capita</u>
2008	\$ 19,369,194	70.10%	0.4872	\$ 172.27
2009	\$ 18,124,196	59.29%	0.4121	\$ 155.00
2010	\$ 18,947,322	59.74%	0.4152	\$ 158.54
2011	\$ 18,670,908	54.81%	0.4416	\$ 145.96
2012	\$ 19,904,737	56.85%	0.4573	\$ 151.61
2013	\$ 20,361,888	57.11%	0.4596	\$ 150.81
2014	\$ 20,396,264	54.98%	0.4084	\$ 148.72
2015	\$ 21,539,372	57.33%	0.4299	\$ 152.97
2016	\$ 21,784,258	56.27%	0.4219	\$ 151.91
2017	\$ 22,539,599	56.81%	0.4259	\$ 154.63

City of Killeen, Texas
General Obligation Bond Tables
Hotel Occupancy Tax Revenues and Expenditures History

	Fiscal Year				
	2008	2009	2010	2011	2012
<u>Revenues:</u>					
Taxes	\$ 1,850,880	\$ 1,725,955	\$ 1,701,360	\$ 1,636,001	\$ 1,652,409
Intergovernmental	8,247	3,000	-	-	-
Charges for Services	518,615	436,580	433,727	-	-
Investment Earnings	-	-	-	-	-
Miscellaneous	45,745	283,571	273,569	579,242	702,994
Total Revenues	<u>2,423,487</u>	<u>2,449,106</u>	<u>2,408,656</u>	<u>2,215,243</u>	<u>2,355,403</u>
<u>Expenditures:</u>					
General Government	1,228,504	1,757,473	1,760,925	1,606,911	1,582,371
Community Services	223,431	204,266	233,188	264,559	213,883
Miscellaneous	19,536	22,579	-	-	-
Capital Outlay	18,916	62,540	55,390	87,959	14,001
Debt Service	-	760,000	690,000	695,300	607,200
Total Expenditures	<u>1,490,387</u>	<u>2,806,858</u>	<u>2,739,503</u>	<u>2,654,729</u>	<u>2,417,455</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>933,100</u>	<u>(357,752)</u>	<u>(330,847)</u>	<u>(439,486)</u>	<u>(62,052)</u>
<u>Other Financing Uses:</u>					
Sale of Assets	-	-	-	-	-
Transfers In	300,000	-	-	-	-
Transfers Out	(695,000)	-	-	-	-
Total Other Financing Uses	<u>(395,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	538,100	(357,752)	(330,847)	(439,486)	(62,052)
Beginning Fund Balance	1,318,694	1,856,794	1,499,042	1,168,195	728,709
Ending Fund Balance	<u>\$ 1,856,794</u>	<u>\$ 1,499,042</u>	<u>\$ 1,168,195</u>	<u>\$ 728,709</u>	<u>\$ 666,657</u>

Table XXIII

Fiscal Year				
2013	2014	2015	2016	2017
\$ 1,696,609	\$ 1,722,623	\$ 1,776,199	\$ 1,941,564	\$ 1,815,226
-	-	-	-	82,498
-	-	-	608,426	599,472
-	-	-	221	4,046
637,271	616,840	678,495	-	-
2,333,880	2,339,463	2,454,694	2,550,211	2,501,242
1,540,785	1,506,634	1,567,108	-	-
252,097	175,652	274,526	1,627,656	1,475,285
-	-	-	-	-
-	5,136	19,097	183,333	289,677
725,200	727,900	727,200	714,924	739,719
2,518,082	2,415,322	2,587,931	2,525,913	2,504,681
(184,202)	(75,859)	(133,237)	24,298	(3,439)
-	-	-	2,228	18
-	-	-	-	-
-	-	-	-	-
-	-	-	2,228	18
(184,202)	(75,859)	(133,237)	26,526	(3,421)
666,657	482,455	406,596	273,359	299,885
\$ 482,455	\$ 406,596	\$ 273,359	\$ 299,885	\$ 296,464

City of Killeen, Texas
Waterworks and Sewer System Revenue Bond Tables
Ten Largest Water and Wastewater Customers (In Thousands of Gallons)

Customer	Water				Wastewater		
	Annual Water Usage	Annual Amount Billed	% of Total Water Usage	Ranking	Annual Wastewater Usage	Annual Amount Billed	Ranking
Killeen Independent School District	151,328,300	\$ 520,134	3.53613%	1	60,499,820	\$ 239,273	1
City of Killeen	82,735,300	\$ 285,904	1.93330%	2	-	-	-
Metroplex Health Systems	52,609,000	\$ 93,014	1.22933%	3	22,332,780	\$ 84,958	3
Stone Hill Apartments	14,421,600	\$ 46,576	0.33699%	4	12,244,680	\$ 46,716	4
Premier Cemetery Service, Inc.	12,018,200	\$ 39,420	0.28083%	5	-	-	-
Stone Creek Inv, LLC	11,978,600	\$ 44,098	0.27991%	6	-	-	-
Independence Place at Fort Hood	11,943,300	\$ 39,832	0.27908%	7	8,819,730	\$ 33,608	7
101 S. Twin Creek, LLC	10,670,800	\$ 34,009	0.24935%	8	9,607,320	\$ 36,601	5
Killeen Mall, LLC	9,550,900	\$ 32,435	0.22318%	9	-	-	-
Summerfield Community	9,472,800	\$ 30,911	0.22135%	10	9,472,800	\$ 49,482	6
Central Texas College	-	-	-	-	52,964,080	\$ 197,900	2
The Willows Apartments	-	-	-	-	7,715,160	\$ 29,411	8
TGFT Enterprise Inc., DBA Zip	-	-	-	-	7,502,040	\$ 28,601	9
Bridgemoor Apartments	-	-	-	-	7,025,220	\$ 26,789	10

Note: Percentage of total consumption based on 4,279,495,100 gallons annual consumption.

City of Killeen, Texas
Waterworks and Sewer System Revenue Bond Tables
Monthly Water and Wastewater Rates (Effective 10/01/2016)

Water Rates

The following rates apply to all classes of users inside the City limits:

	<u>Residential</u>	<u>Multi-Family</u>	<u>Commercial</u>
0 - 2,000 based on meter size:			
5/8" and 3/4"	\$12.70	\$12.70	\$13.15
1"	\$14.06	\$14.06	\$14.60
1-1/2"	\$17.47	\$17.47	\$18.13
2"	\$21.55	\$21.55	\$22.38
3"	\$31.09	\$31.09	\$32.30
4"	\$44.74	\$44.74	\$46.49
6"	\$79.83	\$79.83	\$82.98
8"	\$119.68	\$119.68	\$124.56
10"	\$167.40	\$167.40	\$174.06
2,001 - 25,000	\$3.17/1,000	\$3.17/1,000	\$3.28/1,000
>25,000	\$3.78/1,000	\$3.17/1,000	\$3.28/1,000

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

Wastewater Rates

<u>Water Consumption (gals)</u>	<u>Residential</u>	<u>Multi-Family</u>	<u>Commercial *</u>
0-3,000	\$ 18.76	\$ 19.15	\$ 19.15
3,001-10,000	\$ 3.80/1,000	\$ 3.80/1,000	\$ 3.80/1,000
>10,000	-	\$ 3.80/1,000	\$ 3.80/1,000

*Commercial wastewater over 3,000 gallons is calculated using a 90% flow factor.

City of Killeen, Texas
Waterworks and Sewer System Revenue Bond Tables
Waterworks and Sewer System Condensed Statement of Operations

	Fiscal Year				
	2008	2009	2010	2011	2012
<u>Revenues: (1)</u>					
Charges for Services	\$ 30,195,389	\$ 30,603,258	\$ 30,001,656	\$ 35,659,361	\$ 37,571,221
Miscellaneous	-	-	-	104,123	103,721
Total Revenues	<u>30,195,389</u>	<u>30,603,258</u>	<u>30,001,656</u>	<u>35,763,484</u>	<u>37,674,942</u>
<u>Expenditures: (2)</u>					
Water Purchases	5,453,574	6,278,399	5,858,835	6,925,331	6,692,095
Sewage Treatment	4,716,864	4,870,662	6,273,881	5,230,533	5,452,759
Operating Costs	7,565,116	8,327,249	8,158,165	9,204,958	9,229,112
Total Expenditures	<u>17,735,554</u>	<u>19,476,310</u>	<u>20,290,881</u>	<u>21,360,822</u>	<u>21,373,966</u>
Net Available for Debt Servic	<u>\$ 12,459,835</u>	<u>\$ 11,126,948</u>	<u>\$ 9,710,775</u>	<u>\$ 14,402,662</u>	<u>\$ 16,300,976</u>
Customer Count:					
Water	41,802	43,440	44,689	45,873	47,040
Sewer	36,007	36,520	39,321	40,786	39,945

(1) Revenues do not include developer contributions for donated water and sewer lines.

(2) Expenditures do not include depreciation.

Table XXVI

Fiscal Year				
2013	2014	2015	2016	2017
\$ 36,532,116	\$ 35,243,516	\$ 37,007,157	\$ 38,803,969	\$ 39,409,416
132,662	148,397	480,556	2,452	37,115
36,664,778	35,391,913	37,487,713	38,806,421	39,446,531
6,897,853	7,467,995	7,637,005	7,810,794	8,447,593
5,553,338	6,297,470	6,594,789	7,183,054	6,366,159
9,298,188	9,564,316	10,618,307	10,423,579	5,305,353
21,749,379	23,329,781	24,850,101	25,417,427	20,119,105
\$ 14,915,399	\$ 12,062,132	\$ 12,637,612	\$ 13,388,994	\$ 19,327,426
48,172	49,189	50,175	51,058	52,200
43,205	52,636	52,636	55,786	47,407

