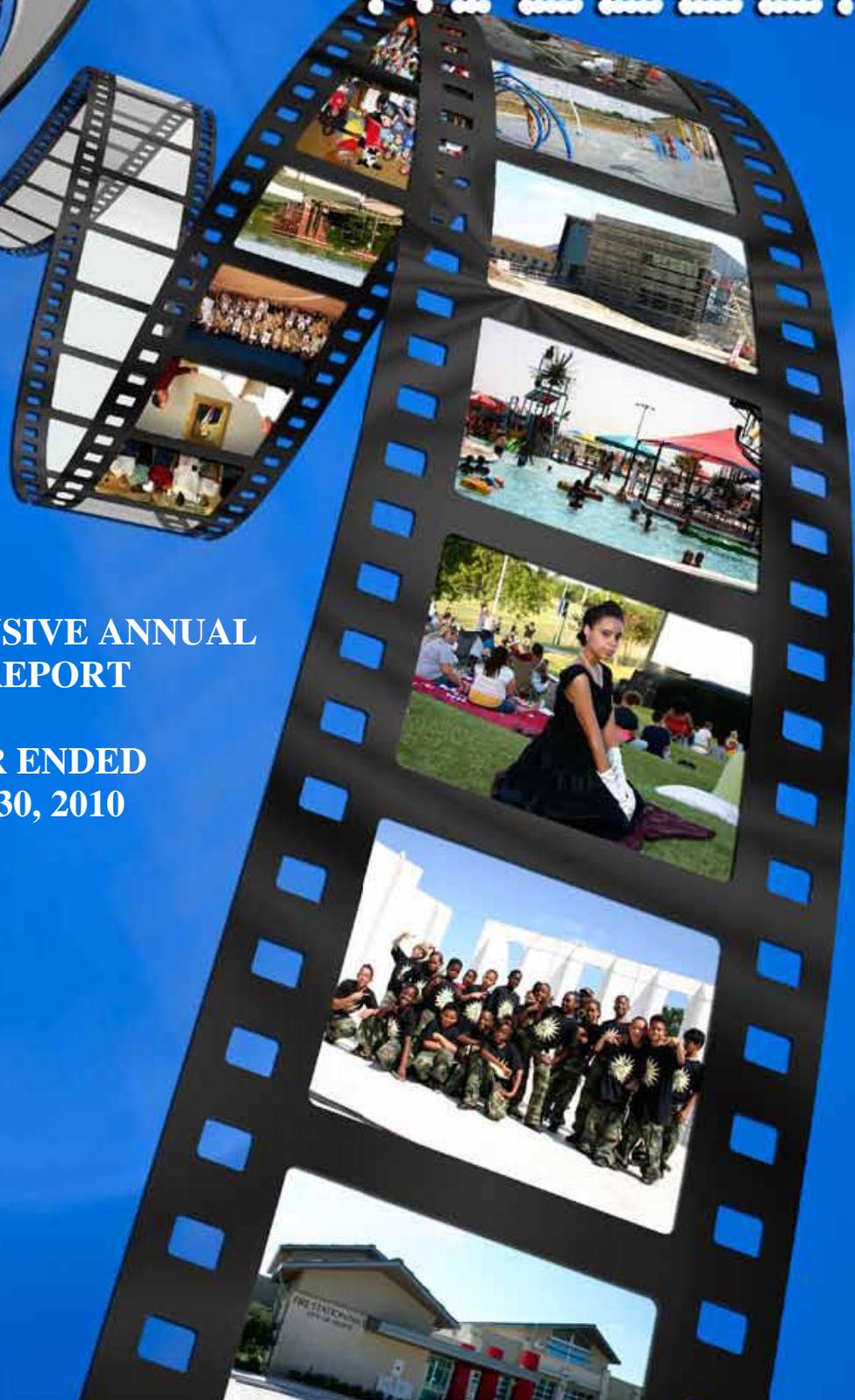


SCENES OF KILLEEN



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2010**



CITY OF KILLEEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010

ELECTED OFFICIALS

Timothy L. Hancock, Mayor
Scott Cospers, Mayor Pro-tem
Kenny Wells, Council Member
Juan Rivera, Council Member
JoAnn Purser, Council Member
Ernest L. Wilkerson, Council Member
Larry K. Cole, Council Member
Billy C. Workman, Council Member

MANAGEMENT STAFF

Connie J. Green, City Manager
Glenn P. Morrison, Assistant City Manager

OFFICIAL ISSUING REPORT

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

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INTRODUCTORY SECTION





CITY OF KILLEEN

February 21, 2011

The Honorable Mayor, City Council,
And Citizens of the City of Killeen, Texas

The comprehensive annual financial report of the City of Killeen, Texas, for the fiscal year ended September 30, 2010 is submitted in accordance with the provisions of the City Charter. This report was prepared by City of Killeen management in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and audited in accordance with U.S. Generally Accepted Auditing Standards by a firm of licensed independent certified public accountants.

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

The City of Killeen's financial statements have been audited by Brockway, Gersbach, Franklin & Niemeier, P.C., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Killeen for fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Killeen's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Killeen was part of a broader, federally mandated, "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Killeen's Single Audit Report.

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

GOVERNMENT STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

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

Killeen was founded in 1882 by the Santa Fe Railroad and named in honor of an employee of the railroad, Frank P. Killeen. In 1884, the City had a population of 350 and consisted of a post office, a cotton gin, and two grain mills. The 1941 population of 1,265 rose to 7,100 in 1950, due primarily from the activation of Fort Hood, a military base on Killeen's northern border, which began functioning in 1942 and was designated a permanent military installation in 1950. By 1960, Killeen's population was over 21,000 and has grown steadily since then to a 2010 population of 127,921. The City has a warm temperate climate with an average temperature of 69.7 degrees Fahrenheit. The warmest months are July and August with an average maximum temperature between 94 and 96 degrees Fahrenheit. The coolest average temperatures, ranging from 37 to 38 degrees, occur in December and January.

Two basic services essential to any community are health care and education. Outstanding medical facilities are one of the key attractions of the area. The area serves as a Regional Medical Center with 827 hospital beds within 25 miles. Killeen is served by Metroplex Hospital, which provides 173 beds, an intensive care unit, a bassinet nursery, a full-range pathological laboratory, a licensed pharmacy, full-service radiology and a 24-hour physician-staffed emergency room. Metroplex Pavilion is a mental and behavioral health care center located on the Metroplex Hospital Campus. Licensed for 60 beds, it offers numerous treatment programs, and has separate patient areas for children, adolescents, and adults. The main Scott and White Killeen Clinic accommodates 15 Family Medicine physicians and 4 pediatricians. Other Scott and White clinics include the new Killeen West Clinic, Killeen Cancer Center, Killeen Dialysis Center and the Killeen OB/GYN clinic. These clinics offer referral service to specialists in their 486-bed, regional hospital 25 miles away. The Scott and White hospital moved each of its departments early in 2007 to the newly constructed Center for Advanced Medicine, which will be the largest outpatient facility in the region. The military community is served by the 128-bed Darnall Army Hospital and the satellite clinics. Darnall Hospital was rededicated in May 2006 as the Carl R. Darnall Army Medical Center. The new designation will lead to an expansion of medical services, facilities, and staffing offered to active duty military and retirees residing in our community.

High quality education from kindergarten through graduate school is available. The Killeen Independent School District is the largest school district between Dallas and Austin. The district has grown from an enrollment of 20,413 students in 1986-87 to an enrollment of over 39,000. KISD employs over 6,000 teachers and support personnel to serve the District's 49 campuses and is the area's second largest employer. Students attend classes at thirty-one elementary schools (Pre-K-5), thirteen middle schools (6-8), four high schools (9-12), and five specialized campuses. Central Texas College and Texas A&M University-Central Texas, which are located on a 550 acre campus adjacent to Killeen, provide secondary and graduate educational opportunities. Within a one hour drive of Killeen, there are several major four-year universities including: 1) University of Texas - Austin, Texas, 2) Baylor University - Waco, Texas, 3) Southwestern University - Georgetown, Texas, and 4) University of Mary Hardin Baylor - Belton, Texas.

The quality of life in Killeen is excellent. You can find "Big City" attractions in a "Small Town" environment. Killeen boasts a spacious, beautiful mall of about 700,000 square feet, as well as our own Restaurant Row. With over 135 service clubs, associations, organizations, and 100 churches representing most religious denominations, Killeen provides its residents and guests the type of cultural, religious, and civic-minded opportunities expected of a city on the rise. For the outdoors recreation and sports-minded residents, Killeen features nearly 400 acres of

parkland, two public pools, a youth and adult sports complex, a skateboard park, an amphitheatre and recreational and senior centers. In addition, Killeen features one of, if not the finest, municipal golf courses in the State of Texas. The Stonetree Golf Club of Killeen offers a challenging 7,200 yard 18-hole course, featuring one of the finest training facilities in Central Texas, as well as a fully stocked pro shop and beautiful clubhouse and café. Those who prefer water sports can engage in fishing, boating, water skiing, or sailing at either Belton Lake or Stillhouse Hollow Lake. The City even boasts its own rodeo arena, exhibition building, and livestock area. For those who prefer indoor activities, the community has two bowling alleys, a skating rink, an auto racetrack, and over seven physical fitness centers. A City is not complete without cultural activities. Vive Les Arts Societe founded in 1976 develops and promotes cultural activities in Killeen, including an excellent theater group, which is recognized as one of the most talented of its type in Texas. In 1991, Vive Les Arts opened a center featuring a 400-seat theater and a combination gallery-reception area. The Killeen Civic and Conference Center opened in 2002. This 63,000 square foot center boasts a 23,400 square foot ballroom, 3,000 square foot special events room, six large meeting rooms and two small meeting rooms in addition to full-featured kitchen facilities.

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

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

The City of Killeen currently enjoys a favorable economic environment, with local indicators reflecting continued stability. In addition to the support provided by neighboring Fort Hood, the nation's largest armored military installation, the City's economy strives primarily from service-oriented businesses. Established in 1942, Fort Hood lies adjacent to the City of Killeen and covers an area of 335 square miles (214,968 acres). It is the only post in the United States capable of stationing and training two armored divisions. In fact, Fort Hood is home to the III Corps and is "the Army's premier installation to train and deploy heavy forces." Fort Hood is also the largest single location employer in the State of Texas with over 50,000 military personnel and more than 12,000 civilian employees. Fort Hood contributes approximately \$7.1 billion to the local economy (\$3.75 billion in payroll, \$190.0 million in contracts and construction, \$400.0 million in technical support, and \$60.0 million in impact aid to schools). With Fort Hood at the cornerstone, the Killeen economy remains one of the fastest growing economies in Texas, along the I-35 technology corridor.

Economic activity continued to show growth during 2010. For the nineteenth consecutive year, building permits issued exceeded \$100 million dollars. Total permits issued in FY 2010 were \$257,663,925.

BUDGET PROCESS

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

the opportunity to make changes to the proposed budget during this process, subject to required additional public hearings. The budget is adopted by the favorable vote of a majority of the members of the whole Council and must be adopted not later than September 20th of each year. If the Council fails to adopt a budget by this date, the proposed budget submitted by the City Manager shall be deemed to have been adopted by the Council. The FY 2009-10 Budget and Plan of Municipal Services was adopted by the City Council on September 15, 2009.

MAJOR INITIATIVES

The preparation of the FY 2009-10 Budget consisted of one of the most challenging endeavors since the FY 1990-91 budget which was prepared with the anticipation of the inactivation of the 2nd Armored Division in the fall of 1991.

As a result of the declining revenue stream, meetings were held with department heads in February 2009 requesting that they evaluate their budgets and propose a five percent (5%) cut without negatively impacting their service levels. Although these meetings took place for over a two week period; formalizing this process took several months to complete. A budget amendment was approved by City Council in June of 2009 to reduce various line item accounts to accommodate the decline in the economy. These cuts were calculated so as not to reduce any current service levels to the citizens of Killeen.

KILLEEN CHALLENGE

During the preparation of the 2009-10 budget several other issues were evaluated.

H.B. 3613, Disabled Veterans' Homestead Exemption, was signed by Governor Rick Perry on June 19, 2009, and Section I of this bill was effective immediately. Section I of this bill grants a 100% residence homestead exemption to any disabled veteran or its successor. A disabled vet is defined in this bill as a disabled veteran who receives from the United States Department of Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual un-employability. This bill is estimated to reflect a reduction in property taxes allocated to the general fund of over \$600,000. The disabled vet must apply for this exemption. The cities of San Antonio, El Paso and Killeen are expected to be the hardest hit by the adoption of this bill due to their close proximity to major military installations in the State of Texas.

The City Council of Killeen also adopted a tax freeze on home owners who were either disabled or age 65 or older in 2007 effective January 1, 2008. The 2009 Tax Role is the first full year reflecting the impact of the adoption of this freeze.

In addition to the declining state of the economy, the City of Killeen is also faced with the effects of the Fourth Infantry Division re-stationing to Fort Carson, Colorado in 2009. The effects of this troupe movement have not been calculated.

Several goals and priorities were identified with the development of the budget last year and many of those priorities continued to be of significance as we prepared for FY 2009-10. The priorities addressed in the FY 2009-10 budget are: 1) continue to maintain current programs, services, and the ad valorem property tax rate; 2) continue strengthening our police department resources in order to provide proactive patrol to deter crime and to provide an enhanced feeling of safety for our citizens; 3) continue adequate funding for street improvements and infrastructure needs; 4) continue funding adequate pay and benefits to City employees; 5) continue the development of the right-of-way mowing program and drainage maintenance program to provide a safe, clean living environment for our citizens; and, 6) adequately fund economic development activities to promote Killeen as an ideal place to live and to do business. I believe the FY 2009-10 budget addresses each of these priorities.

LIMITED RESOURCES AND A DECLINING ECONOMY

The budget presented contained very little increases. No new programs were included in the General Fund, Aviation Funds, Water & Sewer Fund and Drainage Utility Fund. The Solid Waste Fund did include rate increases.

A hiring freeze policy continued throughout FY 2009-10. Any vacancies were reviewed on a case-by-case basis and only filled by the City Manager's approval. In addition, twenty-one civil service positions and four non-civil service positions were unfunded in the FY 2009-10 general fund budget resulting in a savings of \$1,289,080.

The budget did not include any tax rate, water and sewer or drainage utility rate increases. The Solid Waste rate increased due to a new contract for hauling and disposal of solid waste, and was included in the proposed budget. No new programs and services were included in the major operating funds with the exception of solid waste rate increases.

1. The budget provided for minimal funding to maintain existing levels of services to our citizens and maintained the ad valorem tax rate at 0.695.
2. Another priority was to maintain adequate and fair pay for all City employees. Previous budgets included a cost of living adjustment (COLA) for all civil and non-civil service employees. This budget presented did not include a COLA. This was a major unmet need.
3. A significant issue was to provide adequate health care coverage for all City employees. Although the City Of Killeen could only afford the lowest option benefit plan, it is still one of the few entities that do not require employees to contribute toward the employee coverage. As these costs continue to escalate this becomes very challenging in that this year the budget increased to a \$4.26 million budget from the prior year's \$3.68 million budget.
4. Funding for the Greater Killeen Chamber of Commerce and the Killeen Economic Development Corporation was included in the budget to expand marketing efforts and promote Killeen as an ideal place to live and to do business. Funding for the Killeen Chamber of Commerce (GKCC) and the Killeen Economic Development Corporation (KEDC) in FY 2009-10 is \$1,498,020.

DEPARTMENT FOCUS

Each year the government focuses attention on departmental efforts and accomplishments. This year, the new state-of-the art Police Department Headquarters has been selected for this purpose. This facility lodges the city's 80,000 square-foot structure that has all the modern amenities and up-to-date equipment, including a digital crime lab. This facility is a huge asset to the city and will help the police force better serve the public.

In the underbelly of the new Killeen Police Department headquarters in south Killeen, security upgrades for the jailers include solid steel doors and bulletproof glass versus the iron bars and multiple security redundancies that the old jail, located at KPD's north precinct did not have. The new jail features security measures that address some of the weaknesses of the old jail including but not limited to a sally port where arrested individuals are taken inside the jail and garage doors lock behind a police car and prevent any other door from opening until all doors are secured and locked. Other less obvious changes to security have been made to this facility.

The Proposition No. 2 was taken to the citizens to vote on in year 2002, and the new Police Headquarters Building was one of several proposals that were approved. This facility was built after an assessment was completed on all police department facilities, projected growth and various other factors. Recent released information from census data at a glance shows the population in Killeen, Texas in 2000 was at 86,911, and according to the new census count in 2010, has increased to 127,921.

PROGRAM DESCRIPTIONS

The new Police Department Headquarters supports the day-to-day operations of the Police Department. The 23,500 square-foot building that was originally built in 1964 and renovated by adding a third floor in the 1980s, centralized the police operations until May 2010. It has been staffed with a two precinct concept for delivery of effective police services.

ACCOMPLISHMENTS

- Received CALEA Accreditation.
- Completed and staffed the new Police Headquarters Buildings.
- Implemented and staffed a two precinct concept for delivery of effective police services.
- Completed organizational changes to better facilitate police services and effective unity of command.
- Continued excellence in testing results for state licensing of new police officers (6th straight 100% pass rate).
- Increased staffing in Patrol and Criminal Investigations.
- Reclassified existing police officer positions to supervisor positions, including an additional Assistant Chief.

KEY OBJECTIVES / PERFORMANCE MEASURES

One of the main objectives is to reduce crime while improving the quality of life for all citizens. Maintaining an active recruiting program to fill vacancies and new positions and continuing to increase the police-per-citizen ratio for effective delivery of police services are also essential. It is extremely important that a progressive partnership with the community through various programs and services is maintained.

<h2>AWARDS AND ACKNOWLEDGEMENTS</h2>

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, 2009. This was the twentieth consecutive year that the city has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, which must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This Certificate of Achievement is awarded on a yearly basis. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting this year's CAFR to the GFOA to determine its eligibility for another Certificate of Achievement.

The City of Killeen received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2009 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and expect to receive this award for the fiscal year beginning October 1, 2010.

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

Respectfully submitted,



Barbara A. Gonzales
Chief Financial Officer

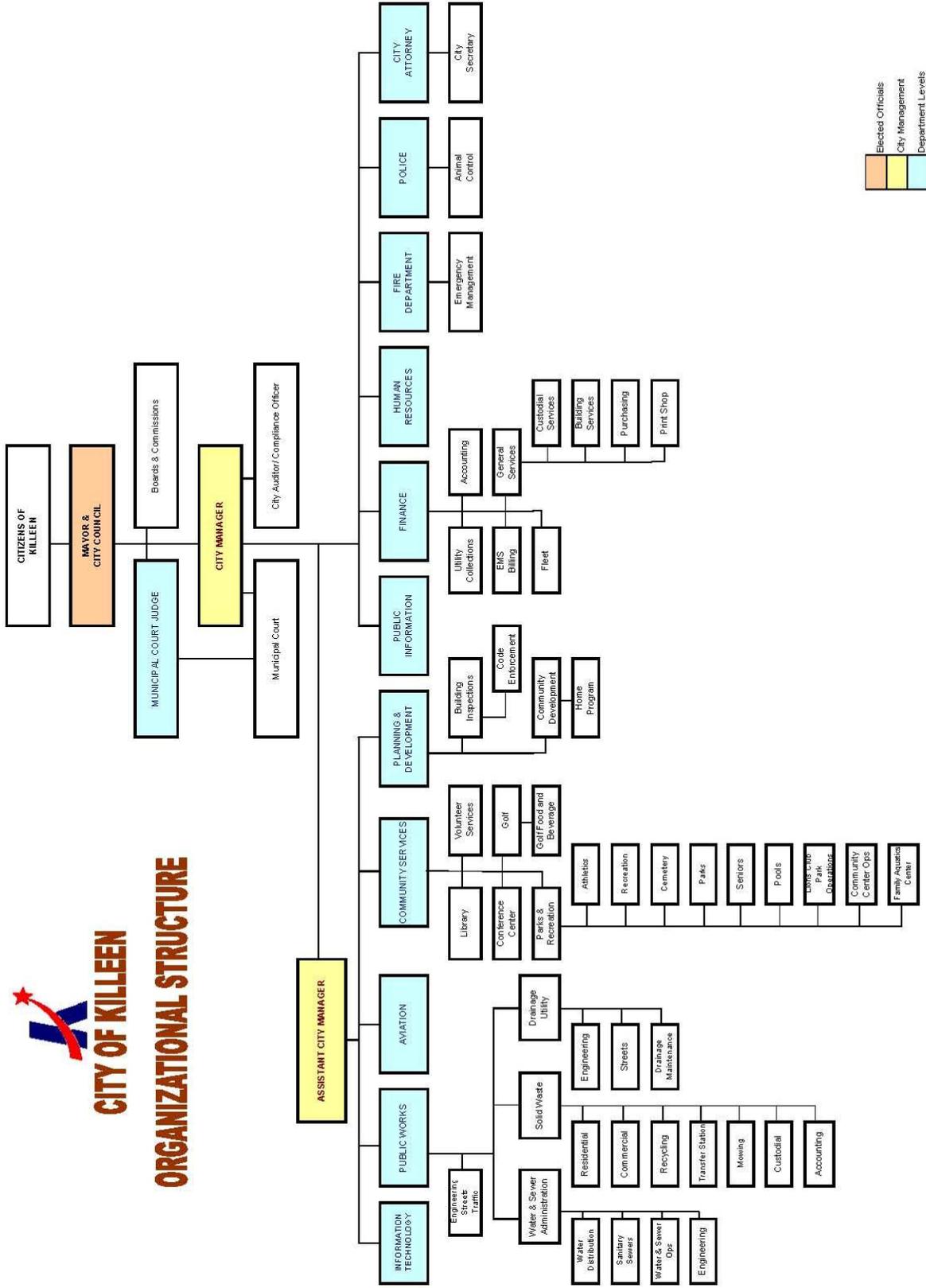


Connie J. Green
City Manager, Chief Executive Officer



CITY OF KILLEEN

ORGANIZATIONAL STRUCTURE



	Elected Officials
	City Management
	Department Levels

**CITY OF KILLEEN
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2010**

Mayor	Timothy L. Hancock
Mayor Pro Tem	Scott Cosper
Councilman – District 1	Kenny Wells
Councilman – District 2	Juan Rivera
Councilman – District 3	JoAnn Purser
Councilman – District 4	Ernest L. Wilkerson
Councilman – At Large	Larry K. Cole
Councilman – At Large	Billy C. Workman
City Manager	Connie Green
Assistant City Manager	Glenn Morrison
Building Official	Earl Abbott
City Attorney	Kathryn Davis
City Secretary	Paula Miller
Chief of Police	Dennis Baldwin
Director of Aviation	John Sutton
Director of Community Development	Leslie Hinkle
Director of Community Services	Jonathan Watson
Director of Convention & Visitor’s Bureau	Connie Kuehl
Director of Finance	Barbara Gonzales
Director of Fleet	Kim Randall
Director of General Services	Brenda Essenburg
Director of Human Resources	Debbie Maynor
Director of Information Technology	Donald Fine
Director of Library Services	Deanna Frazee
Director of Planning	Dr. Ray Shanaa
Director of Public Information	Hilary Shine
Director of Public Works	James Butler
Director of Solid Waste and Drainage Services	Wayne McBride
Director of Street Services	John Koester
Director of Volunteer Services	Will Brewster
Director of Water & Sewer	Robert White
Fire Chief	Jerry Gardner
Presiding Municipal Judge	William Gibson

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Killeen
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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



President

Executive Director



Independent Auditors' Report

The Honorable Mayor and
City Council
City of Killeen, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the PFC quarterly reports of the City of Killeen, Texas as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Killeen's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Killeen, Texas as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 21, 2011, on our consideration of the City of Killeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Independent Auditors' Report
(continued)**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules contained in the required supplementary information on pages 3 through 15 and pages 85 through 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Ernst & Young, Gordon, Franklin & Nims, P.C.

February 21, 2011

City of Killeen, Texas
Management's Discussion and Analysis
September 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Killeen, we offer readers of the City of Killeen's financial statement this narrative overview and analysis of the financial activities of the City of Killeen for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with our letter of transmittal which can be found on pages iii - iv of this report and the basic financial statements that follow this section. This discussion and analysis includes comparative data to fiscal year ended September 30, 2009. All amounts, unless otherwise indicated, are expressed in dollars.

Fiscal Year 2009-10 Financial Highlights

City-wide:

- The City's total net assets were \$302.6 million at September 30, 2010, of which \$97.6 million were in Governmental Activities and \$205.0 million were in Business-type Activities.
- Total City revenues were \$129.8 million, of which \$73.3 million were derived from Governmental Activities and \$56.5 million were derived from Business-type Activities.
- Total City expenses were \$132.3 million, of which \$85.3 million were incurred by Governmental Activities and \$47.0 million were incurred by Business-type Activities.
- The total revenue and expense amounts stated above do not include transfers between funds.

Fund Level:

- Governmental funds reported combined ending fund balances of \$48.1 million at September 30, 2010. Of the combined ending fund balances, \$3.8 million is reserved for debt service, \$18.8 million is reserved in capital project funds, \$1.3 million is reserved for encumbrances and inventories, and \$24.2 million is unreserved of which \$19.0 million is unreserved, undesignated in the General Fund.
- Governmental Fund revenues were \$73.3 million, an increase of \$2.9 million from fiscal year 2009's \$70.4 million. This is due to the City's reporting contributions in revenues other than other financing sources (uses) in fiscal year 2010.
- Governmental Fund expenditures decreased to \$97.3 million in fiscal year 2010, down \$14.6 million from the prior year.
- Enterprise fund operating revenues were \$51.2 million in fiscal year 2010, up \$1.8 million from the prior year.
- Enterprise fund operating expenses were \$44.8 million in fiscal year 2010, an increase of \$1.8 million from the prior year.
- Non-operating revenues, including capital contributions, were \$5.4 million in fiscal year 2010, nearly the same as prior year of \$5.4 million.

General Fund:

- General Fund revenues were \$58.0 million, an increase of \$2.3 million from the prior year.
- General Fund expenditures were \$64.3 million, a decrease of \$0.3 million from the prior year.
- Net transfers into the General Fund were \$5.5 million in fiscal year 2010, an increase of approximately \$0.1 million from the prior year.
- Unreserved, undesignated fund balance for the general fund was \$19.0 million at September 30, 2010 or 29.6 percent of total general fund expenditures of \$64.3 million. The undesignated ending fund balance is down approximately \$0.1 million from the prior year.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

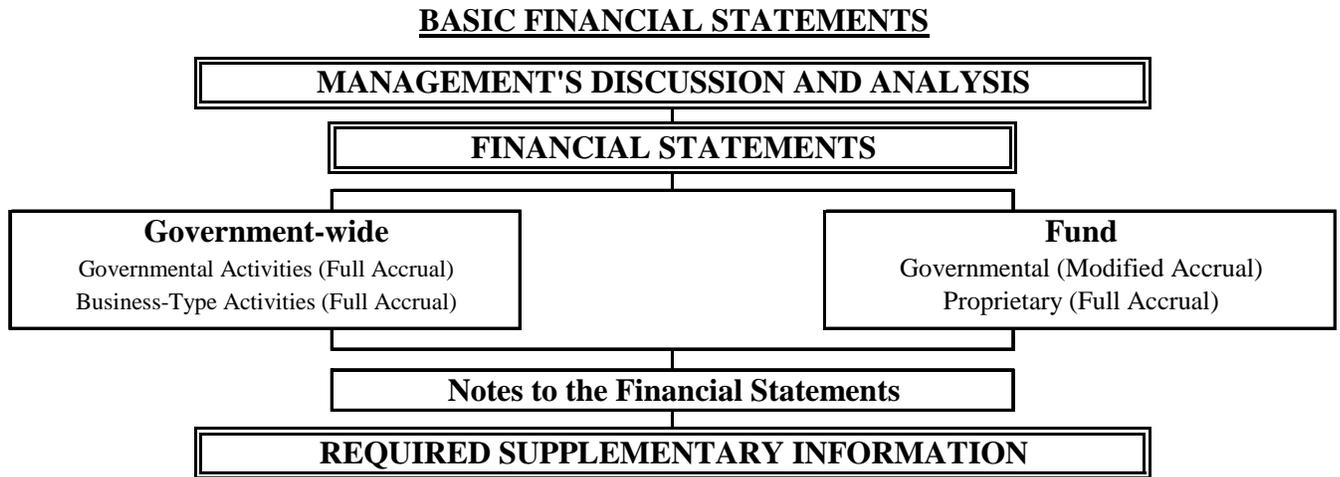
USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

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

Components of the Financial Section



OVERVIEW OF THE FINANCIAL STATEMENTS

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

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

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

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the 2007 G.O. & C.O. bond fund because they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated column labeled as "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the "Combining Statements" section of this financial report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement (page 88) has been provided for the general fund to demonstrate compliance with the budget. This budgetary comparison presents a favorable variance in operating transfers.

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

Enterprise Funds

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning: General Fund – Budget vs. Actual (page 88), the City's progress in funding its obligation to provide pension benefits to qualifying employees (pages 85-87).

Combining Statements

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

Government-Wide Financial Analysis

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$302.6 million for the year ended September 30, 2010.

Net Assets
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Current and other assets	\$ 56.8	\$ 81.5	\$ 57.4	\$ 63.8	\$ 114.2	\$ 145.3
Capital Assets	175.7	169.1	229.0	226.0	404.7	395.1
Total Assets	<u>\$ 232.5</u>	<u>\$ 250.6</u>	<u>\$ 286.4</u>	<u>\$ 289.8</u>	<u>\$ 518.9</u>	<u>\$ 540.4</u>
Liabilities						
Long-term liabilities outstanding	\$ 127.5	\$ 132.2	\$ 76.5	\$ 82.1	\$ 204.0	\$ 214.3
Other liabilities	7.4	14.3	4.9	6.7	12.3	21.0
Total Liabilities	<u>134.9</u>	<u>146.5</u>	<u>81.4</u>	<u>88.8</u>	<u>216.3</u>	<u>235.3</u>
Net Assets						
Invested in capital assets, net of related debt	66.7	70.8	164.5	160.8	\$ 231.2	\$ 231.6
Restricted	11.1	12.1	22.5	12.0	33.6	24.1
Unrestricted	19.8	21.2	18.0	28.2	37.8	49.4
Total Net Assets	<u>97.6</u>	<u>104.1</u>	<u>205.0</u>	<u>201.0</u>	<u>302.6</u>	<u>305.1</u>
Total Liabilities and Net Assets	<u>\$ 232.5</u>	<u>\$ 250.6</u>	<u>\$ 286.4</u>	<u>\$ 289.8</u>	<u>\$ 518.9</u>	<u>\$ 540.4</u>

The largest portion of the City's net assets, \$231.2 million or 76 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment and systems), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

An additional portion of the City's net assets, \$33.6 million or 11 percent, represent resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, unexpended construction contracts, and in the City of Killeen Charter. The remaining balance of unrestricted net assets, \$37.8 million or 13 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

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

Analysis of Change in Net Assets

The City's net assets overall decreased by \$2.51 million during the current fiscal year. These increments are explained in the governmental and business-type activities discussion in the following table.

Changes in Net Assets						
<i>(in millions of dollars)</i>						
	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
<i>Program revenues:</i>						
Charges for services	\$ 10.83	\$ 10.98	\$ 51.18	\$ 49.37	\$ 62.01	\$ 60.35
Operating grants and contributions	2.82	3.08	-	-	2.82	3.08
Capital grants and contributions	1.84	2.35	5.13	4.59	6.97	6.94
<i>General revenues:</i>						
Property taxes	31.03	29.97	-	-	31.03	29.97
Business taxes	5.92	5.69	-	-	5.92	5.69
Sales taxes	20.65	19.85	-	-	20.65	19.85
Gain on sale of investment	-	-	0.03	0.02	0.03	0.02
Interest and investment income	0.21	1.01	0.20	0.75	0.41	1.76
Total Revenues	<u>73.30</u>	<u>72.93</u>	<u>56.54</u>	<u>54.73</u>	<u>129.84</u>	<u>127.66</u>
Expenses						
General	\$ 16.58	\$ 13.87	\$ -	\$ -	\$ 16.58	\$ 13.87
Police	24.50	21.81	-	-	24.50	21.81
Fire	16.35	16.27	-	-	16.35	16.27
Public Works	11.06	10.66	-	-	11.06	10.66
Library	1.48	1.68	-	-	1.48	1.68
Parks and Recreation	2.68	3.47	-	-	2.68	3.47
Community Services	5.71	5.63	-	-	5.71	5.63
Golf	1.71	1.88	-	-	1.71	1.88
Interest on Long-term Debt	5.28	5.09	-	-	5.28	5.09
Airport Operations	-	-	6.84	6.79	6.84	6.79
Solid Waste	-	-	12.24	11.81	12.24	11.81
Water and Sewer	-	-	25.59	24.61	25.59	24.61
Drainage Utility	-	-	2.33	2.41	2.33	2.41
Total Expenses	<u>85.35</u>	<u>80.36</u>	<u>47.00</u>	<u>45.62</u>	<u>132.35</u>	<u>125.98</u>
Change in net assets before transfers	(12.05)	(7.43)	9.54	9.11	(2.51)	1.68
Transfers	5.56	7.70	(5.56)	(7.70)	-	-
Change in net assets	(6.49)	0.27	3.98	1.41	(2.51)	1.68
Net assets at beginning of year	104.07	103.80	201.05	199.63	305.12	303.43
Net assets at end of year	<u>\$ 97.58</u>	<u>\$ 104.07</u>	<u>\$ 205.03</u>	<u>\$ 201.04</u>	<u>\$ 302.61</u>	<u>\$ 305.11</u>

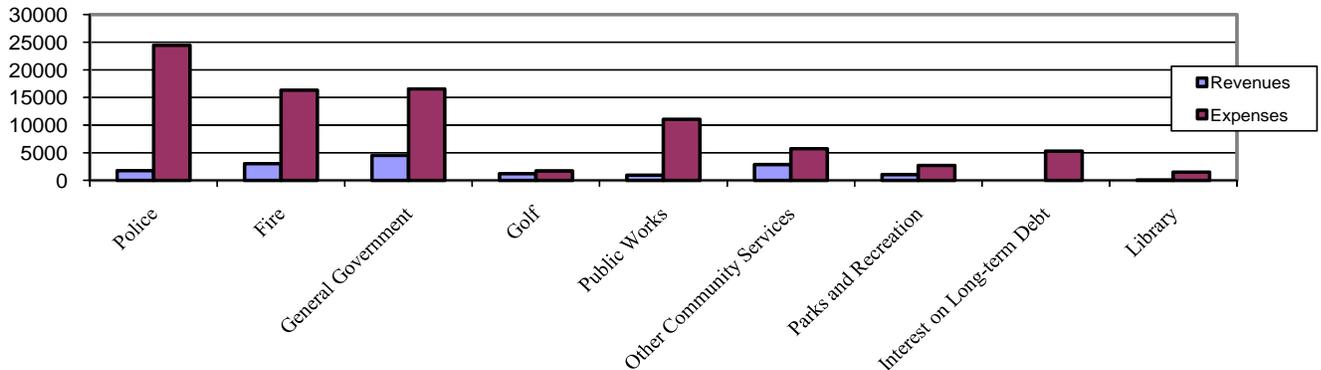
City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

Governmental Activities

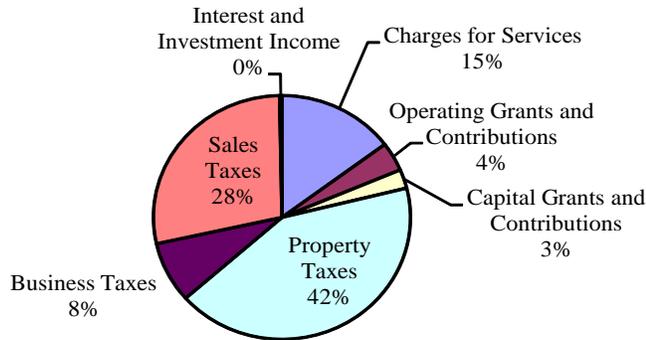
Governmental activities decreased the City's net assets by \$6.49 million, thereby accounting for the decline in the net assets of the City. Key factors of this decrease are as follows:

The charts below illustrate the City's governmental expenses and revenues by function. As shown, police is the largest function in expense (\$24.50 million), followed by fire (\$16.35 million) and general government (\$16.58 million). General revenues such as sales, property, and business taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, property taxes are the largest single source of funds (\$31.03 million), followed by sales taxes (\$20.65 million) and charges for services (\$10.83 million). Property tax revenue increased by \$1.06 million, sales tax revenue increased by \$0.8 million, and charges for services decreased by \$0.2 million from the previous fiscal year.

Program Revenues and Expenses - Governmental Activities
Fiscal Year 2009-10
(in thousands of dollars)



Revenue by Source - Governmental Activities
Fiscal Year 2009-10



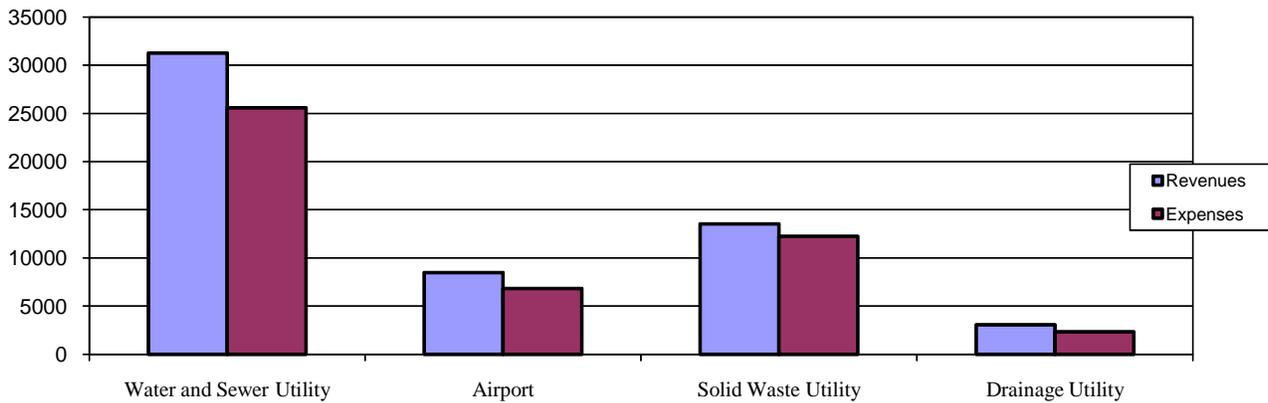
City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

Business-type Activities

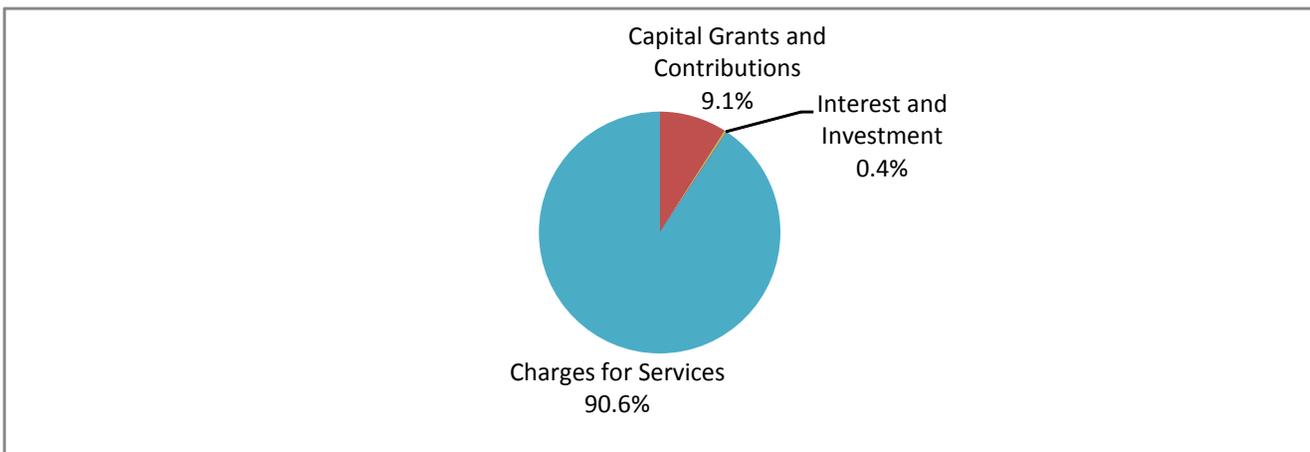
Business-type activities increased the City's net assets by \$3.98 million, accounting for the growth in the City's net assets. Key factors of this increase are as follows:

The charts following illustrate the City's business-type expenses and revenues by fund. The largest of the City's business-type activities, Water and Sewer utilities, had expenses of \$25.6 million in fiscal year 2010, followed by Solid Waste with expenses of approximately \$12.2 million. Charges for services provided the largest share of revenues (90.5 percent) followed by capital grants and contributions (9.1 percent) for all business-type activities. Charges for services revenue increased by \$1.81 million this year, and operating expenses increased by \$1.4 million. Total revenues increased by \$1.8 million.

Program Revenues and Expenses - Business Type Activities
Fiscal Year 2009-10
(in thousands of dollars)



Revenue by Source - Governmental Activities
Fiscal Year 2009-10



City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Governmental funds reported by the City include the general fund, special revenue funds, debt service funds, and capital project funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$48.1 million, a decrease of \$17.9 million in comparison with the prior year. Approximately \$22.3 million (46.4 percent) of this total amount constitutes unreserved/undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved for encumbrances, inventories, debt service, and capital projects or designated to be used for emergencies or for special purposes designated by the City.

Revenues for governmental functions overall totaled approximately \$73.3 million in the fiscal year ended September 30, 2010, which represents a \$2.9 million increase from the prior fiscal year. Expenditures for governmental functions totaling \$97.3 million decreased by approximately \$14.6 million from the previous fiscal year. In the fiscal year ended September 30, 2010, expenditures for governmental functions exceeded revenues by approximately \$24.0 million.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved/undesignated fund balance of the general fund was \$19.0 million, while total fund balance was \$22.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved/undesignated fund balance represents 29.6 percent of total general fund expenditures, while total fund balance represents 34.5 percent of that same amount.

General Fund Budgetary Highlights

The following is a brief review of the budgetary changes from the original to the final general fund budget. Operating revenue budgets are not adjusted for increased projections throughout the year. Expenditure budgets were increased in the following categories through budget amendments primarily due to the unexpected increase in the City's sales tax revenue.

- \$114 thousand increase in general government expenditures
- \$320 thousand increase in public safety expenditures

During the fiscal year, the City began the process of issuing new debt. Although the new debt will not be issued until the fiscal year 2010-2011, the City has already begun work on several of the public works projects that will be funded by the new debt. Therefore, the budget appears to have been over-expended by \$1.1 million in the public works division within the general fund. When the new debt is issued, it will reimburse the general fund for the expenditures it incurred on the projects.

Proprietary Funds

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

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

At the end of the fiscal year, the unrestricted net assets for the Airport Fund were \$2.1 million, the Solid Waste Fund had \$3.0 million, the Water and Sewer Fund had \$12.5 million and the Drainage Utility Fund had \$0.3 in unrestricted net assets. The total growth in net assets for the enterprise funds was \$4.0 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2010, amount to \$404.7 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, vehicles, furniture, fixtures, equipment, construction in progress and infrastructure. The total increase in the City's capital assets (net of accumulated depreciation) for the current fiscal year was \$9.7 million (a 3.9 percent increase for governmental activities and a 1.4 percent increase for business-type activities) as shown in the table below.

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

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 7.1	\$ 7.1	\$ 1.6	\$ 1.6	\$ 8.7	\$ 8.7
Buildings and Land Improvements	69.0	41.1	145.9	144.2	214.9	185.3
Improvements Other	-	-	70.2	56.8	70.2	56.8
Vehicles	4.6	5.3	2.8	4.1	7.4	9.4
Furniture, Fixtures, Office Equipment	4.3	4.9	1.6	2.3	5.9	7.2
Construction in Progress	9.5	26.8	6.9	16.9	16.4	43.7
Infrastructure Assets	81.2	83.9	-	-	81.2	83.9
Total	<u>\$ 175.7</u>	<u>\$ 169.1</u>	<u>\$ 229.0</u>	<u>\$ 225.9</u>	<u>\$ 404.7</u>	<u>\$ 395.0</u>

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

- Governmental and business-type activities' Buildings and improvements increased by \$43 million due mostly to the addition of the completed police department headquarters and the new fire station buildings that were previously reported in construction in progress.

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

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$196.4 million. Of this amount, \$77.2 million is general obligation bonds backed by the full faith and credit of the City and \$66.1 million in revenue bonds, certificates of obligation or other obligations of the City's business enterprises. The remainder includes certificates of obligation and other obligations of \$53.3 million of governmental activities.

During fiscal year 2010, the City's total bonded debt decreased by approximately \$10.5 million. The decrease is the result of the scheduled payments against the bonds, which reduced the amount owed by the City.

Outstanding Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 67.8	\$ 56.8	\$ 9.4	\$ 3.6	\$ 77.2	\$ 60.4
Revenue bonds (less deferred)	-	-	49.8	60.4	49.8	60.4
Certificates of obligation	52.9	68.3	16.3	17.1	69.2	85.4
Capital lease payable	0.4	0.7	-	-	0.4	0.7
Plus unamortized bond premium/ (discounts)	0.3	(0.1)	1.2	1.0	1.5	0.9
Less deferred amounts on refunding	(0.8)	(0.3)	(0.9)	(0.6)	(1.7)	(0.9)
Total outstanding debt	<u>\$ 120.6</u>	<u>\$ 125.4</u>	<u>\$ 75.8</u>	<u>\$ 81.5</u>	<u>\$ 196.4</u>	<u>\$ 206.9</u>

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

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

City of Killeen Bonded Debt Ratings
September 30, 2010

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

The state limits the legal amount of general obligation debt of a governmental entity to \$1.25 per \$100 valuation. The City's 2010 debt levy equaled \$0.5914 per \$100 assessed valuation, or 47.3 percent of the maximum allowed. Additional information on the City's long-term debt can be found in Section IV, Note G, of the notes to the Financial Statements.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

Economic Factors and Next Years' Budget and Rates

At the time this MD&A was written, most of the leading indicators such as the stock market, money supply, and the labor market were still showing signs of inflation remaining subdued for some time. Economic conditions are likely to warrant slow economic recovery from the national recession. The housing sector has improved but household spending remains constrained by a weak labor market, sluggish income growth, lower housing wealth, and tight credit. The government's fiscal stimulus programs were a major positive influence but true economic recovery will be gradual. A key to supporting economic growth will be labor market improvements in jobs and income. During the month of December, the national unemployment rate declined to 9.1 percent from 9.7 percent a year ago, while Killeen's unemployment rate saw an increase to 8.4 percent in December from 7.4 percent a year ago. Other local economic indicators in Killeen trigger concerns but also show a stable climate. Sales tax revenues for the month of December are above last year's numbers by 3.8% while hotel occupancy year-to-date tax revenues declined from last year's revenues by 7.3%. Additionally, the number of active utility customers in the city increased 2.9% over last year's number.

The City of Killeen continues to maintain a stable economy because of the diversified service oriented economy, large labor workforce, affordable housing development and commercial retail sector. Killeen-Fort Hood's Regional Airport (KFHRA) opened for business in August of 2004 and immediately started setting records for enplanements and deplanements. The future economic development opportunities to be derived from the opening of the KFHRA are unlimited.

Tourism is one of Killeen's major industries and is a significant contributor to the City's economy. Many local hotels, motels and restaurants complement the city's 63,000 square feet Civic and Conference Center. The Center boasts a 23,400 square feet ballroom, 3,000 square feet special events room, six large meeting rooms and two small meeting rooms in addition to full-featured kitchen facilities. Although in the year ending September 30, 2010, Hotel Occupancy tax revenues showed a decline because of the national economic condition, the cumulative effect through the end of this fiscal year displays an overall increase since the conference center opened in 2002. Increased tourism connected with the activities of Fort Hood influence the activities at the conference center and hotel occupancy tax receipts. The long-term outlook for local tourism looks positive.

This budget is submitted in accordance with the provisions of our City Charter which requires the City Manager to submit a proposed budget between forty-five and ninety days prior to the beginning of each fiscal year. I believe that this budget formulates a plan of municipal services that reflects the general directions and concerns of the City Council and the input from citizens received during the public forums. Many factors were considered in preparing the City's budget for fiscal year 2009-10, including national, state, and local economic trends. The concerns of our citizens and the priorities of the City Council were included in the development of the budget. The stability and continuing growth in the local economy allowed the City to address major needs in the budget this year. The budget for the 2010-11 fiscal year includes:

- Conservative projections of major revenue sources.
- Maintaining the ad valorem tax rate.
- Strengthened police department resources to deter crime and provide enhanced safety.
- Providing funding for street improvements and infrastructure needs.

City of Killeen, Texas
Management's Discussion and Analysis (Continued)
September 30, 2010

As the City continues to work to reduce the projected operating budget deficit, the City remains committed to meet certain obligations, such as:

- Maintaining essential city services.
- Fully funding the City's share of financial obligations associated with the airport.
- Taking care of our employees by maintaining adequate pay plans, adequate benefits, and avoiding employee reductions in force.
- Maintaining the City's financial condition.
- Updating and maintaining the long-term financial models for each major fund.
- Continued investment in the City's basic infrastructure and public facilities, combined with a careful analysis of their operating costs.
- Maintaining the City's financial reserves to ensure the city can provide basic services during economic downturns or major emergencies and make strategic investments in Killeen's economic base.

Request for Information

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

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

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

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BASIC FINANCIAL STATEMENTS

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Killeen Economic Development Corp.
ASSETS				
Cash and cash equivalents	\$ 34,363,237	\$ 12,558,795	\$ 46,922,032	\$ 4,663,148
Investments	15,027,505	15,285,330	30,312,835	-
Receivables (net of allowances for uncollectibles):				
Grants	337,698	38,288	375,986	-
Taxes	3,963,491	-	3,963,491	-
Accounts	1,315,275	6,547,017	7,862,292	-
Notes	-	-	-	53,542
Accrued interest	29,290	47,315	76,605	-
Internal balances	331,024	(331,024)	-	-
Inventories	411,342	286,558	697,900	-
Prepaid items	-	625,000	625,000	-
Restricted assets:				
Cash and cash equivalents	83,323	21,518,472	21,601,795	-
Deferred charges	850,484	827,113	1,677,597	-
Other assets	96,588	-	96,588	193,327
Capital assets:				
Non-depreciable	16,671,380	8,546,012	25,217,392	2,303,392
Depreciable (net)	159,050,366	220,473,394	379,523,760	3,234,856
Total assets	\$ 232,531,003	\$ 286,422,270	\$ 518,953,273	\$ 10,448,265

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

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Killeen Economic Development Corp.
LIABILITIES				
Accounts payable	\$ 4,419,316	\$ 2,261,229	\$ 6,680,545	\$ 50,125
Escrow payable	-	2,000	2,000	-
Due to other governments	565,123	-	565,123	-
Customer deposits	71,066	2,110,374	2,181,440	-
Accrued interest payable	862,392	372,158	1,234,550	-
Deferred revenue	838,335	15,489	853,824	-
Accrued salaries payable	614,891	155,843	770,734	-
Noncurrent liabilities				
Due within one year	5,630,511	4,715,573	10,346,084	806,918
Due in more than one year	121,950,755	71,763,486	193,714,241	-
Total liabilities	<u>134,952,389</u>	<u>81,396,152</u>	<u>216,348,541</u>	<u>857,043</u>
NET ASSETS				
Invested in capital assets, net of related debt	66,724,909	164,542,836	231,267,745	4,731,330
Restricted for:				
Debt service	3,870,447	7,987,426	11,857,873	-
Capital projects	7,234,927	14,536,005	21,770,932	-
Economic development	-	-	-	4,859,892
Unrestricted	19,748,331	17,959,851	37,708,182	-
Total net assets	<u>\$ 97,578,614</u>	<u>\$ 205,026,118</u>	<u>\$ 302,604,732</u>	<u>\$ 9,591,222</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 16,580,327	\$ 4,185,056	\$ 313,748	\$ -
Police	24,495,756	877,344	105,329	793,349
Fire	16,345,268	2,724,017	300,259	-
Public works	11,062,840	-	-	976,958
Library	1,481,728	42,879	28,909	-
Parks and recreation	2,684,980	1,049,252	-	-
Community services	5,711,591	741,400	2,068,593	72,450
Golf	1,714,427	1,210,900	-	-
Interest on long-term debt	5,280,410	-	-	-
Total governmental activities	<u>85,357,327</u>	<u>10,830,848</u>	<u>2,816,838</u>	<u>1,842,757</u>
Business-type activities:				
Airport operations	6,843,195	4,632,837	-	3,837,408
Solid waste	12,239,129	13,530,501	-	-
Water and sewer	25,586,685	30,001,656	-	1,254,985
Drainage utility	2,336,704	3,016,767	-	32,681
Total business-type activities	<u>47,005,713</u>	<u>51,181,761</u>	<u>-</u>	<u>5,125,074</u>
Total primary government	<u>\$ 132,363,040</u>	<u>\$ 62,012,609</u>	<u>\$ 2,816,838</u>	<u>\$ 6,967,831</u>
Component Unit:				
Killeen Economic Development Corp.	<u>\$ 2,079,448</u>	<u>\$ 515,877</u>	<u>\$ 854,678</u>	<u>\$ -</u>

General revenues:

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

Change in net assets

- Net assets - beginning
- Net assets - ending

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

EXHIBIT A-2

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit Killeen Economic Development Corp.
	Business - Type Activities	Total	
\$ (12,081,523)	\$ -	\$ (12,081,523)	\$ -
(22,719,734)	-	(22,719,734)	-
(13,320,992)	-	(13,320,992)	-
(10,085,882)	-	(10,085,882)	-
(1,409,940)	-	(1,409,940)	-
(1,635,728)	-	(1,635,728)	-
(2,829,148)	-	(2,829,148)	-
(503,527)	-	(503,527)	-
(5,280,410)	-	(5,280,410)	-
<u>(69,866,884)</u>	<u>-</u>	<u>(69,866,884)</u>	<u>-</u>
-	1,627,050	1,627,050	-
-	1,291,372	1,291,372	-
-	5,669,956	5,669,956	-
-	712,744	712,744	-
<u>-</u>	<u>9,301,122</u>	<u>9,301,122</u>	<u>-</u>
(69,866,884)	9,301,122	(60,565,762)	-
			<u>(708,893)</u>
30,779,266	-	30,779,266	-
250,000	-	250,000	-
293,119	-	293,119	-
5,406,007	-	5,406,007	-
20,648,682	-	20,648,682	-
220,694	-	220,694	-
211,699	203,576	415,275	25,707
-	34,750	34,750	-
5,559,226	(5,559,226)	-	-
<u>63,368,693</u>	<u>(5,320,900)</u>	<u>58,047,793</u>	<u>25,707</u>
(6,498,191)	3,980,222	(2,517,969)	(683,186)
104,076,805	201,045,896	305,122,701	10,274,408
<u>\$ 97,578,614</u>	<u>\$ 205,026,118</u>	<u>\$ 302,604,732</u>	<u>\$ 9,591,222</u>

CITY OF KILLEEN, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2010

	General Fund	2007 G.O. & C.O. Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,272,776	\$ 1,638,763	\$ 24,451,698	\$ 34,363,237
Investments	13,484,286	1,543,219	-	15,027,505
Receivables (net of allowances for uncollectibles):				
Grants	72,750	-	264,948	337,698
Taxes	3,797,974	-	165,517	3,963,491
Accounts	1,284,928	-	30,347	1,315,275
Accrued interest	22,531	6,759	-	29,290
Inventories	404,478	-	6,864	411,342
Restricted assets:				
Cash and cash equivalents	59,511	-	23,812	83,323
Due from other funds	1,007	-	330,536	331,543
Other current assets	96,588	-	-	96,588
Total assets	<u>\$ 27,496,829</u>	<u>\$ 3,188,741</u>	<u>\$ 25,273,722</u>	<u>\$ 55,959,292</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,222,638	\$ 763,340	\$ 1,433,338	\$ 4,419,316
Due to other governments	493,546	-	71,577	565,123
Due to other funds	-	-	519	519
Customer deposits	71,066	-	-	71,066
Accrued salaries payable	603,617	-	11,274	614,891
Vacation and sick leave payable	31,540	-	-	31,540
Deferred revenue	1,872,984	-	228,518	2,101,502
Total liabilities	<u>5,295,391</u>	<u>763,340</u>	<u>1,745,226</u>	<u>7,803,957</u>
Fund balances:				
Reserved:				
Encumbrances	635,783	-	244,044	879,827
Inventories	404,478	-	6,864	411,342
Debt service	240,170	-	3,630,277	3,870,447
Capital projects	-	2,425,401	16,376,141	18,801,542
Unreserved:				
Designated for emergencies (Note F)	1,525,000	-	-	1,525,000
Designated for special use (Note F)	366,405	-	-	366,405
Undesignated - general fund	19,029,602	-	-	19,029,602
Undesignated - special revenue funds	-	-	3,271,170	3,271,170
Total fund balances	<u>22,201,438</u>	<u>2,425,401</u>	<u>23,528,496</u>	<u>48,155,335</u>
Total liabilities and fund balances	<u>\$ 27,496,829</u>	<u>\$ 3,188,741</u>	<u>\$ 25,273,722</u>	<u>\$ 55,959,292</u>

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

CITY OF KILLEEN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Total fund balances - governmental funds balance sheet	\$ 48,155,335
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds.	175,721,746
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(127,164,133)
The net increase in the Other Post Employment Benefit Obligation (OPEB) is not due and payable in the current period and, therefore, is not reported in the funds	(397,501)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>1,263,167</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 97,578,614</u></u>

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

**CITY OF KILLEEN, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	2007 G.O. & C.O. Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 46,863,166	-	\$ 10,730,942	\$ 57,594,108
Licenses and permits	1,365,200	-	-	1,365,200
Intergovernmental	641,191	-	2,661,465	3,302,656
Charges for services	5,148,265	-	433,727	5,581,992
Fines	2,334,651	-	911,579	3,246,230
Contributions	366,405	-	80,591	446,996
Developer contributions	850,165	-	-	850,165
Miscellaneous	467,695	28,595	408,926	905,216
Total revenues	<u>58,036,738</u>	<u>28,595</u>	<u>15,227,230</u>	<u>73,292,563</u>
EXPENDITURES				
Current expenditures:				
General government	8,734,364	-	1,731,135	10,465,499
Public safety	35,784,710	-	1,088,681	36,873,391
Public works	4,047,734	-	-	4,047,734
Community services	7,180,195	-	2,125,033	9,305,228
Miscellaneous	5,531,515	-	80	5,531,595
Capital outlay	2,766,241	9,514,549	7,962,559	20,243,349
Debt service:				
Principal	209,838	-	4,776,073	4,985,911
Interest	30,332	-	5,164,768	5,195,100
Fiscal charges	-	-	25,732	25,732
Costs of issuance	-	-	109,000	109,000
Deferred amount on refunding	-	-	546,097	546,097
Total expenditures	<u>64,284,929</u>	<u>9,514,549</u>	<u>23,529,158</u>	<u>97,328,636</u>
Deficiency of revenues under expenditures	<u>(6,248,191)</u>	<u>(9,485,954)</u>	<u>(8,301,928)</u>	<u>(24,036,073)</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	13,330,000	13,330,000
Premium on refunding bonds issued	-	-	365,808	365,808
Refund to bond escrow agent	-	-	(13,084,092)	(13,084,092)
Transfers in	5,509,779	-	14,593,935	20,103,714
Transfers out	(24,121)	-	(14,520,367)	(14,544,488)
Total other financing sources (uses)	<u>5,485,658</u>	<u>-</u>	<u>685,284</u>	<u>6,170,942</u>
Net changes in fund balances	(762,533)	(9,485,954)	(7,616,644)	(17,865,131)
Fund balances, October 1	<u>22,963,971</u>	<u>11,911,355</u>	<u>31,145,140</u>	<u>66,020,466</u>
Fund balances, September 30	<u>\$ 22,201,438</u>	<u>\$ 2,425,401</u>	<u>\$ 23,528,496</u>	<u>\$ 48,155,335</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, 2010**

Net change in fund balances - total governmental funds \$ (17,865,131)

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

Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This reconciling item represents the amount by which capital outlays exceeded depreciation in the current period. 6,658,784

The issuance of long-term debt (i.e. bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items. 4,985,200

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. (284,391)

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. 7,347

Change in net assets of governmental activities - statement of activities \$ (6,498,191)

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

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2010**

ASSETS	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
Current assets:			
Cash and cash equivalents	\$ 2,276,915	\$ 619,121	\$ 7,615,634
Investments	-	2,011,220	13,274,110
Receivables (net of allowances for uncollectibles):			
Grants	38,288	-	-
Accounts	1,575	1,765,937	4,533,937
Accrued interest	-	4,506	42,809
Inventories	61,188	-	225,370
Prepaid items	-	-	625,000
Restricted assets:			
Cash and cash equivalents	3,032,736	260,227	11,260,170
Deferred charges	-	111,981	618,522
Total current assets	<u>5,410,702</u>	<u>4,772,992</u>	<u>38,195,552</u>
Noncurrent assets:			
Property and equipment:			
Land	1,319,003	72,165	243,332
Buildings and improvements	95,198,291	11,741,288	88,506,559
Improvements other than buildings	-	-	75,789,728
Furniture and equipment	961,962	3,950,869	3,936,830
Vehicles	767,670	8,782,052	3,077,173
Construction in progress	334,702	-	6,576,810
Less accumulated depreciation	(23,869,279)	(12,621,879)	(39,715,305)
Net property and equipment	<u>74,712,349</u>	<u>11,924,495</u>	<u>138,415,127</u>
Total assets	<u>\$ 80,123,051</u>	<u>\$ 16,697,487</u>	<u>\$ 176,610,679</u>

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

EXHIBIT A-7

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 2,047,125	\$ 12,558,795
-	15,285,330
-	38,288
245,568	6,547,017
-	47,315
-	286,558
-	625,000
6,965,339	21,518,472
96,610	827,113
<u>9,354,642</u>	<u>57,733,888</u>
-	1,634,500
-	195,446,138
3,688,598	79,478,326
967,515	9,817,176
602,021	13,228,916
-	6,911,512
(1,290,699)	(77,497,162)
<u>3,967,435</u>	<u>229,019,406</u>
<u>\$ 13,322,077</u>	<u>\$ 286,753,294</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS (CONTINUED)
SEPTEMBER 30, 2010**

LIABILITIES AND NET ASSETS	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
Liabilities:			
Current liabilities:			
Accounts payable	\$ 131,654	\$ 524,444	\$ 1,541,054
Escrow payable	2,000	-	-
Due to other funds	488	173,576	156,960
Customer deposits	-	-	2,110,374
Accrued salaries payable	24,967	52,478	64,599
Vacation and sick leave payable	2,188	4,633	5,663
Deferred revenue	1,575	12,455	1,459
Current portion of general obligation bonds payable	-	-	4,092,700
Current portion of certificate of obligation bonds payable	-	320,000	-
Restricted accrued interest payable	-	-	323,998
Total current liabilities	<u>162,872</u>	<u>1,087,586</u>	<u>8,296,807</u>
Noncurrent liabilities:			
Vacation and sick leave payable	105,298	222,371	272,073
General obligation bonds payable - long-term	-	-	55,161,800
Certificate of obligation bonds payable - long-term	-	9,525,000	-
Deferred amount on refunding bonds	-	-	(976,962)
Unamortized bond premium (discount)	-	(54,963)	1,350,356
Total non-current liabilities	<u>105,298</u>	<u>9,692,408</u>	<u>55,807,267</u>
Total liabilities	<u>268,170</u>	<u>10,779,994</u>	<u>64,104,074</u>
Net Assets:			
Investment in capital assets (net of related debt)	74,712,349	2,135,858	85,963,265
Restricted:			
Capital projects	3,030,721	-	7,323,503
Debt service	-	738,969	6,669,499
Unrestricted	2,111,811	3,042,666	12,550,338
Total net assets	<u>79,854,881</u>	<u>5,917,493</u>	<u>112,506,605</u>
Total liabilities and net assets	<u>\$ 80,123,051</u>	<u>\$ 16,697,487</u>	<u>\$ 176,610,679</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-7 (CONT'D)

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 64,077	\$ 2,261,229
-	2,000
-	331,024
-	2,110,374
13,799	155,843
389	12,873
-	15,489
-	4,092,700
290,000	610,000
48,160	372,158
<u>416,425</u>	<u>9,963,690</u>
30,661	630,403
-	55,161,800
6,185,000	15,710,000
-	(976,962)
(57,148)	1,238,245
<u>6,158,513</u>	<u>71,763,486</u>
<u>6,574,938</u>	<u>81,727,176</u>
1,731,364	164,542,836
4,181,781	14,536,005
578,958	7,987,426
255,036	17,959,851
<u>6,747,139</u>	<u>205,026,118</u>
<u>\$ 13,322,077</u>	<u>\$ 286,753,294</u>

CITY OF KILLEEN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
OPERATING REVENUES			
Charges for services	\$ 4,632,837	\$ 13,530,501	\$ 30,001,656
Total operating revenues	<u>4,632,837</u>	<u>13,530,501</u>	<u>30,001,656</u>
OPERATING EXPENSES			
Purchase of water	-	-	5,858,835
Sewage treatment	-	-	6,273,881
Salaries	1,544,504	3,306,277	4,050,716
Employee benefits	459,213	1,040,173	1,236,317
Repairs and maintenance	281,284	1,253,264	753,287
Supplies	86,339	657,519	621,682
Depreciation	3,246,367	1,640,645	3,873,884
Miscellaneous services and charges	1,225,488	341,274	1,496,163
Refuse disposal costs	-	3,554,218	-
Total operating expenses	<u>6,843,195</u>	<u>11,793,370</u>	<u>24,164,765</u>
Operating income (loss)	<u>(2,210,358)</u>	<u>1,737,131</u>	<u>5,836,891</u>
NON-OPERATING REVENUES (EXPENSES)			
Proceeds from sale of equipment	-	34,750	-
Investment revenue	8,815	13,067	164,504
Industrial development	-	-	(749,010)
Interest expense	-	(445,759)	(672,910)
Total non-operating revenues (expenses)	<u>8,815</u>	<u>(397,942)</u>	<u>(1,257,416)</u>
Income before contributions and transfers	<u>(2,201,543)</u>	<u>1,339,189</u>	<u>4,579,475</u>
CONTRIBUTIONS AND TRANSFERS			
Contributions - capital	3,837,408	-	1,254,985
Transfers out	-	(2,025,766)	(3,515,765)
Total contributions and transfers	<u>3,837,408</u>	<u>(2,025,766)</u>	<u>(2,260,780)</u>
Change in net assets	1,635,865	(686,577)	2,318,695
Beginning net assets, October 1	<u>78,219,016</u>	<u>6,604,070</u>	<u>110,187,910</u>
Ending net assets, September 30	<u>\$ 79,854,881</u>	<u>\$ 5,917,493</u>	<u>\$ 112,506,605</u>

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

EXHIBIT A-8

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 3,016,767	\$ 51,181,761
<u>3,016,767</u>	<u>51,181,761</u>
-	5,858,835
-	6,273,881
845,078	9,746,575
279,050	3,014,753
266,348	2,554,183
103,455	1,468,995
405,666	9,166,562
126,607	3,189,532
-	3,554,218
<u>2,026,204</u>	<u>44,827,534</u>
<u>990,563</u>	<u>6,354,227</u>
-	34,750
17,190	203,576
-	(749,010)
(310,500)	(1,429,169)
<u>(293,310)</u>	<u>(1,939,853)</u>
<u>697,253</u>	<u>4,414,374</u>
32,681	5,125,074
(17,695)	(5,559,226)
<u>14,986</u>	<u>(434,152)</u>
712,239	3,980,222
<u>6,034,900</u>	<u>201,045,896</u>
<u>\$ 6,747,139</u>	<u>\$ 205,026,118</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 5,036,763	\$ 13,304,236	\$ 29,929,360
Receipts from interfund services provided	-	52,436	-
Payments to suppliers	(3,001,327)	(5,767,937)	(15,167,435)
Payments to employees	(1,982,660)	(4,330,089)	(5,266,933)
Payments for interfund services used	488	173,576	156,960
Net cash provided by operating activities	<u>53,264</u>	<u>3,432,222</u>	<u>9,651,952</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Industrial development	-	-	(749,010)
Transfers out to other funds	-	(2,025,766)	(3,515,765)
Net cash used by noncapital financing activities	<u>-</u>	<u>(2,025,766)</u>	<u>(4,264,775)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions/grants	3,837,408	-	1,254,985
Purchase and construction of capital assets	(3,106,189)	(33,971)	(8,576,227)
Proceeds from sale of capital assets	-	34,750	-
Lease revenue	-	3,053	-
Proceeds from long-term debt	-	-	6,870,000
Principal paid on long-term debt	-	(473,027)	(11,640,900)
Interest and fees paid on long-term debt	-	(439,726)	(968,956)
Net cash provided (used) by capital and related financing activities	<u>731,219</u>	<u>(908,921)</u>	<u>(13,061,098)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	-	-	998,401
Interest and dividends on investments	8,815	11,877	164,504
Net cash provided by investing activities	<u>8,815</u>	<u>11,877</u>	<u>1,162,905</u>
Net increase (decrease) in cash and cash equivalents	793,298	509,412	(6,511,016)
Cash and cash equivalents at beginning of year (including \$759,765, \$255,894, \$25,655,767, and \$8,640,232 for the Airport, Solid Waste, Water and Sewer, and Drainage Utility funds, respectively, reported in restricted cash accounts)	<u>4,516,353</u>	<u>369,936</u>	<u>25,386,820</u>
Cash and cash equivalents at end of year (including \$263,053, \$261,517, \$15,052,006, and \$6,951,752 for the Airport, Solid Waste, Water and Sewer, and Drainage Utility funds, respectively, reported in restricted cash accounts)	<u>\$ 5,309,651</u>	<u>\$ 879,348</u>	<u>\$ 18,875,804</u>

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

EXHIBIT A-9

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 3,000,823	\$ 51,271,182
-	52,436
(707,089)	(24,643,788)
(1,124,902)	(12,704,584)
-	331,024
<u>1,168,832</u>	<u>14,306,270</u>
-	(749,010)
<u>(17,695)</u>	<u>(5,559,226)</u>
<u>(17,695)</u>	<u>(6,308,236)</u>
32,681	5,125,074
(484,496)	(12,200,883)
-	34,750
-	3,053
-	6,870,000
(280,000)	(12,393,927)
(302,756)	(1,711,438)
<u>(1,034,571)</u>	<u>(14,273,371)</u>
-	998,401
17,190	202,386
<u>17,190</u>	<u>1,200,787</u>
133,756	(5,074,550)
<u>8,878,708</u>	<u>39,151,817</u>
<u>\$ 9,012,464</u>	<u>\$ 34,077,267</u>

(Continued)

**CITY OF KILLEEN, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (2,210,358)	\$ 1,737,131	\$ 5,836,891
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	3,246,367	1,640,645	3,873,884
Changes in assets and liabilities:			
Decrease (increase) in receivables	402,351	(238,720)	(93,610)
Decrease (increase) in due from other funds	-	52,436	-
Decrease (increase) in inventories	10,969	-	1,351
Decrease (increase) in other assets	-	-	(20,000)
Increase (decrease) in payables	(1,419,185)	38,338	(290,491)
Increase (decrease) in due to other funds	488	173,576	156,960
Increase (decrease) in customer deposits	-	-	145,553
Increase (decrease) in accrued salaries payable	8,113	17,406	20,100
Increase (decrease) in vacation and sick leave payable	12,944	(1,045)	-
Increase (decrease) in deferred revenue	1,575	12,455	21,314
Total adjustments	2,263,622	1,695,091	3,815,061
Net cash provided by operating activities	<u>\$ 53,264</u>	<u>\$ 3,432,222</u>	<u>\$ 9,651,952</u>

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

EXHIBIT A-9 (CONT'D)

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 990,563	\$ 6,354,227
405,666	9,166,562
(15,944)	54,077
-	52,436
-	12,320
-	(20,000)
(210,679)	(1,882,017)
-	331,024
-	145,553
4,558	50,177
(5,332)	6,567
-	35,344
<u>178,269</u>	<u>7,952,043</u>
<u>\$ 1,168,832</u>	<u>\$ 14,306,270</u>

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

separately from the legally separate component unit for which the primary government is financially accountable.

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

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The City reports the following major governmental funds:

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

2007 General Obligation and Certificates of Obligation Bond Fund – is a capital projects fund that accounts for construction projects financed through bond proceeds.

Additionally, the City reports the following fund types:

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

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

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

The City reports the following major enterprise funds:

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1) Deposits and Investments

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

The City is authorized to invest funds in the following:

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2) Interfund Transactions and Receivables and Payables

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

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

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

3) Encumbrances

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

4) Cash and Investments

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

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

5) Inventories and Prepaid Items

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

6) Restricted Assets

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7) Capital Assets

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-30
Improvements - other	10-20
Infrastructure	10-50
Furniture, fixtures, equipment	3-10
Vehicles	5-10

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8) Compensated Absences

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

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

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

9) Transactions Between Funds

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

10) Long-Term Obligations

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

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

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11) Fund Equity

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

12) Comparative Data/Reclassifications

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

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

13) Pension Plans

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

14) Deferred Revenues

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

	Fund			Total Governmental Funds
	General	Special Revenue	Debt Service	
Property taxes receivable	\$ 561,005	\$ -	\$ 165,517	\$ 726,522
Miscellaneous	154,231	-	-	154,231
Ambulance fees receivable	533,645	-	-	533,645
Municipal court receivable	478,966	14,090	-	493,056
Intergovernmental	-	48,911	-	48,911
Parks and recreation	145,137	-	-	145,137
Total deferred revenue	<u>\$ 1,872,984</u>	<u>\$ 63,001</u>	<u>\$ 165,517</u>	<u>\$ 2,101,502</u>

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

15) Other Post-Employment Benefits

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

16) Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$127,164,133 difference are as follows:

General obligation bonds payable	\$ (67,810,500)
Certificates of obligation bonds payable	(52,865,000)
Capital lease payable	(449,099)
Less: Unamortized bond issuance costs - deferred charges	850,484
Less: Deferred amount on refunding	829,483
Plus: Unamortized premium (discount)	(295,798)
Accrued interest payable	(862,392)
Vacation and sick leave payable (in excess fund financial statement liability)	<u>(6,561,311)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (127,164,133)</u></u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$6,658,784 difference are as follows:

Capital outlay	\$ 17,611,770
Depreciation expense	(11,245,484)
Reclassifications	<u>292,498</u>
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of governmental activities	<u><u>\$ 6,658,784</u></u>

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have an effect on net assets. The details of this \$4,985,200 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (13,330,000)
Less: Deferred amount on refunding	546,097
Less: Bond issuance costs	109,000
Less: Bond discount/premium	(365,808)
Principal repayments:	
General obligation debt	2,349,100
Certificate of obligation debt	15,466,973
Capital lease payable	<u>209,838</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 4,985,200</u></u>

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

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

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

Another element of that reconciliation states, “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 \$284,391 difference are as follows:

Other Post Employment Benefits	\$ 17,113
Vacation and sick leave	(290,856)
Accrued interest	61,178
Amortization of bond premium	(6,486)
Amortization of bond issuance costs	(44,363)
Amortization of amount deferred on refunding	<u>(20,977)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (284,391)</u></u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY ACCOUNTING

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

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. BUDGETARY ACCOUNTING (CONTINUED)

3. Subsequent to enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget which may result in a change in total appropriations as long as total estimated expenditures do not exceed total estimated resources. The legal level of control (the level at which expenditures may not legally exceed appropriations) is the department. Each special revenue fund represents a single department. The City Manager may reallocate expenditures within a department without prior City Council approval.
4. Formal budgetary integration is employed as a management control device by expenditure category for the following funds, which have legally adopted annual budgets: general fund, special revenue funds and enterprise funds. Formal annual budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Annual budgetary integration is not employed for the capital projects funds because the small number of contracts and projects in these funds provides effective project length budgetary control.
5. Budgets for the general fund, the special revenue funds, and enterprise funds are adopted on a basis specified by the charge of the City of Killeen. For the general and special revenue funds, this basis is consistent with the modified accrual basis of accounting, except that encumbrances are charged as expenditures. The budgetary comparison presented in this report is on the budgetary basis, which differs with generally accepted accounting principles.
6. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods except for appropriations for major capital projects.
7. During the year, no material supplemental appropriations were adopted.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the fiscal year, the City began the process of issuing new debt. Although the new debt will not be issued until the fiscal year 2010-2011, the City has already begun work on several of the public works projects that will be funded by the new debt. Therefore, the budget appears to have been over-expended by \$1.1 million in the public works division within the general fund. When the new debt is issued, it will reimburse the general fund for the expenditures it incurred on the projects.

The City issued refunding debt during the fiscal year 2009-2010 as well. The debt proceeds were deposited with an escrow agent except for a very small portion, which is budgeted in the respective fund. Therefore, the entire amount of the proceeds was not budgeted as an other financing source, nor was the payment to the escrow agent budgeted.

Additionally, expenditures exceeded appropriations in the police department by \$.01 million. These over-expenditures were funded by unanticipated contributions.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits

All of the City's demand depository accounts are held in a local banking institution under the terms of a written depository contract. The City's policy requires the depository bank to secure the City's funds on a day-to-day basis with approved pledged securities with a market value equal to, but not less than, one hundred percent of the amount on deposit. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2010, \$3,836,549 of the City's \$3,847,395 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance of \$10,846 was covered by FDIC insurance. The City's policy is to maximize its earnings potential by keeping a majority of the City's funds on deposit with Texpool. Funds are transferred from Texpool, as needed, to ensure that the bank balance remains positive at all times.

Investments

Investments are made in accordance with the Investment Policy adopted by the City as amended on December 9, 2008 to comply with the Public Funds Investment Act. This policy, which is applicable to all City funds, permits investments that are in the Notes to the Financial Statements detailed at Note I. D. 1).

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

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

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

Credit risk – As of September 30, 2010, the City’s investments had the following Standard and Poor’s credit ratings:

- TexPool – AAAM
- TexStar – AAAM
- TexasTerm – AAAf
- TexasDAILY - AAAM
- U.S. Agency Securities in FHLBs – AAA

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

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

The following summarizes investments of City Funds:

	Fair Value	Weighted Average Maturity (years)
TexPool (considered cash & cash equivalents due to liquidity)	\$ 50,363,282	0.082
TexStar	3,630,734	0.134
TexasTerm	28,199,155	0.164
U. S. Agency Securities	17,039,733	1.652
Total fair value	<u>\$ 99,232,904</u>	
Portfolio weighted average maturity		0.38

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

External Investment Pools:

The City uses the following external investment pools:

TexPool

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

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

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

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

TexStar

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

TexasTerm

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

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

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

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

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

A. PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessed value for the roll of January 1, 2009, upon which the 2010 fiscal year levy was based, was \$4,565,643,251.

The tax assessment of October 1, 2009 set a tax levy at \$.695 per \$100 of assessed valuation at 100 percent of assumed market value. The City may levy a tax of up to \$1.50 per \$100 of assessed valuations for operations and maintenance purposes.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. PROPERTY TAXES (CONTINUED)

Taxes are due by January 1 following the October 1 levy date, at which time a lien attaches to the property. Tax collections during the fiscal year ended September 30, 2010, for the fiscal year 2010 tax levy, were 96.5 percent of the total tax levy for that year.

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

At September 30, 2010, delinquent property taxes receivable were \$726,520, net of allowance for uncollectible accounts for \$242,173.

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

B. RECEIVABLES

Receivables at September 30, 2010 for the City's individual major governmental funds, in the aggregate non-major governmental funds, and proprietary funds, net of allowances for uncollectible accounts, consist of the following:

	General	2007 G.O. & C.O. Bonds	Other Governmental Funds	Airport	Solid Waste	Water & Sewer	Drainage Utility	Total
Receivables:								
Grants	\$ 72,750	\$ -	\$ 264,948	\$ 38,288	\$ -	\$ -	\$ -	\$ 375,986
Taxes	3,797,974	-	165,517	-	-	-	-	3,963,491
Accounts	1,284,928	-	30,347	1,575	1,765,937	4,533,937	245,568	7,862,292
Accrued interest	22,531	6,759	-	-	4,506	42,809	-	76,605
Total Net								
Receivables	<u>\$ 5,178,183</u>	<u>\$ 6,759</u>	<u>\$ 460,812</u>	<u>\$ 39,863</u>	<u>\$ 1,770,443</u>	<u>\$ 4,576,746</u>	<u>\$ 245,568</u>	<u>\$ 12,278,374</u>

The enterprise fund accounts receivable include unbilled charges for services rendered at September 30, 2010.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS

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

Capital asset activity for the year ended September 30, 2010 was as follows:

Primary Government

	Balance 9/30/2009	Additions	Deletions	Balance 9/30/2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,103,226	\$ -	\$ -	\$ 7,103,226
Construction in progress	26,811,347	6,032,986	(23,276,179)	9,568,154
Total capital assets not being depreciated	<u>33,914,573</u>	<u>6,032,986</u>	<u>(23,276,179)</u>	<u>16,671,380</u>
Capital assets, being depreciated:				
Buildings and improvements	56,991,570	30,747,969	-	87,739,539
Vehicles	19,055,621	997,299	(292,498)	19,760,422
Furniture, fixtures, and equipment	21,815,269	821,855	-	22,637,124
Infrastructure Assets	176,714,647	2,580,338	-	179,294,985
Total capital assets being depreciated	<u>274,577,107</u>	<u>35,147,461</u>	<u>(292,498)</u>	<u>309,432,070</u>
Less accumulated depreciation for:				
Buildings and improvements	15,931,061	2,790,687	-	18,721,748
Vehicles	13,722,223	1,749,145	(292,498)	15,178,870
Furniture, fixtures, and equipment	16,911,108	1,465,811	-	18,376,919
Infrastructure assets	92,864,326	5,239,841	-	98,104,167
Total accumulated depreciation	<u>139,428,718</u>	<u>11,245,484</u>	<u>(292,498)</u>	<u>150,381,704</u>
Total capital assets being depreciated, net	<u>135,148,389</u>	<u>23,901,977</u>	<u>-</u>	<u>159,050,366</u>
Governmental activities capital assets, net	<u>\$ 169,062,962</u>	<u>\$ 29,934,963</u>	<u>\$(23,276,179)</u>	<u>\$ 175,721,746</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2009	Additions	Deletions	Balance 9/30/2010
Airport activities:				
Capital assets not being depreciated:				
Land	\$ 1,319,003	\$ -	\$ -	\$ 1,319,003
Construction in progress	2,162,677	250,862	(2,078,837)	334,702
Total capital assets not being depreciated	3,481,680	250,862	(2,078,837)	1,653,705
Capital assets being depreciated:				
Buildings and improvements	90,290,938	5,002,931	(95,578)	95,198,291
Furniture and equipment	935,151	26,811	-	961,962
Vehicles	767,670	-	-	767,670
Total capital assets being depreciated	91,993,759	5,029,742	(95,578)	96,927,923
Less accumulated depreciation for:				
Buildings and improvements	19,447,533	3,047,895	-	22,495,428
Furniture and equipment	594,302	117,359	-	711,661
Vehicles	581,077	81,113	-	662,190
Total accumulated depreciation	20,622,912	3,246,367	-	23,869,279
Total capital assets being depreciated, net	71,370,847	1,783,375	(95,578)	73,058,644
Aviation activities capital assets, net	\$ 74,852,527	\$ 2,034,237	\$ (2,174,415)	\$ 74,712,349

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2009	Additions	Deletions	Balance 9/30/2010
Solid Waste activities:				
Capital assets not being depreciated:				
Land	\$ 72,165	\$ -	\$ -	\$ 72,165
Total capital assets not being depreciated	72,165	-	-	72,165
Capital assets being depreciated:				
Buildings and improvements	11,741,288	-	-	11,741,288
Furniture and equipment	3,931,084	20,835	(1,050)	3,950,869
Vehicles	8,780,001	15,003	(12,952)	8,782,052
Total capital assets being depreciated	24,452,373	35,838	(14,002)	24,474,209
Less accumulated depreciation for:				
Buildings and improvements	1,987,144	398,824	-	2,385,968
Furniture and equipment	3,069,263	304,158	(262)	3,373,159
Vehicles	5,936,962	937,663	(11,873)	6,862,752
Total accumulated depreciation	10,993,369	1,640,645	(12,135)	12,621,879
Total capital assets being depreciated, net	13,459,004	(1,604,807)	(1,867)	11,852,330
Solid waste activities capital assets, net	\$ 13,531,169	\$ (1,604,807)	\$ (1,867)	\$ 11,924,495

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2009	Additions	Deletions	Balance 9/30/2010
Water and Sewer activities				
Capital assets not being depreciated:				
Land	\$ 243,332	\$ -	\$ -	\$ 243,332
Construction in progress	14,748,987	6,575,548	(14,747,725)	6,576,810
Total capital assets not being depreciated	14,992,319	6,575,548	(14,747,725)	6,820,142
Capital assets being depreciated:				
Buildings and improvements	86,574,975	1,931,584	-	88,506,559
Improvements - other	61,035,834	14,753,894	-	75,789,728
Furniture and equipment	3,873,904	62,926	-	3,936,830
Vehicles	3,109,089	-	(31,916)	3,077,173
Total capital assets being depreciated	154,593,802	16,748,404	(31,916)	171,310,290
Less accumulated depreciation for:				
Buildings and improvements	22,968,639	1,764,425	-	24,733,064
Improvements - other	7,190,187	1,645,449	-	8,835,636
Furniture and equipment	3,262,927	220,183	-	3,483,110
Vehicles	2,451,584	243,827	(31,916)	2,663,495
Total accumulated depreciation	35,873,337	3,873,884	(31,916)	39,715,305
Total capital assets being depreciated, net	118,720,465	12,874,520	-	131,594,985
Water and Sewer activities capital assets, net	<u>\$ 133,712,784</u>	<u>\$ 19,450,068</u>	<u>\$(14,747,725)</u>	<u>\$ 138,415,127</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2009	Additions	Deletions	Balance 9/30/2010
Drainage Utility activities				
Capital assets being depreciated:				
Improvements - other	\$ 3,206,102	\$ 482,496	\$ -	\$ 3,688,598
Furniture and equipment	965,515	2,000	-	967,515
Vehicles	602,021	-	-	602,021
Total capital assets being depreciated	<u>4,773,638</u>	<u>484,496</u>	<u>-</u>	<u>5,258,134</u>
Less accumulated depreciation for:				
Improvements - other	300,867	162,096	-	462,963
Furniture and equipment	460,906	161,087	-	621,993
Vehicles	123,260	82,483	-	205,743
Total accumulated depreciation	<u>885,033</u>	<u>405,666</u>	<u>-</u>	<u>1,290,699</u>
Total capital assets being depreciated, net	<u>3,888,605</u>	<u>78,830</u>	<u>-</u>	<u>3,967,435</u>
Drainage Utility activities capital assets, net	<u>\$ 3,888,605</u>	<u>\$ 78,830</u>	<u>\$ -</u>	<u>\$ 3,967,435</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

	Balance 9/30/2009	Additions	Deletions	Balance 9/30/2010
Total Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,634,500	\$ -	\$ -	\$ 1,634,500
Construction in progress	16,911,664	6,826,410	(16,826,562)	6,911,512
Total capital assets not being depreciated	<u>18,546,164</u>	<u>6,826,410</u>	<u>(16,826,562)</u>	<u>8,546,012</u>
Capital assets being depreciated:				
Buildings and improvements	188,607,201	6,934,515	(95,578)	195,446,138
Improvements - other	64,241,936	15,236,390	-	79,478,326
Furniture and equipment	9,705,654	112,572	(1,050)	9,817,176
Vehicles	13,258,781	15,003	(44,868)	13,228,916
Total capital assets being depreciated	<u>275,813,572</u>	<u>22,298,480</u>	<u>(141,496)</u>	<u>297,970,556</u>
Less accumulated depreciation for:				
Buildings and improvements	44,403,316	5,211,144	-	49,614,460
Improvements - other	7,491,054	1,807,545	-	9,298,599
Furniture and equipment	7,387,398	802,787	(262)	8,189,923
Vehicles	9,092,883	1,345,086	(43,789)	10,394,180
Total accumulated depreciation	<u>68,374,651</u>	<u>9,166,562</u>	<u>(44,051)</u>	<u>77,497,162</u>
Total capital assets being depreciated, net	<u>207,438,921</u>	<u>13,131,918</u>	<u>(97,445)</u>	<u>220,473,394</u>
Business-type activities capital assets, net	<u>\$ 225,985,085</u>	<u>\$ 19,958,328</u>	<u>\$(16,924,007)</u>	<u>\$ 229,019,406</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 697,417
Police	1,981,991
Fire	1,160,218
Public works	5,636,213
Community services	691,768
Permits and inspections	37,843
Parks and recreation	707,306
Library	199,463
Golf	133,265
	<u>\$ 11,245,484</u>
Business-type activities:	
Airport	\$ 3,246,367
Solid waste	1,640,645
Water and sewer	3,873,884
Drainage utility	405,666
	<u>\$ 9,166,562</u>

Construction Commitments

The City had active Water and Sewer, Drainage Utility, Aviation, and Governmental construction projects as of September 30, 2010. At year-end the City's commitments with contractors were as follows:

	Contract Amount	Spent-to-Date	Remaining Commitment
Water and Sewer	\$ 1,579,403	\$ 730,248	\$ 849,155
Drainage Utility	508,654	443,816	64,838
Aviation	2,681,820	2,560,584	121,236
Governmental Funds	42,377,256	33,302,991	9,074,265
	<u>\$ 47,147,133</u>	<u>\$ 37,037,639</u>	<u>\$ 10,109,494</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

Discretely presented component unit

	Balance 9/30/2009	Additions	Deletions	Balance 9/30/2010
Killeen Economic Development Corp. (KEDC)				
Capital assets not being depreciated:				
Land				
KEDC - owned	\$ 280,007	\$ -	\$ -	\$ 280,007
Industrial Park	1,723,082	-	-	1,723,082
Convergys	110,000	-	-	110,000
Enterprise	100,000	-	-	100,000
First National Bank	90,303	-	-	90,303
Total capital assets not being depreciated	<u>2,303,392</u>	<u>-</u>	<u>-</u>	<u>2,303,392</u>
Capital assets being depreciated:				
Buildings				
Convergys	3,109,791	-	-	3,109,791
First National Bank	1,837,080	-	-	1,837,080
Entrance Sign	31,382	-	-	31,382
Total capital assets being depreciated	<u>4,978,253</u>	<u>-</u>	<u>-</u>	<u>4,978,253</u>
Less accumulated depreciation for:				
Buildings	1,610,827	132,570	-	1,743,397
Total accumulated depreciation	<u>1,610,827</u>	<u>132,570</u>	<u>-</u>	<u>1,743,397</u>
Total capital assets being depreciated, net	<u>3,367,426</u>	<u>(132,570)</u>	<u>-</u>	<u>3,234,856</u>
KEDC capital assets, net	<u>\$ 5,670,818</u>	<u>\$ (132,570)</u>	<u>\$ -</u>	<u>\$ 5,538,248</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivables and payables at September 30, 2010 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,007	\$ -
Special Revenue:		
Hotel Occupancy Tax	-	519
Debt Service:		
Tax Interest and Sinking 2005	173,576	-
Refunding Bonds 2009	156,960	-
Total Other Governmental Funds	<u>331,543</u>	<u>519</u>
Aviation	-	488
Solid Waste	-	173,576
Water & Sewer	-	156,960
Total Enterprise Funds	<u>-</u>	<u>331,024</u>
Totals	<u>\$ 331,543</u>	<u>\$ 331,543</u>

Interfund receivables and payables represent short term advances primarily to support debt service and operation of funds.

Transfers during the year ended September 30, 2010 were:

	Transfers In	Transfers Out
General	\$ 5,509,779	\$ 24,121
Other Governmental Funds		
Special Revenue:		
Hotel Occupancy Tax	-	690,000
CDBG HOME Program	24,121	-
Debt Service:		
Certificate of Obligation 2000	9,085,000	337,682
Tax Interest and Sinking 1999	-	8,497
Tax Interest and Sinking 2001	4,645,000	129,188
Tax Interest and Sinking 2005	8,497	-
Certificates of Obligation 2009	364,447	-
General Obligation 2009	-	315,000
Refunding Bond 2010	466,870	13,040,000
Total Governmental Funds	<u>20,103,714</u>	<u>14,544,488</u>
Enterprise:		
Solid Waste	-	2,025,766
Water & Sewer	-	3,515,765
Drainage Utility	-	17,695
Total Enterprise Funds	<u>-</u>	<u>5,559,226</u>
Totals	<u>\$ 20,103,714</u>	<u>\$ 20,103,714</u>

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. FUND EQUITY

Reserves:

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

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

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

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

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

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

Designations:

Designated for special use – these designations were established to be used for specific purposes designated by City management.

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

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

	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Reserved:					
Encumbrances	\$ 635,783	\$ 244,044	\$ -	\$ -	\$ -
Inventories	404,478	6,864	-	-	-
Debt Service	240,170	-	3,630,277	-	7,987,426
Capital Projects	-	-	-	18,801,542	14,536,005
Designated:					
Designated for Emergencies	1,525,000	-	-	-	-
Designated for Special Use	366,405	-	-	-	-
	<u>\$ 3,171,836</u>	<u>\$ 250,908</u>	<u>\$ 3,630,277</u>	<u>\$ 18,801,542</u>	<u>\$ 22,523,431</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2010 is as follows:

Primary government:

	September 30, 2009	Additions	Deletions	September 30, 2010	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 56,829,600	\$ 13,330,000	\$ (2,349,100)	\$ 67,810,500	\$ 2,522,300
Certificates of obligation	68,331,973	-	(15,466,973)	52,865,000	2,625,000
Unamortized bond premiums/(discounts)	(76,496)	365,808	6,486	295,798	-
Deferred amount on refunding	(304,363)	(546,097)	20,977	(829,483)	-
Total bonds payable	124,780,714	13,149,711	(17,788,610)	120,141,815	5,147,300
Compensated absences	6,342,354	990,535	(740,038)	6,592,851	263,714
Net OPEB Obligation	414,614	427,762	(444,875)	397,501	-
Capital lease payable	658,937	-	(209,838)	449,099	219,497
Governmental activity long-term debt	<u>\$ 132,196,619</u>	<u>\$ 14,568,008</u>	<u>\$(19,183,361)</u>	<u>\$ 127,581,266</u>	<u>\$ 5,630,511</u>
Business-Type Activities:					
Revenue bonds	\$ 60,390,000	\$ -	\$(10,525,000)	\$ 49,865,000	\$ 3,050,000
General obligation bonds	3,635,400	6,870,000	(1,115,900)	9,389,500	1,042,700
Certificates of obligation	17,073,027	-	(753,027)	16,320,000	610,000
Unamortized bond premiums/(discounts)	974,532	342,064	(78,351)	1,238,245	-
Deferred amount on refunding	(605,922)	(463,521)	92,481	(976,962)	-
Total bonds payable	81,467,037	6,748,543	(12,379,797)	75,835,783	4,702,700
Compensated absences	633,709	135,265	(125,698)	643,276	12,873
Business-type activity long-term debt	<u>\$ 82,100,746</u>	<u>\$ 6,883,808</u>	<u>\$(12,505,495)</u>	<u>\$ 76,479,059</u>	<u>\$ 4,715,573</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2010 is comprised of the following:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Governmental Fund						
General Obligation Bonds:						
2004 Refunding	2.00-5.00	10/01/04	08/01/29	\$ 24,325,000	\$ 9,835,000	\$ 14,490,000
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	10,000,000	505,000	9,495,000
2007 Various purpose	4.00-4.63	10/01/07	08/01/32	17,665,000	610,000	17,055,000
2009 Refunding	1.00-2.00	08/15/09	08/01/13	744,600	209,100	535,500
2009 Various purpose	3.00-4.80	08/15/09	08/01/34	13,175,000	-	13,175,000
2010 Refunding HOT	2.00-4.00	05/15/10	08/01/30	8,500,000	180,000	8,320,000
2010 Refunding	2.00-4.00	05/15/10	08/01/30	4,830,000	90,000	4,740,000
Total General Obligation Bonds				<u>79,239,600</u>	<u>11,429,100</u>	<u>67,810,500</u>
Tax/Revenue Certificates of Obligation:						
2000 Hotel Occ. & Civic Center	4.50-5.50	12/15/00	08/01/30	10,500,000	10,500,000	-
2001 Various purpose	4.60-6.10	06/15/01	08/01/26	6,000,000	5,805,000	195,000
2002 Golf Course	2.70-4.50	12/01/02	08/01/12	2,000,000	1,500,000	500,000
2003 Various purpose	3.25-5.00	06/15/03	02/01/23	9,000,000	960,000	8,040,000
2004 Various purpose	2.00-4.75	10/01/04	08/01/29	6,000,000	1,905,000	4,095,000
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	11,500,000	635,000	10,865,000
2007 Various purpose	4.00-5.00	10/01/07	08/01/32	24,120,000	1,450,000	22,670,000
2009 Various purpose	2.75-4.35	08/15/09	08/01/29	6,500,000	-	6,500,000
Total Tax/Revenue Certificates of Obligation				<u>75,620,000</u>	<u>22,755,000</u>	<u>52,865,000</u>
Total Governmental Funds				<u>\$ 154,859,600</u>	<u>\$ 34,184,100</u>	<u>\$ 120,675,500</u>
Proprietary Funds						
Revenue Bonds:						
2001 Various purpose	4.75-5.75	06/15/01	08/15/21	\$ 8,700,000	\$ 8,410,000	\$ 290,000
2004 Various purpose	2.25-5.00	10/01/04	08/15/24	20,200,000	2,245,000	17,955,000
2005 Refunding	3.25-4.50	09/15/05	08/15/19	16,875,000	3,650,000	13,225,000
2007 Various purpose	4.00-5.00	10/01/07	08/15/27	21,165,000	2,770,000	18,395,000
Total Revenue Bonds				<u>66,940,000</u>	<u>17,075,000</u>	<u>49,865,000</u>
General Obligation Bonds:						
2009 Refunding	1.00-2.00	08/15/09	08/01/13	3,635,400	1,020,900	2,614,500
2010 Refunding	2.00-4.00	05/15/10	08/15/21	6,870,000	95,000	6,775,000
Total General Obligation Bonds				<u>10,505,400</u>	<u>1,115,900</u>	<u>9,389,500</u>
Tax/Revenue Certificates of Obligation:						
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	9,100,000	1,210,000	7,890,000
2009 Various purpose	2.75-4.35	08/15/09	08/01/29	2,000,000	45,000	1,955,000
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	8,000,000	1,525,000	6,475,000
Total Tax/Revenue Certificates of Obligation				<u>19,100,000</u>	<u>2,780,000</u>	<u>16,320,000</u>
Total Proprietary Funds				<u>\$ 96,545,400</u>	<u>\$ 20,970,900</u>	<u>\$ 75,574,500</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

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

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 2,522,300	\$ 2,851,588	\$ 1,042,700	\$ 278,317
2012	2,825,500	2,765,380	1,344,500	257,463
2013	2,947,700	2,669,320	1,417,300	230,573
2014	2,905,000	2,569,793	695,000	208,950
2015	3,005,000	2,459,293	750,000	188,100
2016-2020	14,050,000	10,602,731	3,485,000	529,200
2021-2025	17,510,000	7,351,769	655,000	26,200
2026-2030	16,255,000	3,419,269	-	-
2031-2034	5,790,000	582,969	-	-
Total	<u>\$ 67,810,500</u>	<u>\$ 35,272,112</u>	<u>\$ 9,389,500</u>	<u>\$ 1,718,803</u>

Capital Lease Payable

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2011	219,497	20,673
2012	229,602	10,569
Total	<u>\$ 449,099</u>	<u>\$ 31,242</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

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

Year Ending September 30	Business-type Activities	
	Principal	Interest
2011	\$ 3,050,000	\$ 2,298,482
2012	2,890,000	2,172,657
2013	2,955,000	2,058,369
2014	3,770,000	1,940,169
2015	3,905,000	1,768,719
2016-2020	16,645,000	6,163,200
2021-2025	12,915,000	2,679,688
2026-2027	3,735,000	258,800
Total	\$ 49,865,000	\$ 19,340,084

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
2011	\$ 2,625,000	\$ 2,250,595	\$ 610,000	\$ 716,676
2012	2,520,000	2,143,363	635,000	694,539
2013	2,315,000	2,046,394	665,000	670,301
2014	2,420,000	1,959,538	690,000	645,701
2015	2,080,000	1,865,450	720,000	619,451
2016-2020	11,890,000	8,010,404	4,115,000	2,613,883
2021-2025	13,150,000	5,353,165	5,115,000	1,649,425
2026-2030	12,795,000	2,563,167	3,770,000	572,835
2031-2032	3,070,000	232,250	-	25,875
Total	\$ 52,865,000	\$ 26,424,326	\$ 16,320,000	\$ 8,208,686

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. LONG-TERM DEBT (CONTINUED)

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

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

During fiscal year ended 2010, the City issued \$20,200,000 in General Obligation Refunding Bonds with an average interest rate of 3.0% to refund and legally defease \$8,395,000 of Certificates of Obligation Bonds, Series 2000, \$4,645,000 of Certificates of Obligation Bonds, Series 2001, and \$6,655,000 of Revenue Bonds, Series 2001. The net proceeds of \$19,695,000 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunding portion of the series bonds referred to above. It is bond counsel's opinion that the current refunding is a legal defeasance.

The City's debt service requirements are decreased by \$2,065,454 over a period beginning fiscal year 2010-2011 and ending with the fiscal year 2029-2030. This refunding allowed the City of Killeen to obtain an economic gain of \$1,009,619.

V. OTHER INFORMATION

A. RISK MANAGEMENT

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

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

V. OTHER INFORMATION (CONTINUED)

B. COMMITMENTS AND CONTINGENCIES

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

In 2003, the City of Killeen completed the process of moving airline operations from the Killeen Municipal Airport to Ft. Hood's Robert Gray Army Airfield as part of a joint use agreement with the U.S. Army. This is a regional intermodal transportation project that involved the construction of a new terminal building, aircraft parking aprons, east side parallel taxi-way, fuel and maintenance facilities, major access roadways to the terminal site, and vehicle parking facilities. The City currently has an operating lease agreement with the Department of the Army for joint-use of a tract of land containing 345 acres and exclusive use of a tract of land containing approximately 76.571 acres. The lease term is for 50 years, with an option to renew for an additional 50 years if the City is in full compliance with the terms of the lease.

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

C. EMPLOYEE BENEFITS

EMPLOYEE PENSION PLAN

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

Plan Description (Continued)

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

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

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%, Transfers	100%, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset), including the funded status as of December 31, 2009, are as follows in a three year trend format:

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

Contributions (Continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Actuarial Value of Assets	\$ 58,701,014	\$ 52,494,308	\$ 49,517,276
Actuarial Accrued Liability	\$ 76,802,346	\$ 69,404,995	\$ 66,346,162
Percentage Funded	76.43%	75.63%	74.64%
Unfunded (Over funded) Actuarial Accrued Liability (UAAL)	\$ 18,101,332	\$ 16,910,687	\$ 16,828,886
Annual Covered Payroll	\$ 36,579,718	\$ 34,856,263	\$ 31,035,339
UAAL as a Percentage of Covered Payroll	49.48%	48.52%	54.23%

Schedule of Net Pension Obligation

	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2008</u>
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	\$ 4,567,683	\$ 4,388,259	\$ 3,795,179
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Subtotal	<u>4,567,683</u>	<u>4,388,259</u>	<u>3,795,179</u>
Contributions Made	4,567,683	4,388,259	3,795,179
Increase in NPO	-	-	-
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The schedule of funding progress presented above is also presented as Required Supplementary Information following the notes to the financial statements and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

Contributions (Continued)

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	23 years; closed period	24 years; closed period	25 years; closed period
Asset Valuation Method	10-Year Smoothed Market	Amotized Cost	Amotized Cost
Actuarial Assumptions:			
Investment Rate of Return	7.5%	7.5%	7.0%
Project Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0%	0%	2.1%

SUPPLEMENTAL DEATH BENEFITS FUND

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

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

Your city offers supplemental death to:	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
Active employees	Yes	Yes
Retirees	Yes	Yes

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

SUPPLEMENTAL DEATH BENEFITS FUND (CONTINUED)

Contributions

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

The City's contribution to the TMRS SDBF for the years ended 2010, 2009 and 2008 were \$98,765, \$93,757, and \$85,454, respectively, which equaled the required contributions each year.

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

Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2008	0.05%	0.05%	100.00%
2009	0.03%	0.03%	100.00%
2010	0.03%	0.03%	100.00%

FIREFIGHTER'S RELIEF AND RETIREMENT SYSTEM

Plan Description

The Board of Trustees of the Killeen Firefighter's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan.

Both paid and volunteer firefighters in the Killeen Fire Department are covered by the Killeen Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the fund at September 30, 2008, the date of the most recent actuarial valuation.

	September 30, 2008
1. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	53
2. Current employees	
a. Fully vested	23
b. Partially vested	26
c. Nonvested	161
3. Total	263

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

FIREFIGHTER'S RELIEF AND RETIREMENT SYSTEM (CONTINUED)

Plan Description (Continued)

The Killeen Firefighter's Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits for both paid and volunteer firefighters. These benefits fully vest after 20 years of credited service. Paid firefighters may retire at the earlier of age 55 with 20 years of service or age 50 with 25 years of service. A partially vested benefit is provided for paid firefighters with at least 10 years of service. Volunteer firefighters may retire at age 55 with 20 years of service. The Plan effective July 1, 2007 provides a monthly benefit for paid firefighters at retirement, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 58.4% of Highest 60-Month Average Salary plus 2.275% of Highest 60-Month Average Salary for each year of service in excess of 20 years. The monthly benefit for volunteer firefighters at retirement is equal to \$155.00 per month payable in a Joint and Two-Thirds to Spouse form of annuity.

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

Summary of Significant Accounting Policies and Plan Asset Matters

The Killeen Firefighter's Relief and Retirement Fund financial statements are prepared using the accrual basis of accounting. The fund's fiscal year began October 1, 2009 and ended September 30, 2010. Employee and employer contributions are recognized as revenues in the period in which the salaries are earned. Investment income is recognized as it is earned. All unrealized gains/losses on sales of assets are recognized on the transaction date.

Contributions Required and Contributions Made

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

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL), and the number of years needed to amortize the plan's UAAL is determined using a level percentage of payroll method. The costs of administering the plan are financed by the fund.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

FIREFIGHTER'S RELIEF AND RETIREMENT SYSTEM (CONTINUED)

Contributions Required and Contributions Made (Continued)

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

For the fiscal year ending September 30, 2009, the City of Killeen's Annual Pension Cost (APC) was \$1,327,293 for the Killeen Firefighter's Relief and Retirement Fund. Based on the results of the September 30, 2008 actuarial valuation of the Plan effective July 1, 2007, the Board's actuary found that the fund has an adequate contribution arrangement based on the current level of the firefighter and City of Killeen contribution rates as discussed above. The schedules of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements in the required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

The annual required contributions (ARC) by the city for the fiscal year ending September 30, 2007 were based on the results of the September 30, 2008 actuarial valuation and were determined in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 27 parameters. The entry age actuarial cost method was used, with the normal cost calculated as a level percentage of payroll.

The actuarial value of assets was determined based on the market value with assets smoothed with a five-year deferred recognition method, with the actuarial value not more than 120% or less than 80% of the market value of assets. The actuarial assumptions included an investment return assumption of 8% per year (net of expenses), projected salary increases of 4% per year as a general salary increase, with annual promotion and longevity ranging from 0% to 7%, and no postretirement cost-of-living adjustments. An inflation assumption of 4% per year is included in the investment return and salary increase assumptions. The unfunded actuarial accrued liability (UAAL) is amortized with the excess of the total contribution rate over the normal cost rate. The number of years needed to amortize the UAAL is determined using an open, level percentage of payroll method, assuming that the payroll will increase 4% per year. The number of years needed to amortize the UAAL was determined to be 23 years as of the September 30, 2008 actuarial valuation based on the plan provisions effective July 1, 2007 and reflecting assumed city contributions of 13% of pay for paid firefighters, \$102 per year per active volunteer firefighter, and \$16,010 per year for all active and retired volunteer firefighters. The following is a schedule of the funding progress for the Firefighter's Relief and Retirement fund for the three most recent actuarial valuations that presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. This information is also included in the required supplementary information immediately following the notes.

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE BENEFITS (CONTINUED)

FIREFIGHTER'S RELIEF AND RETIREMENT SYSTEM (CONTINUED)

Contributions Required and Contributions Made (Continued)

Schedule of Actuarial Liabilities and Funding Progress								
Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll ¹	UAAL as a Percentage of Covered Payroll	
2005	9/30/2004	2,3 \$ 13,458,288	\$ 22,964,558	58.6%	\$ 9,506,270	\$ 5,473,090	173.7%	
2007	9/30/2006	2,3 15,842,065	26,998,706	58.7%	11,156,641	8,245,812	135.3%	
2009	9/30/2008	2,4 20,223,436	31,663,825	63.9%	11,440,389	9,534,549	120.0%	

- ¹ The covered payroll is based on estimated annualized salaries used in the valuation.
- ² Economic and demographic assumptions were revised.
- ³ Reflects plan benefit provisions effective April 1, 1999 and amended October 1, 1999.
- ⁴ Reflects plan benefit provisions effective July 1, 2007.

Schedule of Net Pension Obligation

Reporting Year Ended September 30	Annual Pension Cost (APC)	% Funded	Net Pension Obligation
2008	\$ 1,237,149	100%	\$ -
2009	1,282,647	100%	-
2010	1,368,243	100%	-

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Program Description

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

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

V. OTHER INFORMATION (CONTINUED)

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Program Description (Continued)

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

Funding Policy

Current retirees contribute to the health plan 100% of the total blended premium for active and retired participants. Retiree contributions rates for fiscal year 2010 were \$4,054 to \$16,481 per year depending on coverage levels selected.

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2010, is as follows:

Annual required contribution	\$ 427,052
Interest on net OPEB obligation	9,655
Adjustment to annual required contribution	<u>(8,945)</u>
Annual OPEB cost	427,762
Contributions Made	<u>(444,875)</u>
Decrease in net OPEB	(17,113)
Net OPEB Obligation, beginning of year	<u>414,614</u>
Net OPEB Obligation, end of year	<u><u>\$ 397,501</u></u>

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

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2008 is as follows:

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

The actuarial accrued liability of \$3,227,494 includes \$1,794,809 for active employees and \$1,432,685 for retirees.

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010**

V. OTHER INFORMATION (CONTINUED)

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Valuations

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

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

	OPEB
Actuarial valuation date	December 31, 2008
Inflation rate	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Salary growth	3.00% per annum
Health care cost trend rate	Initial rate of 10% for 2009 declining to an ultimate rate of 4.5% after 11 years

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010**

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
(1)	(2)	(3)	(1) / (2)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2007	49,517,276	66,346,162	74.6%	16,828,886	31,035,339	54.2%
12/31/2008	52,494,308	69,404,995	75.6%	16,910,687	34,856,263	48.5%
12/31/2009	58,701,014	76,802,346	76.4%	18,101,332	36,579,718	49.5%

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

Fiscal Year	Valuation Date	Value of Assets	Accrued Liability (AAL)	Funded Ratio	AAL (UAAL)	Covered Payroll ¹	of Covered Payroll
2005	9/30/2004	2,3 \$ 13,458,288	\$ 22,964,558	58.6%	\$ 9,506,270	\$ 5,473,090	173.7%
2007	9/30/2006	2,3 15,842,065	26,998,706	58.7%	11,156,641	8,245,812	135.3%
2009	9/30/2008	2,4 20,223,436	31,663,825	63.9%	11,440,389	9,534,549	120.0%

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

² Economic and demographic assumptions were revised.

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

⁴ Reflects plan benefit provisions effective July 1, 2007.

**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010**

FIREFIGHTER'S RELIEF AND RETIREMENT FUND (CONTINUED):

Schedule of Employer Contributions

Reporting Year Ended September 30	Annual Required Contribution (ARC)	Actual Contribution	Percentage of Required Contribution Contributed ³
2003	464,924 ²	464,516	100%
2004	534,800 ²	534,800	100%
2005	618,412 ¹	618,412	100%
2006	861,208 ¹	861,208	100%
2007	1,015,040 ¹	998,010	98%
2008	1,237,149 ¹	1,254,330	101%
2009	1,282,647 ¹	1,282,647	100%
2010	1,368,243	1,368,243	100%

- ¹ The annual required contributions (ARC) is equal to the actual city contributions equal to the budgeted contribution rate times the actual covered payroll for paid firefighters plus \$16,010 for volunteer firefighters plus \$102 per active volunteer firefighter.
- ² The ARC is equal to 11.25% of actual covered payroll plus \$16,010 plus \$102 per volunteer firefighter.
- ³ The percentage of the ARC contributed should be determine by dividing the actual contribution by the ARC.

Notes to Required Supplementary Information

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

Valuation date	September 30, 2008
Actuarial cost method	Entry Age
Amortization method	Level percentage of projected payroll, open
Amotization period	23 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80% / 120% corridor on market

Actuarial assumptions:

- Investment rate of return, net of expenses	8.00% per year
- Inflation	4.00% per year
- Projected salary increases	
- general salary increse	4.00% per year
- promotion and longevity increase	0% to 7% per year
- total increase	4.00% to 11.28% per year
- Payroll growth rate	4.00% per year
- Postretirement cost-of-living adjustments	None

**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010**

OTHER POST EMPLOYMENT BENEFITS:**Schedule of Funding Progress**

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed	Interest on NOO (9) x 4.5%	ARC Adjustment (9) / (6)	Amortization Factor	OPEB Cost (2) + (4) - (5)	Change in NOO (7) - (3)	NOO Balance NOO + (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2009	\$ 414,614	\$ -	\$ -	\$ -	23.98540	\$ 414,614	\$ 414,614	\$ 414,614
2010	\$ 427,052	\$ 444,875	\$ 9,655	\$ 8,945	23.98540	\$ 427,762	\$ (17,113)	\$ 397,501

NOTE: Employer contribution amounts shown in Column (3) include the implicit subsidy.

The ARC for fiscal year ending September 30, 2010 is 3.0% greater than the ARC for the prior fiscal year. This increase is consistent with the assumption that the ARC remains level as a percentage of aggregate payroll.

Note: This is the first year of implementation of GASB 45, which requires 3 years of data in this table. Additional years will be added to the disclosure as they become available. The most recent actuarial valuation was December 31, 2008.

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

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 46,863,166	\$45,594,337	\$ 45,594,337	\$ 1,268,829
Licenses and permits	1,365,200	1,167,300	1,167,300	197,900
Intergovernmental	641,191	580,233	625,915	15,276
Charges for services	5,148,265	4,980,613	4,980,613	167,652
Fines	2,334,651	2,171,250	2,171,250	163,401
Contributions	366,405	-	-	366,405
Miscellaneous	467,695	783,000	783,000	(315,305)
Total revenues	<u>57,186,573</u>	<u>55,276,733</u>	<u>55,322,415</u>	<u>1,864,158</u>
EXPENDITURES				
General government	14,227,623	14,774,674	14,888,772	661,149
Public safety	36,109,190	35,980,326	36,300,919	191,729
Public works	5,490,806	4,356,150	4,356,150	(1,134,656)
Community services	7,550,756	8,383,179	8,383,179	832,423
Total expenditures	<u>63,378,375</u>	<u>63,494,329</u>	<u>63,929,020</u>	<u>550,645</u>
Deficiency of revenues under expenditures	(6,191,802)	(8,217,596)	(8,606,605)	2,414,803
OTHER FINANCING SOURCES (USES)				
Transfers in	5,509,779	5,509,779	5,509,779	-
Transfers out	(24,121)	(41,103)	(41,103)	16,982
Total other financing sources	<u>5,485,658</u>	<u>5,468,676</u>	<u>5,468,676</u>	<u>16,982</u>
Net change in fund balance	(706,144)	<u>\$ (2,748,920)</u>	<u>\$ (3,137,929)</u>	<u>\$ 2,431,785</u>
Fund balance, October 1	22,963,971			
Current year encumbrances	635,783			
Prior year encumbrances	<u>(692,172)</u>			
Adjusted fund balance	<u>22,907,582</u>			
Fund balance, September 30	<u>\$ 22,201,438</u>			

CITY OF KILLEEN, TEXAS
2007 G.O. & C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 28,595	\$ 125,000	\$ 125,000	\$ (96,405)
Total revenues	<u>28,595</u>	<u>125,000</u>	<u>125,000</u>	<u>(96,405)</u>
EXPENDITURES				
Capital outlay	<u>9,514,549</u>	<u>11,130,625</u>	<u>14,157,952</u>	<u>4,643,403</u>
Total expenditures	<u>9,514,549</u>	<u>11,130,625</u>	<u>14,157,952</u>	<u>4,643,403</u>
Net change in fund balance	(9,485,954)	<u>\$ (11,005,625)</u>	<u>\$ (14,032,952)</u>	<u>\$ 4,546,998</u>
Fund balance, October 1	<u>11,911,355</u>			
Fund balance, September 30	<u>\$ 2,425,401</u>			

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COMBINING STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS				
Cash and cash equivalents	\$ 3,841,256	\$ 3,300,341	\$ 17,310,101	\$ 24,451,698
Receivables (net of allowances for uncollectibles):				
Grants	146,296	-	118,652	264,948
Taxes	-	165,517	-	165,517
Accounts	30,347	-	-	30,347
Inventories	6,864	-	-	6,864
Restricted assets:				
Cash and cash equivalents	23,812	-	-	23,812
Due from other funds	-	330,536	-	330,536
Total assets	\$ 4,048,575	\$ 3,796,394	\$ 17,428,753	\$ 25,273,722
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 380,126	\$ 600	\$ 1,052,612	\$ 1,433,338
Due to other governments	71,577	-	-	71,577
Due to other funds	519	-	-	519
Accrued salaries payable	11,274	-	-	11,274
Deferred revenue	63,001	165,517	-	228,518
Total liabilities	526,497	166,117	1,052,612	1,745,226
Fund Balances:				
Reserved:				
Encumbrances	244,044	-	-	244,044
Inventories	6,864	-	-	6,864
Debt service	-	3,630,277	-	3,630,277
Capital projects	-	-	16,376,141	16,376,141
Unreserved:				
Undesignated	3,271,170	-	-	3,271,170
Total fund balances	3,522,078	3,630,277	16,376,141	23,528,496
Total liabilities and fund balances	\$ 4,048,575	\$ 3,796,394	\$ 17,428,753	\$ 25,273,722

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES				
Taxes	\$ 1,903,172	\$ 8,827,770	\$ -	\$ 10,730,942
Contributions	-	-	80,591	80,591
Intergovernmental	2,542,813	-	118,652	2,661,465
Charges for services	433,727	-	-	433,727
Fines	911,579	-	-	911,579
Miscellaneous	333,805	30,537	44,584	408,926
Total revenues	<u>6,125,096</u>	<u>8,858,307</u>	<u>243,827</u>	<u>15,227,230</u>
EXPENDITURES				
Current:				
General government	1,731,135	-	-	1,731,135
Public safety	1,088,681	-	-	1,088,681
Community services	2,125,033	-	-	2,125,033
Miscellaneous	80	-	-	80
Capital outlay	1,059,251	-	6,903,308	7,962,559
Debt service:				
Principal	-	4,776,073	-	4,776,073
Interest	-	5,164,768	-	5,164,768
Fiscal charges	-	25,732	-	25,732
Costs of Issuance	-	109,000	-	109,000
Deferred amount on refunding	-	546,097	-	546,097
Total expenditures	<u>6,004,180</u>	<u>10,621,670</u>	<u>6,903,308</u>	<u>23,529,158</u>
Excess (deficiency) of revenues over expenditures	<u>120,916</u>	<u>(1,763,363)</u>	<u>(6,659,481)</u>	<u>(8,301,928)</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	13,330,000	-	13,330,000
Premium on refunding bonds issued	-	365,808	-	365,808
Refund to bond escrow agent	-	(13,084,092)	-	(13,084,092)
Transfers in	24,121	14,569,814	-	14,593,935
Transfers out	(690,000)	(13,830,367)	-	(14,520,367)
Total other financing sources (uses)	<u>(665,879)</u>	<u>1,351,163</u>	<u>-</u>	<u>685,284</u>
Net changes in fund balances	(544,963)	(412,200)	(6,659,481)	(7,616,644)
Fund balances, October 1	<u>4,067,041</u>	<u>4,042,477</u>	<u>23,035,622</u>	<u>31,145,140</u>
Fund balances, September 30	<u>\$ 3,522,078</u>	<u>\$ 3,630,277</u>	<u>\$ 16,376,141</u>	<u>\$ 23,528,496</u>

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SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2010**

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management
ASSETS				
Cash and cash equivalents	\$ 245,077	\$ 131,736	\$ 30,901	\$ 69,783
Receivables (net of allowances for uncollectibles):				
Grants	-	-	-	-
Accounts	-	-	-	-
Inventories	-	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	-
Total assets	<u>\$ 245,077</u>	<u>\$ 131,736</u>	<u>\$ 30,901</u>	<u>\$ 69,783</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 119,703	\$ 14,995	\$ 3,693	\$ -
Due to other funds	-	-	-	-
Accrued salaries payable	-	-	-	-
Due to other governments	71,577	-	-	-
Deferred revenue	48,911	-	-	-
Total liabilities	<u>240,191</u>	<u>14,995</u>	<u>3,693</u>	<u>-</u>
Fund Balances:				
Reserved:				
Encumbrances	4,886	26,979	9,532	-
Inventories	-	-	-	-
Unreserved:				
Undesignated	-	89,762	17,676	69,783
Total fund balances	<u>4,886</u>	<u>116,741</u>	<u>27,208</u>	<u>69,783</u>
Total liabilities and fund balances	<u>\$ 245,077</u>	<u>\$ 131,736</u>	<u>\$ 30,901</u>	<u>\$ 69,783</u>

EXHIBIT C-3

Hotel Occupancy Tax	Special Events Center	Cablesystem Improvements	Library Memorial	Parks
\$ 1,256,556	\$ 95,269	\$ 418,847	\$ 28,204	\$ 12,328
-	-	-	-	-
16,257	-	-	-	-
6,864	-	-	-	-
23,812	-	-	-	-
<u>\$ 1,303,489</u>	<u>\$ 95,269</u>	<u>\$ 418,847</u>	<u>\$ 28,204</u>	<u>\$ 12,328</u>
\$ 126,864	\$ 16,915	\$ 1,707	\$ 3,982	\$ -
519	-	-	-	-
7,911	-	1,572	-	-
-	-	-	-	-
-	-	-	-	-
<u>135,294</u>	<u>16,915</u>	<u>3,279</u>	<u>3,982</u>	<u>-</u>
199,592	-	-	3,055	-
6,864	-	-	-	-
961,739	78,354	415,568	21,167	12,328
<u>1,168,195</u>	<u>78,354</u>	<u>415,568</u>	<u>24,222</u>	<u>12,328</u>
<u>\$ 1,303,489</u>	<u>\$ 95,269</u>	<u>\$ 418,847</u>	<u>\$ 28,204</u>	<u>\$ 12,328</u>

(CONTINUED)

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
SEPTEMBER 30, 2010**

	Community Development	CDBG Home Program	Tax Increment	Lion's Club Park	Court Technology
ASSETS					
Cash and cash equivalents	\$ 16,999	\$ 8,581	\$ 5,501	\$ 1,359	\$ 397,874
Receivables (net of allowances for uncollectibles):					
Grants	74,281	72,015	-	-	-
Accounts	-	-	-	-	1,000
Inventories	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 91,280</u>	<u>\$ 80,596</u>	<u>\$ 5,501</u>	<u>\$ 1,359</u>	<u>\$ 398,874</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 80,778	\$ 1,489	\$ -	\$ -	\$ 10,000
Due to other funds	-	-	-	-	-
Accrued salaries payable	1,451	340	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	1,000
Total liabilities	<u>82,229</u>	<u>1,829</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Fund Balances:					
Reserved:					
Encumbrances	-	-	-	-	-
Inventories	-	-	-	-	-
Unreserved:					
Undesignated	9,051	78,767	5,501	1,359	387,874
Total fund balances	<u>9,051</u>	<u>78,767</u>	<u>5,501</u>	<u>1,359</u>	<u>387,874</u>
Total liabilities and fund balances	<u>\$ 91,280</u>	<u>\$ 80,596</u>	<u>\$ 5,501</u>	<u>\$ 1,359</u>	<u>\$ 398,874</u>

EXHIBIT C-3 (CONT'D)

Court Security	Juvenile Case Manager	Photo Red Light Enforcement	KAAC	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 89,689	\$ 221,563	\$ 808,369	\$ 2,620	\$ 3,841,256
-	-	-	-	146,296
2,896	10,194	-	-	30,347
-	-	-	-	6,864
-	-	-	-	23,812
<u>\$ 92,585</u>	<u>\$ 231,757</u>	<u>\$ 808,369</u>	<u>\$ 2,620</u>	<u>\$ 4,048,575</u>
\$ -	\$ -	\$ -	\$ -	\$ 380,126
-	-	-	-	519
-	-	-	-	11,274
-	-	-	-	71,577
2,896	10,194	-	-	63,001
<u>2,896</u>	<u>10,194</u>	<u>-</u>	<u>-</u>	<u>526,497</u>
-	-	-	-	244,044
-	-	-	-	6,864
89,689	221,563	808,369	2,620	3,271,170
<u>89,689</u>	<u>221,563</u>	<u>808,369</u>	<u>2,620</u>	<u>3,522,078</u>
<u>\$ 92,585</u>	<u>\$ 231,757</u>	<u>\$ 808,369</u>	<u>\$ 2,620</u>	<u>\$ 4,048,575</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, 2010

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	676,588	46,980	23,191	-
Charges for services	-	-	-	-
Fines	-	-	-	-
Miscellaneous	-	340	32	139
Total revenues	<u>676,588</u>	<u>47,320</u>	<u>23,223</u>	<u>139</u>
EXPENDITURES				
Current:				
General government	17	-	-	3,406
Public safety	385,444	71,345	8,992	-
Community services	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	291,644	106,950	-	-
Total expenditures	<u>677,105</u>	<u>178,295</u>	<u>8,992</u>	<u>3,406</u>
Excess (deficiency) of revenues over expenditures	<u>(517)</u>	<u>(130,975)</u>	<u>14,231</u>	<u>(3,267)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(517)	(130,975)	14,231	(3,267)
Fund balances, October 1	<u>5,403</u>	<u>247,716</u>	<u>12,977</u>	<u>73,050</u>
Fund balances, September 30	<u>\$ 4,886</u>	<u>\$ 116,741</u>	<u>\$ 27,208</u>	<u>\$ 69,783</u>

EXHIBIT C-4

Hotel Occupancy Tax	Special Events Center	Cablesystem Improvements	Library Memorial	Parks
\$ 1,701,360	\$ -	\$ 196,311	\$ -	\$ -
-	-	-	18,789	-
433,727	-	-	-	-
-	-	-	-	-
273,569	298	703	10,120	5
<u>2,408,656</u>	<u>298</u>	<u>197,014</u>	<u>28,909</u>	<u>5</u>
1,651,970	-	-	-	-
-	-	-	-	-
217,517	-	133,997	16,365	-
-	-	-	-	80
85,616	-	-	2,653	-
<u>1,955,103</u>	<u>-</u>	<u>133,997</u>	<u>19,018</u>	<u>80</u>
453,553	298	63,017	9,891	(75)
-	-	-	-	-
(690,000)	-	-	-	-
(690,000)	-	-	-	-
(236,447)	298	63,017	9,891	(75)
<u>1,404,642</u>	<u>78,056</u>	<u>352,551</u>	<u>14,331</u>	<u>12,403</u>
<u>\$ 1,168,195</u>	<u>\$ 78,354</u>	<u>\$ 415,568</u>	<u>\$ 24,222</u>	<u>\$ 12,328</u>

(CONTINUED)

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Community Development	CDBG Home Program	Tax Increment	Lion's Club Park	Court Technology
REVENUES					
Taxes	\$ -	\$ -	\$ 5,501	\$ -	\$ -
Intergovernmental	979,862	797,403	-	-	-
Charges for services	-	-	-	-	-
Fines	-	-	-	-	70,703
Miscellaneous	2,396	43,580	-	3	-
Total revenues	<u>982,258</u>	<u>840,983</u>	<u>5,501</u>	<u>3</u>	<u>70,703</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community services	959,659	797,495	-	-	-
Miscellaneous	-	-	-	-	-
Capital outlay	20,569	-	-	-	10,000
Total expenditures	<u>980,228</u>	<u>797,495</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Excess (deficiency) of revenues over expenditures	<u>2,030</u>	<u>43,488</u>	<u>5,501</u>	<u>3</u>	<u>60,703</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	24,121	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>24,121</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	2,030	67,609	5,501	3	60,703
Fund balances, October 1	<u>7,021</u>	<u>11,158</u>	<u>-</u>	<u>1,356</u>	<u>327,171</u>
Fund balances, September 30	<u>\$ 9,051</u>	<u>\$ 78,767</u>	<u>\$ 5,501</u>	<u>\$ 1,359</u>	<u>\$ 387,874</u>

EXHIBIT C-4 (CONT'D)

Court Security	Juvenile Case Manager	Photo Red Light Enforcement	KAAC	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ 1,903,172
-	-	-	-	2,542,813
-	-	-	-	433,727
53,190	86,086	701,600	-	911,579
-	-	-	2,620	333,805
<u>53,190</u>	<u>86,086</u>	<u>701,600</u>	<u>2,620</u>	<u>6,125,096</u>
29,620	46,122	-	-	1,731,135
-	-	622,900	-	1,088,681
-	-	-	-	2,125,033
-	-	-	-	80
-	-	541,819	-	1,059,251
<u>29,620</u>	<u>46,122</u>	<u>1,164,719</u>	<u>-</u>	<u>6,004,180</u>
<u>23,570</u>	<u>39,964</u>	<u>(463,119)</u>	<u>2,620</u>	<u>120,916</u>
-	-	-	-	24,121
-	-	-	-	(690,000)
-	-	-	-	(665,879)
23,570	39,964	(463,119)	2,620	(544,963)
<u>66,119</u>	<u>181,599</u>	<u>1,271,488</u>	<u>-</u>	<u>4,067,041</u>
<u>\$ 89,689</u>	<u>\$ 221,563</u>	<u>\$ 808,369</u>	<u>\$ 2,620</u>	<u>\$ 3,522,078</u>

CITY OF KILLEEN, TEXAS
LAW ENFORCEMENT GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Intergovernmental	\$ 676,588	\$ 485,635	\$ 485,635	\$ 190,953
Total revenues	676,588	485,635	485,635	190,953
EXPENDITURES				
Current:				
General government	17	-	-	(17)
Public safety	385,444	5,000	5,000	(380,444)
Capital outlay	291,127	480,635	480,635	189,508
Total expenditures	676,588	485,635	485,635	(190,953)
Net change in fund balance	-	\$ -	\$ -	\$ -
Fund balance, October 1	5,403			
Current year encumbrances	4,886			
Prior year encumbrances	(5,403)			
Adjusted fund balance	4,886			
Fund balance, September 30	\$ 4,886			

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

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 46,980	\$ 40,000	\$ 40,000	\$ 6,980
Miscellaneous	340	2,000	2,000	(1,660)
Total revenues	<u>47,320</u>	<u>42,000</u>	<u>42,000</u>	<u>5,320</u>
EXPENDITURES				
Current:				
Public safety	71,345	-	19,000	(52,345)
Capital outlay	133,929	50,000	181,000	47,071
Total expenditures	<u>205,274</u>	<u>50,000</u>	<u>200,000</u>	<u>(5,274)</u>
Net change in fund balance	(157,954)	<u>\$ (8,000)</u>	<u>\$ (158,000)</u>	<u>\$ 46</u>
Fund balance, October 1	247,716			
Current year encumbrances	<u>26,979</u>			
Adjusted fund balance	<u>274,695</u>			
Fund balance, September 30	<u>\$ 116,741</u>			

**CITY OF KILLEEN, TEXAS
FEDERAL SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Intergovernmental	\$ 23,191	\$ 20,000	\$ 20,000	\$ 3,191
Miscellaneous	32	150	150	(118)
Total revenues	<u>23,223</u>	<u>20,150</u>	<u>20,150</u>	<u>3,073</u>
EXPENDITURES				
Public Safety	8,992	-	917	(8,075)
Capital outlay	9,532	20,000	19,083	9,551
Total expenditures	<u>18,524</u>	<u>20,000</u>	<u>20,000</u>	<u>1,476</u>
Net change in fund balance	4,699	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 4,549</u>
Fund balance, October 1	12,977			
Current year encumbrances	<u>9,532</u>			
Adjusted fund balance	<u>22,509</u>			
Fund balance, September 30	<u>\$ 27,208</u>			

CITY OF KILLEEN, TEXAS
HOTEL OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 1,701,360	\$ 1,775,000	\$ 1,775,000	\$ (73,640)
Charges for services	433,727	495,000	495,000	(61,273)
Miscellaneous	273,569	276,000	276,000	(2,431)
Total revenues	<u>2,408,656</u>	<u>2,546,000</u>	<u>2,546,000</u>	<u>(137,344)</u>
EXPENDITURES				
Current:				
General government	1,760,925	1,916,863	1,902,663	141,738
Community services	233,188	271,550	271,550	38,362
Capital outlay	55,390	46,355	60,555	5,165
Total expenditures	<u>2,049,503</u>	<u>2,234,768</u>	<u>2,234,768</u>	<u>185,265</u>
Excess of revenues over expenditures	<u>359,153</u>	<u>311,232</u>	<u>311,232</u>	<u>47,921</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(690,000)	(690,000)	(690,000)	-
Total other financing sources (uses)	<u>(690,000)</u>	<u>(690,000)</u>	<u>(690,000)</u>	<u>-</u>
Net change in fund balance	(330,847)	<u>\$ (378,768)</u>	<u>\$ (378,768)</u>	<u>\$ 47,921</u>
Fund balance, October 1	1,404,642			
Current year encumbrances	199,592			
Prior year encumbrances	<u>(105,192)</u>			
Adjusted fund balance	<u>1,499,042</u>			
Fund balance, September 30	<u>\$ 1,168,195</u>			

**CITY OF KILLEEN, TEXAS
SPECIAL EVENTS CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Miscellaneous	\$ 298	\$ 700	\$ 700	\$ (402)
Total revenues	298	700	700	(402)
EXPENDITURES				
Total expenditures	-	-	-	-
Net change in fund balance	298	\$ 700	\$ 700	\$ (402)
Fund balance, October 1	78,056			
Fund balance, September 30	\$ 78,354			

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

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 196,311	\$ 225,000	\$ 225,000	\$ (28,689)
Miscellaneous	703	1,000	1,000	(297)
Total revenues	<u>197,014</u>	<u>226,000</u>	<u>226,000</u>	<u>(28,986)</u>
EXPENDITURES				
Current:				
Community services	<u>128,514</u>	<u>206,654</u>	<u>206,654</u>	<u>78,140</u>
Total expenditures	<u>128,514</u>	<u>206,654</u>	<u>206,654</u>	<u>78,140</u>
Net change in fund balance	68,500	<u>\$ 19,346</u>	<u>\$ 19,346</u>	<u>\$ 49,154</u>
Fund balance, October 1	352,551			
Prior year encumbrances	<u>(5,483)</u>			
Adjusted fund balance	<u>347,068</u>			
Fund balance, September 30	<u>\$ 415,568</u>			

**CITY OF KILLEEN, TEXAS
LIBRARY MEMORIAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 18,789	\$ 15,000	\$ 18,789	\$ -
Miscellaneous	10,120	6,000	9,000	1,120
Total revenues	<u>28,909</u>	<u>21,000</u>	<u>27,789</u>	<u>1,120</u>
EXPENDITURES				
Current:				
Community services	19,155	15,000	20,163	1,008
Capital outlay	2,918	6,000	19,626	16,708
Total expenditures	<u>22,073</u>	<u>21,000</u>	<u>39,789</u>	<u>17,716</u>
Net change in fund balance	6,836	<u>\$ -</u>	<u>\$ (12,000)</u>	<u>\$ 18,836</u>
Fund balance, October 1	14,331			
Current year encumbrances	<u>3,055</u>			
Adjusted fund balance	<u>17,386</u>			
Fund balance, September 30	<u>\$ 24,222</u>			

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

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 5	\$ -	\$ -	\$ 5
Total revenues	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
EXPENDITURES				
Current:				
Miscellaneous	80	12,423	12,423	12,343
Total expenditures	<u>80</u>	<u>\$ 12,423</u>	<u>\$ 12,423</u>	<u>12,343</u>
Net change in fund balance	(75)	<u>\$ (12,423)</u>	<u>\$ (12,423)</u>	<u>\$ 12,348</u>
Fund balance, October 1	<u>12,403</u>			
Fund balance, September 30	<u>\$ 12,328</u>			

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

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Intergovernmental	\$ 979,862	\$ 1,716,084	\$ 1,716,084	\$ (736,222)
Miscellaneous	2,396	10,000	10,000	(7,604)
Total revenues	<u>982,258</u>	<u>1,726,084</u>	<u>1,726,084</u>	<u>(743,826)</u>
EXPENDITURES				
Current:				
Community Services	993,314	1,705,809	1,718,262	724,948
Capital outlay	20,569	20,275	20,569	-
Total expenditures	<u>1,013,883</u>	<u>1,726,084</u>	<u>1,738,831</u>	<u>724,948</u>
Net change in fund balance	(31,625)	<u>\$ -</u>	<u>\$ (12,747)</u>	<u>\$ (18,878)</u>
Fund balance, October 1	7,021			
Current year encumbrances	<u>33,655</u>			
Adjusted fund balance	<u>40,676</u>			
Fund balance, September 30	<u>\$ 9,051</u>			

CITY OF KILLEEN, TEXAS
CDBG HOME PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 797,403	\$ 1,550,786	\$ 1,550,786	\$ (753,383)
Miscellaneous	43,580	43,580	38,393	5,187
Total revenues	840,983	1,594,366	1,589,179	(748,196)
EXPENDITURES				
Community services	806,340	1,592,119	1,429,723	623,383
Total expenditures	806,340	1,592,119	1,429,723	623,383
Deficiency of revenues under expenditures	34,643	2,247	159,456	(124,813)
OTHER FINANCING SOURCES				
Transfers in	24,121	41,393	41,393	(17,272)
Total other financing sources	24,121	41,393	41,393	(17,272)
Net change in fund balance	58,764	\$ 43,640	\$ 200,849	\$ (142,085)
Fund balance, October 1	11,158			
Current year encumbrances	8,845			
Adjusted fund balance	20,003			
Fund balance, September 30	\$ 78,767			

**CITY OF KILLEEN, TEXAS
COURT TECHNOLOGY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 70,703	\$ 75,000	\$ 75,000	\$ (4,297)
Total revenues	70,703	75,000	75,000	(4,297)
EXPENDITURES				
Capital outlay	10,000	10,000	10,000	-
Total expenditures	10,000	10,000	10,000	-
Net change in fund balance	60,703	\$ 65,000	\$ 65,000	\$ (4,297)
Fund balance, October 1	327,171			
Fund balance, September 30	\$ 387,874			

**CITY OF KILLEEN, TEXAS
COURT SECURITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Fines	\$ 53,190	\$ 50,000	\$ 50,000	\$ 3,190
Total revenues	53,190	50,000	50,000	3,190
EXPENDITURES				
General government	29,620	31,190	31,190	1,570
Total expenditures	29,620	31,190	31,190	1,570
Net change in fund balance	23,570	\$ 18,810	\$ 18,810	\$ 4,760
Fund balance, October 1	66,119			
Fund balance, September 30	\$ 89,689			

CITY OF KILLEEN, TEXAS
JUVENILE CASE MANAGER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Fines	\$ 86,086	\$ 84,000	\$ 84,000	\$ 2,086
Total revenues	86,086	84,000	84,000	2,086
EXPENDITURES				
General government	46,122	47,762	47,762	1,640
Total expenditures	46,122	47,762	47,762	1,640
Net change in fund balance	39,964	\$ 36,238	\$ 36,238	\$ 3,726
Fund balance, October 1	181,599			
Fund balance, September 30	\$ 221,563			

CITY OF KILLEEN, TEXAS
PHOTO RED LIGHT ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 701,600	\$ 900,000	\$ 900,000	\$ (198,400)
Total revenues	<u>701,600</u>	<u>900,000</u>	<u>900,000</u>	<u>(198,400)</u>
EXPENDITURES				
Public safety	622,900	475,000	475,000	(147,900)
Capital outlay	541,819	-	792,104	250,285
Total expenditures	<u>1,164,719</u>	<u>475,000</u>	<u>1,267,104</u>	<u>102,385</u>
Net change in fund balance	(463,119)	<u>\$ 425,000</u>	<u>\$ (367,104)</u>	<u>\$ (96,015)</u>
Fund balance, October 1	<u>1,271,488</u>			
Fund balance, September 30	<u>\$ 808,369</u>			

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DEBT SERVICE FUNDS

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

- ❖ Certificates of Obligation 2000
- ❖ Tax Interest and Sinking 1999
- ❖ Certificates of Obligation 2001
- ❖ Tax Interest and Sinking 2002
- ❖ Tax Interest and Sinking 2003
- ❖ Tax Interest and Sinking 2004
- ❖ General Obligation Interest and Sinking 2004
- ❖ Tax Interest and Sinking 2005
- ❖ Tax Interest and Sinking 2006
- ❖ General Obligation 2007
- ❖ Certificates of Obligation 2007
- ❖ General Obligation 2009
- ❖ Certificates of Obligation 2009
- ❖ Refunding Bond 2009
- ❖ Refunding Bond 2010

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2010**

	Certificates of Obligation 2000	Tax Interest and Sinking 1999	Certificates of Obligation 2001	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Tax Interest and Sinking 2004	General Obligation Interest and Sinking 2004
ASSETS							
Cash and cash equivalents	\$ -	-	\$ 87,672	\$ 71,944	\$ 174,412	\$ 138,998	\$ 300,437
Due from other funds	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):							
Taxes	-	-	12,020	6,472	12,245	11,993	51,381
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,692</u>	<u>\$ 78,416</u>	<u>\$ 186,657</u>	<u>\$ 150,991</u>	<u>\$ 351,818</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	12,020	6,472	12,245	11,993	51,381
Total liabilities	<u>-</u>	<u>-</u>	<u>12,020</u>	<u>6,472</u>	<u>12,245</u>	<u>11,993</u>	<u>51,381</u>
Fund balances:							
Reserved:							
Debt service	-	-	87,672	71,944	174,412	138,998	300,437
Total fund balances	<u>-</u>	<u>-</u>	<u>87,672</u>	<u>71,944</u>	<u>174,412</u>	<u>138,998</u>	<u>300,437</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,692</u>	<u>\$ 78,416</u>	<u>\$ 186,657</u>	<u>\$ 150,991</u>	<u>\$ 351,818</u>

EXHIBIT C-19

Tax Interest and Sinking 2005	Tax Interest and Sinking 2006	General Obligation 2007	Certificates of Obligation 2007	General Obligation 2009	Certificates of Obligation 2009	Refunding Bond 2009	Refunding Bond 2010	Total Nonmajor Debt Service Funds (See Exhibit C-1)
\$ 255,139 173,576	\$ 250,899 -	\$ 239,523 -	\$ 366,590 -	\$ 382,349 -	\$ 588,354 -	\$ 308,737 156,960	\$ 135,287 -	\$ 3,300,341 330,536
13,736	11,123	14,408	23,956	4,800	1,230	2,153	-	165,517
<u>\$ 442,451</u>	<u>\$ 262,022</u>	<u>\$ 253,931</u>	<u>\$ 390,546</u>	<u>\$ 387,149</u>	<u>\$ 589,584</u>	<u>\$ 467,850</u>	<u>\$ 135,287</u>	<u>\$ 3,796,394</u>
\$ -	\$ -	\$ -	\$ -	\$ 200	\$ 200	\$ 200	\$ -	\$ 600
13,736	11,123	14,408	23,956	4,800	1,230	2,153	-	165,517
<u>13,736</u>	<u>11,123</u>	<u>14,408</u>	<u>23,956</u>	<u>5,000</u>	<u>1,430</u>	<u>2,353</u>	<u>-</u>	<u>166,117</u>
428,715	250,899	239,523	366,590	382,149	588,154	465,497	135,287	3,630,277
<u>428,715</u>	<u>250,899</u>	<u>239,523</u>	<u>366,590</u>	<u>382,149</u>	<u>588,154</u>	<u>465,497</u>	<u>135,287</u>	<u>3,630,277</u>
<u>\$ 442,451</u>	<u>\$ 262,022</u>	<u>\$ 253,931</u>	<u>\$ 390,546</u>	<u>\$ 387,149</u>	<u>\$ 589,584</u>	<u>\$ 467,850</u>	<u>\$ 135,287</u>	<u>\$ 3,796,394</u>

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Certificates of Obligation 2000	Tax Interest and Sinking 1999	Certificates of Obligation 2001	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Tax Interest and Sinking 2004	General Obligation Interest and Sinking 2004
REVENUE							
Taxes	\$ -	\$ -	\$ 458,228	\$ 280,962	\$ 806,349	\$ 655,570	\$ 1,906,331
Miscellaneous	559	20	624	453	743	972	2,771
Total revenues	559	20	458,852	281,415	807,092	656,542	1,909,102
EXPENDITURES							
Debt service:							
Principal	240,000	-	190,000	240,000	445,000	450,000	1,305,000
Interest	232,508	-	139,295	27,150	336,038	186,973	690,500
Fiscal charges	3,542	-	2,800	300	3,630	2,800	3,100
Bond issuance costs	-	-	-	-	-	-	-
Deferred amount on refunding	-	-	-	-	-	-	-
Total expenditures	476,050	-	332,095	267,450	784,668	639,773	1,998,600
Excess (deficiency) of revenues over expenditures	(475,491)	20	126,757	13,965	22,424	16,769	(89,498)
OTHER FINANCING SOURCES (USES)							
Refunding bonds issued	-	-	-	-	-	-	-
Premium on refunding bonds issued	-	-	-	-	-	-	-
Refund to bond escrow agent	(8,395,000)	-	(4,645,000)	-	-	-	-
Transfers in	9,085,000	-	4,645,000	-	-	-	-
Transfers out	(337,682)	(8,497)	(129,188)	-	-	-	-
Total other financing sources (uses)	352,318	(8,497)	(129,188)	-	-	-	-
Net changes in fund balances	(123,173)	(8,477)	(2,431)	13,965	22,424	16,769	(89,498)
Fund balances, October 1	123,173	8,477	90,103	57,979	151,988	122,229	389,935
Fund balances, September 30	\$ -	\$ -	\$ 87,672	\$ 71,944	\$ 174,412	\$ 138,998	\$ 300,437

EXHIBIT C-20

Tax Interest and Sinking 2005	Tax Interest and Sinking 2006	General Obligation 2007	Certificates of Obligation 2007	General Obligation 2009	Certificates of Obligation 2009	Refunding Bond 2009	Refunding Bond 2010	Total Nonmajor Debt Service Funds (See Exhibit C-1)
\$ 892,078	\$ 615,252	\$ 1,160,231	\$ 1,805,022	\$ 8,312	\$ 2,131	\$ 237,304	\$ -	\$ 8,827,770
1,478	1,066	1,515	2,384	4,056	7,080	6,774	42	30,537
<u>893,556</u>	<u>616,318</u>	<u>1,161,746</u>	<u>1,807,406</u>	<u>12,368</u>	<u>9,211</u>	<u>244,078</u>	<u>42</u>	<u>8,858,307</u>
161,973	195,000	370,000	700,000	-	-	209,100	270,000	4,776,073
489,386	423,491	757,676	1,040,654	534,774	232,505	11,482	62,336	5,164,768
2,600	2,600	1,450	1,450	200	200	1,060	-	25,732
-	-	-	-	-	-	-	109,000	109,000
-	-	-	-	-	-	-	546,097	546,097
<u>653,959</u>	<u>621,091</u>	<u>1,129,126</u>	<u>1,742,104</u>	<u>534,974</u>	<u>232,705</u>	<u>221,642</u>	<u>987,433</u>	<u>10,621,670</u>
239,597	(4,773)	32,620	65,302	(522,606)	(223,494)	22,436	(987,391)	(1,763,363)
-	-	-	-	-	-	-	13,330,000	13,330,000
-	-	-	-	-	-	-	365,808	365,808
-	-	-	-	-	-	(44,092)	-	(13,084,092)
8,497	-	-	-	-	364,447	-	466,870	14,569,814
-	-	-	-	(315,000)	-	-	(13,040,000)	(13,830,367)
<u>8,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,000)</u>	<u>364,447</u>	<u>(44,092)</u>	<u>1,122,678</u>	<u>1,351,163</u>
248,094	(4,773)	32,620	65,302	(837,606)	140,953	(21,656)	135,287	(412,200)
180,621	255,672	206,903	301,288	1,219,755	447,201	487,153	-	4,042,477
<u>\$ 428,715</u>	<u>\$ 250,899</u>	<u>\$ 239,523</u>	<u>\$ 366,590</u>	<u>\$ 382,149</u>	<u>\$ 588,154</u>	<u>\$ 465,497</u>	<u>\$ 135,287</u>	<u>\$ 3,630,277</u>

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2000 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Miscellaneous	\$ 559	\$ 1,000	1,000	\$ (441)
Total revenues	559	1,000	1,000	(441)
EXPENDITURES				
Debt service:				
Principal	240,000	240,000	240,000	-
Interest	232,508	451,817	232,509	1
Fiscal charges	3,542	4,000	4,000	458
Total expenditures	476,050	695,817	476,509	459
Deficiency of revenues under expenditures	(475,491)	(694,817)	(475,509)	18
OTHER FINANCING SOURCES				
Refund to bond escrow agent	(8,395,000)	-	-	(8,395,000)
Transfers in	9,085,000	690,000	690,000	8,395,000
Transfers out	(337,682)	-	(337,700)	18
Total other financing sources	352,318	690,000	352,300	18
Net change in fund balance	(123,173)	\$ (4,817)	\$ (123,209)	\$ 36
Fund balance, October 1	123,173			
Fund balance, September 30	\$ -			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 1999 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	20	-	-	20
Total revenues	20	-	-	20
EXPENDITURES				
Total expenditures	-	-	-	-
Deficiency of revenues under expenditures	20	-	-	20
OTHER FINANCING USES				
Transfers out	(8,497)	(10,029)	(10,029)	1,532
Total other financing uses	(8,497)	(10,029)	(10,029)	1,532
Net change in fund balance	(8,477)	\$ (10,029)	\$ (10,029)	1,552
Fund balance, October 1	8,477			
Fund balance, September 30	\$ -			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2001 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 458,228	\$ 440,000	\$ 440,000	\$ 18,228
Miscellaneous	624	2,000	2,000	(1,376)
Total revenues	<u>458,852</u>	<u>442,000</u>	<u>442,000</u>	<u>16,852</u>
EXPENDITURES				
Debt service:				
Principal	190,000	190,000	190,000	-
Interest	139,295	255,105	139,295	-
Fiscal charges	2,800	4,000	4,000	1,200
Total expenditures	<u>332,095</u>	<u>449,105</u>	<u>333,295</u>	<u>1,200</u>
Deficiency of revenues under expenditures	126,757	(7,105)	108,705	18,052
OTHER FINANCING SOURCES				
Refund to bond escrow agent	(4,645,000)	-	-	(4,645,000)
Transfers in	4,645,000	-	-	4,645,000
Transfers out	(129,188)	-	(129,188)	-
Total other financing sources	<u>(129,188)</u>	<u>-</u>	<u>(129,188)</u>	<u>-</u>
Net change in fund balance	(2,431)	<u>\$ (7,105)</u>	<u>\$ (20,483)</u>	<u>\$ 18,052</u>
Fund balance, October 1	<u>90,103</u>			
Fund balance, September 30	<u>\$ 87,672</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2002 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 280,962	\$ 270,000	\$ 270,000	\$ 10,962
Miscellaneous	453	1,500	1,500	(1,047)
Total revenues	<u>281,415</u>	<u>271,500</u>	<u>271,500</u>	<u>9,915</u>
EXPENDITURES				
Debt service:				
Principal	240,000	240,000	240,000	-
Interest	27,150	27,150	27,150	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>267,450</u>	<u>271,150</u>	<u>271,150</u>	<u>3,700</u>
Net change in fund balance	13,965	<u>\$ 350</u>	<u>\$ 350</u>	<u>\$ 13,615</u>
Fund balance, October 1	<u>57,979</u>			
Fund balance, September 30	<u>\$ 71,944</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2003 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 806,349	\$ 780,000	\$ 780,000	\$ 26,349
Miscellaneous	743	1,500	1,500	(757)
Total revenues	<u>807,092</u>	<u>781,500</u>	<u>781,500</u>	<u>25,592</u>
EXPENDITURES				
Debt service:				
Principal	445,000	445,000	445,000	-
Interest	336,038	336,038	336,038	-
Fiscal charges	3,630	4,000	4,000	370
Total expenditures	<u>784,668</u>	<u>785,038</u>	<u>785,038</u>	<u>370</u>
Net change in fund balance	22,424	<u>\$ (3,538)</u>	<u>\$ (3,538)</u>	<u>\$ 25,962</u>
Fund balance, October 1	<u>151,988</u>			
Fund balance, September 30	<u>\$ 174,412</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2004 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 655,570	\$ 630,000	\$ 630,000	\$ 25,570
Miscellaneous	972	4,000	4,000	(3,028)
Total revenues	<u>656,542</u>	<u>634,000</u>	<u>634,000</u>	<u>22,542</u>
EXPENDITURES				
Debt service:				
Principal	450,000	450,000	450,000	-
Interest	186,973	186,973	289,965	102,992
Fiscal charges	2,800	4,000	4,000	1,200
Total expenditures	<u>639,773</u>	<u>640,973</u>	<u>743,965</u>	<u>104,192</u>
Net change in fund balance	16,769	<u>\$ (6,973)</u>	<u>\$ (109,965)</u>	<u>\$ 126,734</u>
Fund balance, October 1	<u>122,229</u>			
Fund balance, September 30	<u>\$ 138,998</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION INTEREST & SINKING SERIES 2004 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 1,906,331	\$ 1,820,000	\$ 1,820,000	\$ 86,331
Miscellaneous	2,771	15,000	15,000	(12,229)
Total revenues	<u>1,909,102</u>	<u>1,835,000</u>	<u>1,835,000</u>	<u>74,102</u>
EXPENDITURES				
Debt service:				
Principal	1,305,000	1,305,000	1,305,000	-
Interest	690,500	690,500	690,500	-
Fiscal charges	3,100	4,000	4,000	900
Total expenditures	<u>1,998,600</u>	<u>1,999,500</u>	<u>1,999,500</u>	<u>900</u>
Net change in fund balance	(89,498)	<u>\$ (164,500)</u>	<u>\$ (164,500)</u>	<u>\$ 75,002</u>
Fund balance, October 1	<u>389,935</u>			
Fund balance, September 30	<u>\$ 300,437</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2005 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 892,078	\$ 860,000	\$ 860,000	\$ 32,078
Miscellaneous	1,478	5,000	5,000	(3,522)
Total revenues	<u>893,556</u>	<u>865,000</u>	<u>865,000</u>	<u>28,556</u>
EXPENDITURES				
Debt service:				
Principal	161,973	590,000	590,000	428,027
Interest	489,386	844,936	844,936	355,550
Fiscal charges	2,600	4,000	4,000	1,400
Total expenditures	<u>653,959</u>	<u>1,438,936</u>	<u>1,438,936</u>	<u>784,977</u>
Excess (deficiency) of revenues over expenditures	239,597	(573,936)	(573,936)	813,533
Other financing sources:				
Transfers in	8,497	620,029	620,029	(611,532)
Total other financing sources	<u>8,497</u>	<u>620,029</u>	<u>620,029</u>	<u>(611,532)</u>
Net change in fund balance	248,094	<u>\$ 46,093</u>	<u>\$ 46,093</u>	<u>\$ 202,001</u>
Fund balance, October 1	<u>180,621</u>			
Fund balance, September 30	<u>\$ 428,715</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2006 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Taxes	\$ 615,252	\$ 590,000	\$ 590,000	\$ 25,252
Miscellaneous	1,066	3,000	3,000	(1,934)
Total revenues	<u>616,318</u>	<u>593,000</u>	<u>593,000</u>	<u>23,318</u>
EXPENDITURES				
Debt service:				
Principal	195,000	195,000	195,000	-
Interest	423,491	423,492	423,492	1
Fiscal charges	2,600	4,000	4,000	1,400
Total expenditures	<u>621,091</u>	<u>622,492</u>	<u>622,492</u>	<u>1,401</u>
Net change in fund balance	(4,773)	<u>\$ (29,492)</u>	<u>\$ (29,492)</u>	<u>\$ 24,719</u>
Fund balance, October 1	<u>255,672</u>			
Fund balance, September 30	<u>\$ 250,899</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION SERIES 2007 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,160,231	\$ 1,120,000	\$ 1,120,000	\$ 40,231
Miscellaneous	1,515	4,000	4,000	(2,485)
Total revenues	<u>1,161,746</u>	<u>1,124,000</u>	<u>1,124,000</u>	<u>37,746</u>
EXPENDITURES				
Debt service:				
Principal	370,000	370,000	370,000	-
Interest	757,676	757,677	757,677	1
Fiscal charges	1,450	4,000	4,000	2,550
Total expenditures	<u>1,129,126</u>	<u>1,131,677</u>	<u>1,131,677</u>	<u>2,551</u>
Net change in fund balance	32,620	<u>\$ (7,677)</u>	<u>\$ (7,677)</u>	<u>\$ 40,297</u>
Fund balance, October 1	<u>206,903</u>			
Fund balance, September 30	<u>\$ 239,523</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2007 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,805,022	\$ 1,740,000	\$ 1,740,000	\$ 65,022
Miscellaneous	2,384	8,000	8,000	(5,616)
Total revenues	<u>1,807,406</u>	<u>1,748,000</u>	<u>1,748,000</u>	<u>59,406</u>
EXPENDITURES				
Debt service:				
Principal	700,000	700,000	700,000	-
Interest	1,040,654	1,040,654	1,040,654	-
Fiscal charges	1,450	4,000	4,000	2,550
Total expenditures	<u>1,742,104</u>	<u>1,744,654</u>	<u>1,744,654</u>	<u>2,550</u>
Net change in fund balance	65,302	<u>\$ 3,346</u>	<u>\$ 3,346</u>	<u>\$ 61,956</u>
Fund balance, October 1	<u>301,288</u>			
Fund balance, September 30	<u>\$ 366,590</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION SERIES 2009 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 8,312	\$ -	\$ -	\$ 8,312
Miscellaneous	4,056	5,000	5,000	(944)
Total revenues	<u>12,368</u>	<u>5,000</u>	<u>5,000</u>	<u>7,368</u>
EXPENDITURES				
Debt service				
Interest	534,774	664,789	664,789	130,015
Fiscal charges	200	4,000	4,000	3,800
Total expenditures	<u>534,974</u>	<u>668,789</u>	<u>668,789</u>	<u>133,815</u>
Excess (deficiency) of revenues over expenditures	(522,606)	(663,789)	(663,789)	141,183
Other Financing Sources:				
Transfers out	(315,000)	(315,000)	(315,000)	-
Total other financing sources	<u>(315,000)</u>	<u>(315,000)</u>	<u>(315,000)</u>	<u>-</u>
Net change in fund balance	(837,606)	<u>\$ (978,789)</u>	<u>\$ (978,789)</u>	<u>\$ 141,183</u>
Fund balance, October 1	<u>1,219,755</u>			
Fund balance, September 30	<u>\$ 382,149</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2009 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 2,131	\$ -	\$ -	\$ 2,131
Miscellaneous	7,080	1,900	1,900	5,180
Total revenues	<u>9,211</u>	<u>1,900</u>	<u>1,900</u>	<u>7,311</u>
EXPENDITURES				
Debt service				
Principal	-	65,000	65,000	65,000
Interest	232,505	576,668	576,668	344,163
Fiscal charges	200	4,000	4,000	3,800
Total expenditures	<u>232,705</u>	<u>645,668</u>	<u>645,668</u>	<u>412,963</u>
Excess of revenues over expenditures	<u>(223,494)</u>	<u>(643,768)</u>	<u>(643,768)</u>	<u>420,274</u>
OTHER FINANCING SOURCES				
Transfers in	<u>364,447</u>	<u>480,000</u>	<u>480,000</u>	<u>(115,553)</u>
Total other financing sources	<u>364,447</u>	<u>480,000</u>	<u>480,000</u>	<u>(115,553)</u>
Net change in fund balance	140,953	<u>\$ (163,768)</u>	<u>\$ (163,768)</u>	<u>\$ 304,721</u>
Fund balance, October 1	<u>447,201</u>			
Fund balance, September 30	<u>\$ 588,154</u>			

CITY OF KILLEEN, TEXAS
REFUNDING BOND SERIES 2009 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 237,304	\$ -	\$ 230,000	\$ 7,304
Miscellaneous	6,774	-	1,000	5,774
Total revenues	<u>244,078</u>	<u>-</u>	<u>231,000</u>	<u>13,078</u>
EXPENDITURES				
Debt service				
Principal	209,100	-	1,230,000	1,020,900
Interest	11,482	-	-	(11,482)
Fiscal charges	1,060	-	4,000	2,940
Total expenditures	<u>221,642</u>	<u>-</u>	<u>1,234,000</u>	<u>1,012,358</u>
Excess of revenues over expenditures	<u>22,436</u>	<u>-</u>	<u>(1,003,000)</u>	<u>1,025,436</u>
OTHER FINANCING SOURCES (USES)				
Refund to bond escrow agent	(44,092)	-	(4,324,902)	4,280,810
Transfers in	-	-	1,347,570	(1,347,570)
Total other financing sources	<u>(44,092)</u>	<u>-</u>	<u>(2,977,332)</u>	<u>2,933,240</u>
Net change in fund balance	(21,656)	\$ -	\$ (3,980,332)	\$ 3,958,676
Fund balance, October 1	<u>487,153</u>			
Fund balance, September 30	<u>\$ 465,497</u>			

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

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 42	\$ -	\$ 40,654	\$ (40,612)
Total revenues	42	-	40,654	(40,612)
EXPENDITURES				
Debt service				
Principal	270,000	-	270,000	-
Interest	62,336	-	-	(62,336)
Fiscal charges	-	-	4,000	4,000
Bond issuance costs	109,000	-	19,500	(89,500)
Deferred amount on refunding	546,097	-	-	(546,097)
Total expenditures	987,433	-	293,500	(693,933)
Excess of revenues over expenditures	(987,391)	-	(252,846)	(734,545)
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	13,330,000	-	10,211	13,319,789
Premium on refunding bonds issued	365,808	-	19,500	346,308
Transfers in	466,870	-	466,888	(18)
Transfers out	(13,040,000)	-	-	(13,040,000)
Total other financing sources	1,122,678	-	496,599	626,079
Net change in fund balance	135,287	\$ -	\$ 243,753	\$ (108,466)
Fund balance, October 1	-			
Fund balance, September 30	\$ 135,287			

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

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

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2010**

	2000 Limited Tax Note	2004 C.O. Bonds	2004 G.O. Bonds	2005 C.O. Bonds	2006 G.O. Bonds
ASSETS					
Assets:					
Cash and cash equivalents	\$ 2,522,085	\$ 349,765	\$ 1,381,819	\$ 2,938,254	\$ 169,437
Receivables (net of allowance for uncollectibles):					
Grants Receivable	-	-	-	-	-
Total assets	<u>\$ 2,522,085</u>	<u>\$ 349,765</u>	<u>\$ 1,381,819</u>	<u>\$ 2,938,254</u>	<u>\$ 169,437</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	<u>\$ -</u>	<u>\$ 6,496</u>	<u>\$ 68,736</u>	<u>\$ 139,962</u>	<u>\$ 1,122</u>
Total liabilities	<u>-</u>	<u>6,496</u>	<u>68,736</u>	<u>139,962</u>	<u>1,122</u>
Fund balances:					
Reserved:					
Capital projects	<u>2,522,085</u>	<u>343,269</u>	<u>1,313,083</u>	<u>2,798,292</u>	<u>168,315</u>
Total fund balances	<u>2,522,085</u>	<u>343,269</u>	<u>1,313,083</u>	<u>2,798,292</u>	<u>168,315</u>
Total liabilities and fund balances	<u>\$ 2,522,085</u>	<u>\$ 349,765</u>	<u>\$ 1,381,819</u>	<u>\$ 2,938,254</u>	<u>\$ 169,437</u>

EXHIBIT C-36

<u>1993</u> <u>G.O. Bonds</u>	<u>1995</u> <u>G.O. Bonds</u>	<u>2009</u> <u>G.O. Bonds</u>	<u>2009</u> <u>C.O. Bonds</u>	<u>Total</u> <u>Nonmajor</u> <u>Capital Projects</u> <u>funds (See</u> <u>Exhibit C-1)</u>
\$ 120,433	\$ 41,858	\$ 6,960,367	\$ 2,826,083	\$ 17,310,101
-	-	118,652	-	118,652
<u>\$ 120,433</u>	<u>\$ 41,858</u>	<u>\$ 7,079,019</u>	<u>\$ 2,826,083</u>	<u>\$ 17,428,753</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 686,285</u>	<u>\$ 150,011</u>	<u>\$ 1,052,612</u>
<u>-</u>	<u>-</u>	<u>686,285</u>	<u>150,011</u>	<u>1,052,612</u>
<u>120,433</u>	<u>41,858</u>	<u>6,392,734</u>	<u>2,676,072</u>	<u>16,376,141</u>
<u>120,433</u>	<u>41,858</u>	<u>6,392,734</u>	<u>2,676,072</u>	<u>16,376,141</u>
<u>\$ 120,433</u>	<u>\$ 41,858</u>	<u>\$ 7,079,019</u>	<u>\$ 2,826,083</u>	<u>\$ 17,428,753</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, 2010

	2000 Limited Tax Note	2004 C.O. Bonds	2004 G.O. Bonds	2005 C.O. Bonds	2006 G.O. Bonds
REVENUES					
Contributions	\$ -	\$ -	\$ -	\$ 16,905	\$ -
Intergovernmental revenue	-	-	-	-	-
Investment earnings	4,748	675	3,353	5,870	327
Total revenues	<u>4,748</u>	<u>675</u>	<u>3,353</u>	<u>22,775</u>	<u>327</u>
EXPENDITURES					
Capital outlay	-	6,495	640,072	374,248	1,122
Total expenditures	<u>-</u>	<u>6,495</u>	<u>640,072</u>	<u>374,248</u>	<u>1,122</u>
Net change in fund balance	4,748	(5,820)	(636,719)	(351,473)	(795)
Fund balances, October 1	<u>2,517,337</u>	<u>349,089</u>	<u>1,949,802</u>	<u>3,149,765</u>	<u>169,110</u>
Fund balances, September 30	<u>\$ 2,522,085</u>	<u>\$ 343,269</u>	<u>\$ 1,313,083</u>	<u>\$ 2,798,292</u>	<u>\$ 168,315</u>

EXHIBIT C-37

1993 G.O. Bonds	1995 G.O. Bonds	2009 G.O. Bonds	2009 C.O. Bonds	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -	\$ -	\$ 8,141	\$ 55,545	\$ 80,591
-	-	118,652	-	118,652
<u>245</u>	<u>84</u>	<u>23,160</u>	<u>6,122</u>	<u>44,584</u>
<u>245</u>	<u>84</u>	<u>149,953</u>	<u>61,667</u>	<u>243,827</u>
<u>5,680</u>	<u>10,511</u>	<u>5,373,582</u>	<u>491,598</u>	<u>6,903,308</u>
<u>5,680</u>	<u>10,511</u>	<u>5,373,582</u>	<u>491,598</u>	<u>6,903,308</u>
(5,435)	(10,427)	(5,223,629)	(429,931)	(6,659,481)
<u>125,868</u>	<u>52,285</u>	<u>11,616,363</u>	<u>3,106,003</u>	<u>23,035,622</u>
<u>\$ 120,433</u>	<u>\$ 41,858</u>	<u>\$ 6,392,734</u>	<u>\$ 2,676,072</u>	<u>\$ 16,376,141</u>

CITY OF KILLEEN, TEXAS
2000 LIMITED TAX NOTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Investment earnings	\$ 4,748	\$ 8,500	\$ 8,500	\$ (3,752)
Total revenues	<u>4,748</u>	<u>8,500</u>	<u>8,500</u>	<u>(3,752)</u>
EXPENDITURES				
Capital outlay	-	-	2,559,257	2,559,257
Total expenditures	<u>-</u>	<u>-</u>	<u>2,559,257</u>	<u>2,559,257</u>
Net change in fund balance	4,748	<u>\$ 8,500</u>	<u>\$ (2,550,757)</u>	<u>\$ 2,555,505</u>
Fund balance, October 1	<u>2,517,337</u>			
Fund balance, September 30	<u>\$ 2,522,085</u>			

CITY OF KILLEEN, TEXAS
2004 C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Investment earnings	\$ 675	\$ 190	\$ 190	\$ 485
Total revenues	675	\$ 190	\$ 190	485
EXPENDITURES				
Capital outlay	6,495	10,189	342,791	336,296
Total expenditures	6,495	10,189	342,791	336,296
Net change in fund balance	(5,820)	<u>\$ (9,999)</u>	<u>\$ (342,601)</u>	<u>\$ 336,781</u>
Fund balance, October 1	<u>349,089</u>			
Fund balance, September 30	<u>\$ 343,269</u>			

CITY OF KILLEEN, TEXAS
2004 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Investment earnings	\$ 3,353	\$ 8,000	\$ 8,000	\$ (4,647)
Total revenues	<u>3,353</u>	<u>8,000</u>	<u>8,000</u>	<u>(4,647)</u>
EXPENDITURES				
Capital outlay	<u>640,072</u>	<u>1,904,119</u>	<u>1,978,610</u>	<u>1,338,538</u>
Total expenditures	<u>640,072</u>	<u>1,904,119</u>	<u>1,978,610</u>	<u>1,338,538</u>
Net change in fund balance	(636,719)	<u>\$ (1,896,119)</u>	<u>\$ (1,970,610)</u>	<u>\$ 1,333,891</u>
Fund balance, October 1	<u>1,949,802</u>			
Fund balance, September 30	<u>\$ 1,313,083</u>			

CITY OF KILLEEN, TEXAS
2005 C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Contributions	\$ 16,905	\$ -	\$ -	16,905
Investment earnings	5,870	12,500	12,500	(6,630)
Total revenues	<u>22,775</u>	<u>12,500</u>	<u>12,500</u>	<u>10,275</u>
EXPENDITURES				
Capital outlay	<u>374,248</u>	<u>870,759</u>	<u>3,152,595</u>	<u>2,778,347</u>
Total expenditures	<u>374,248</u>	<u>870,759</u>	<u>3,152,595</u>	<u>2,778,347</u>
Net change in fund balance	(351,473)	<u>\$ (858,259)</u>	<u>\$ (3,140,095)</u>	<u>\$ 2,788,622</u>
Fund balance, October 1	<u>3,149,765</u>			
Fund balance, September 30	<u>\$ 2,798,292</u>			

CITY OF KILLEEN, TEXAS
2006 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Investments earnings	\$ 327	\$ 600	\$ 600	\$ (273)
Total revenues	327	600	600	(273)
EXPENDITURES				
Capital outlay	1,122	78,998	80,831	79,709
Total expenditures	1,122	78,998	80,831	79,709
Net change in fund balance	(795)	\$ (78,398)	\$ (80,231)	\$ 79,436
Fund balance, October 1	169,110			
Fund balance, September 30	\$ 168,315			

CITY OF KILLEEN, TEXAS
1993 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
REVENUES				
Investment earnings	\$ 245	\$ 450	\$ 450	\$ (205)
Total revenues	245	450	450	(205)
EXPENDITURES				
Capital outlay	5,680	103,105	126,000	120,320
Total expenditures	5,680	103,105	126,000	120,320
Net change in fund balance	(5,435)	\$ (102,655)	\$ (125,550)	\$ 120,115
Fund balance, October 1	125,868			
Fund balance, September 30	\$ 120,433			

CITY OF KILLEEN, TEXAS
1995 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Investment earnings	\$ 84	\$ 350	\$ 350	\$ (266)
Total revenues	84	350	350	(266)
EXPENDITURES				
Capital outlay	10,511	-	27,012	16,501
Total expenditures	10,511	-	27,012	16,501
Net change in fund balance	(10,427)	\$ 350	\$ (26,662)	\$ 16,235
Fund balance, October 1	52,285			
Fund balance, September 30	\$ 41,858			

CITY OF KILLEEN, TEXAS
2009 G.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Contributions	\$ 8,141	\$ -	\$ -	8,141
Intergovernmental revenue	118,652	-	-	118,652
Investment earnings	23,160	55,000	55,000	(31,840)
Total revenues	<u>149,953</u>	<u>55,000</u>	<u>55,000</u>	<u>94,953</u>
EXPENDITURES				
Capital outlay	<u>5,373,582</u>	<u>8,526,928</u>	<u>12,995,244</u>	<u>7,621,662</u>
Total expenditures	<u>5,373,582</u>	<u>8,526,928</u>	<u>12,995,244</u>	<u>7,621,662</u>
Net change in fund balance	(5,223,629)	<u>\$ (8,471,928)</u>	<u>\$ (12,940,244)</u>	<u>\$ 7,716,615</u>
Fund balance, October 1	<u>11,616,363</u>			
Fund balance, September 30	<u>\$ 6,392,734</u>			

CITY OF KILLEEN, TEXAS
2009 C.O. BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Contributions	\$ 55,545	\$ -	\$ -	\$ 55,545
Investment earnings	6,122	30,000	30,000	(23,878)
Total revenues	<u>61,667</u>	<u>30,000</u>	<u>30,000</u>	<u>31,667</u>
EXPENDITURES				
Capital outlay	491,598	2,479,900	3,171,572	2,679,974
Total expenditures	<u>491,598</u>	<u>2,479,900</u>	<u>3,171,572</u>	<u>2,679,974</u>
Net change in fund balance	(429,931)	<u>\$ (2,449,900)</u>	<u>\$ (3,141,572)</u>	<u>\$ 2,711,641</u>
Fund balance, October 1	<u>3,106,003</u>			
Fund balance, September 30	<u>\$ 2,676,072</u>			

**CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Taxes:				
Ad valorem	\$ 21,940,100	\$ 21,333,763	\$ 21,333,763	\$ 606,337
Penalty and interest	252,235	230,000	230,000	22,235
Beverage	293,119	270,000	270,000	23,119
Franchise	5,209,696	4,859,500	4,859,500	350,196
City sales	18,947,322	18,679,074	18,679,074	268,248
Bingo	220,694	222,000	222,000	(1,306)
Total taxes	46,863,166	45,594,337	45,594,337	1,268,829
Licenses, permits and fees:				
Building permits and inspections	619,037	477,000	477,000	142,037
Electrical permits and inspections	128,452	99,000	99,000	29,452
Plumbing permits and inspections	137,822	88,000	88,000	49,822
Miscellaneous licenses	237,873	244,500	244,500	(6,627)
Taxi operators licenses	4,090	4,300	4,300	(210)
Food handlers permits	22,225	21,000	21,000	1,225
Trailer court licenses	17,815	5,500	5,500	12,315
Building plans review	91,685	91,000	91,000	685
Mechanical inspections	50,297	42,000	42,000	8,297
Code enforcement abatement	55,904	95,000	95,000	(39,096)
Total licenses, permits and fees	1,365,200	1,167,300	1,167,300	197,900
Intergovernmental:				
Bell County contribution - ambulance service	-	3,500	3,500	(3,500)
Civil defense matching funds	21,309	19,094	19,094	2,215
Community assistance	533,118	542,639	567,386	(34,268)
Public safety	86,764	15,000	35,935	50,829
Total intergovernmental	641,191	580,233	625,915	15,276
Charges for Services:				
Ambulance service fees	2,724,017	2,700,000	2,700,000	24,017
Miscellaneous police receipts	62,257	95,050	95,050	(32,793)
Planning and zoning fees	21,760	48,000	48,000	(26,240)
Cemetery lots	27,265	24,500	24,500	2,765
Golf course receipts	1,210,900	1,242,588	1,242,588	(31,688)
Recreation receipts	594,103	545,600	545,600	48,503
Family aquatics center	410,606	250,000	250,000	160,606
Library charges and contributions	42,879	39,750	39,750	3,129
Swimming pool receipts and lessons	54,428	35,000	35,000	19,428
Graffiti removal	50	125	125	(75)
Total charges for services	5,148,265	4,980,613	4,980,613	167,652
Fines:				
Municipal court fines	1,945,810	1,814,250	1,814,250	131,560
Arrest fines	258,846	250,000	250,000	8,846
Parking fines	21,130	35,000	35,000	(13,870)
Court tax service fee	108,865	72,000	72,000	36,865
Total fines	2,334,651	2,171,250	2,171,250	163,401
Miscellaneous:				
Investment revenue	105,021	381,000	381,000	(275,979)
Miscellaneous receipts	362,674	402,000	402,000	(39,326)
Contributions	366,405	-	-	366,405
Total miscellaneous	834,100	783,000	783,000	51,100
Totals	\$ 57,186,573	\$ 55,276,733	\$ 55,322,415	\$ 1,864,158

**CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	Budgeted Amounts		Variance -
		Original	Final	Positive (Negative)
General Government:				
City council	\$ 49,774	\$ 62,167	\$ 62,167	\$ 12,393
City manager	449,908	466,533	461,912	12,004
Assistant city manager	260,581	277,971.00	277,971	17,390
City auditor	88,379	84,435	89,056	677
Municipal court	779,601	934,729	934,729	155,128
Public information	126,824	178,734	178,734	51,910
City attorney	765,192	770,546	770,329	5,137
City secretary	96,000	96,824	97,041	1,041
Financial services	2,053,450	2,120,715	2,144,740	91,290
Human resources	752,726	813,318	906,069	153,343
Information systems	859,860	912,998	912,998	53,138
Planning and development	2,458,058	2,542,135	2,542,135	84,077
Non-departmental	5,487,270	5,513,569	5,510,891	23,621
Total general government	<u>14,227,623</u>	<u>14,774,674</u>	<u>14,888,772</u>	<u>661,149</u>
Public Safety:				
Police	20,567,712	20,108,086	20,432,217	(135,495)
Animal control	531,020	569,677	534,883	3,863
Fire	15,010,458	15,302,563	15,333,819	323,361
Total public safety	<u>36,109,190</u>	<u>35,980,326</u>	<u>36,300,919</u>	<u>191,729</u>
Public Works:				
Public works	1,552,791	222,719	222,719	(1,330,072)
Traffic	737,921	797,659	797,659	59,738
Street	2,938,953	3,062,857	3,062,857	123,904
Engineering	261,141	272,915	272,915	11,774
Total public works	<u>5,490,806</u>	<u>4,356,150</u>	<u>4,356,150</u>	<u>(1,134,656)</u>
Community Services:				
Senior citizens	318,577	367,574	342,574	23,997
Library	1,383,663	1,479,134	1,478,884	95,221
Parks	2,628,559	3,032,298	2,930,940	302,381
Recreation	205,389	311,074	240,499	35,110
Athletics	355,494	436,979	405,679	50,185
Swimming pools	107,415	125,920	125,920	18,505
Family aquatics center	405,384	356,713	555,771	150,387
Golf course	1,672,518	1,791,135	1,820,560	148,042
Cemetery	323,117	328,799	328,799	5,682
Volunteer services	150,640	153,553	153,553	2,913
Total community services	<u>7,550,756</u>	<u>8,383,179</u>	<u>8,383,179</u>	<u>832,423</u>
Totals	<u>\$ 63,378,375</u>	<u>\$ 63,494,329</u>	<u>\$ 63,929,020</u>	<u>\$ 550,645</u>

STATISTICAL SECTION

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

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

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

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

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

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

TABLE I

2006	2007	2008	2009	2010
\$ 66,757,690	\$ 47,388,909	\$ 71,779,033	\$ 70,831,173	\$ 66,724,909
2,294,404	2,806,680	4,259,342	3,538,047	3,870,447
2,848,184	24,355,131	4,331,523	8,483,715	7,234,927
17,095,997	19,308,822	22,149,545	21,223,870	19,748,331
<u>\$ 88,996,275</u>	<u>\$ 93,859,542</u>	<u>\$ 102,519,443</u>	<u>\$ 104,076,805</u>	<u>\$ 97,578,614</u>
\$ 146,389,308	\$ 153,152,207	\$ 157,885,676	\$ 160,788,607	\$ 164,542,836
8,246,358	6,277,051	6,466,505	9,025,106	7,987,426
3,836,414	-	-	3,016,080	14,536,005
23,048,333	32,582,310	36,562,391	28,216,103	17,959,851
<u>\$ 181,520,413</u>	<u>\$ 192,011,568</u>	<u>\$ 200,914,572</u>	<u>\$ 201,045,896</u>	<u>\$ 205,026,118</u>
\$ 213,146,998	\$ 200,541,116	\$ 229,664,709	\$ 231,619,780	\$ 231,267,745
10,540,762	9,083,731	10,725,847	12,563,153	11,857,873
6,684,598	24,355,131	4,331,523	11,499,795	21,770,932
40,144,330	51,891,132	58,711,936	49,439,973	37,708,182
<u>\$ 270,516,688</u>	<u>\$ 285,871,110</u>	<u>\$ 303,434,015</u>	<u>\$ 305,122,701</u>	<u>\$ 302,604,732</u>

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

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

TABLE II

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

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

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

TABLE II (CONT'D)

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

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TABLE III

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

<u>Fiscal Year</u>	<u>Ad Valorem Taxes*</u>	<u>Penalty and Interest</u>	<u>City Sales Tax</u>	<u>Beverage Tax</u>	<u>Franchise Tax</u>	<u>Bingo</u>	<u>Total</u>
2001	\$ 10,930,055	\$ 98,057	\$ 12,042,130	\$ 122,288	\$ 3,761,451	\$ 96,891	\$ 27,050,872
2002	10,912,106	85,576	12,800,703	135,846	4,007,147	98,180	28,039,558
2003	11,643,486	150,039	13,321,622	144,208	4,114,949	105,742	29,480,046
2004	12,846,085	150,943	14,659,223	163,675	3,933,838	129,452	31,883,216
2005	13,702,865	173,518	16,240,984	183,734	4,231,603	159,132	34,691,836
2006	14,750,670	172,446	18,452,935	188,977	4,739,736	199,000	38,503,764
2007	23,692,133	205,665	20,009,130	240,268	4,960,867	199,589	49,307,652
2008	26,916,750	222,122	21,220,074	310,536	5,078,001	222,237	53,969,720
2009	29,735,458	238,617	19,850,152	268,902	5,203,332	221,231	55,517,692
2010	30,779,266	250,000	20,648,682	293,119	5,406,007	220,694	57,597,768

*Includes General Fund tax revenues only for 1999-2006.

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

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

TABLE IV

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,716,100	\$ 754,278	\$ 692,172	\$ 635,783
-	-	-	-
361,620	414,624	368,180	404,478
-	240,170	240,170	240,170
1,525,000	1,525,000	1,837,688	1,891,405
<u>18,186,697</u>	<u>21,177,858</u>	<u>19,825,761</u>	<u>19,029,602</u>
<u>\$ 21,789,417</u>	<u>\$ 24,111,930</u>	<u>\$ 22,963,971</u>	<u>\$ 22,201,438</u>
\$ 328,900	\$ 101,922	\$ 116,078	\$ 244,044
-	-	4,861	6,864
2,806,680	4,019,172	4,042,477	3,630,277
24,355,131	45,197,523	34,946,977	18,801,542
-	-	-	-
-	-	1,972	-
<u>1,976,662</u>	<u>2,976,016</u>	<u>3,944,130</u>	<u>3,271,170</u>
<u>\$ 29,467,373</u>	<u>\$ 52,294,633</u>	<u>\$ 43,056,495</u>	<u>\$ 25,953,897</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 33,942,040	\$ 37,236,747	\$ 40,374,681	\$ 44,209,826
Licenses and permits	911,366	1,041,730	1,226,994	1,673,018
Intergovernmental	1,150,096	1,719,074	2,544,806	1,808,426
Charges for services	3,296,013	2,787,143	2,478,713	2,896,794
Fines	723,143	894,038	1,036,688	1,346,557
Miscellaneous	1,725,039	1,347,704	2,542,252	4,573,737
Contributions	-	-	-	-
Developer contributions	-	-	-	5,152,753
Total revenues	<u>41,747,697</u>	<u>45,026,436</u>	<u>50,204,134</u>	<u>61,661,111</u>
Expenditures:				
General government	5,545,415	5,467,205	6,366,296	7,568,283
Public safety	19,310,906	20,389,613	21,486,251	25,346,243
Public works	3,966,588	4,042,427	4,517,392	4,303,518
Community services	6,507,274	6,469,184	5,196,402	4,704,721
Miscellaneous	4,210,902	4,706,548	5,690,519	4,851,202
Capital outlay	4,573,686	7,223,249	3,812,506	13,664,044
Debt service				
Bond issuance costs	90,533	-	120,732	-
Deferred amount on refunding	-	-	-	-
Principal	2,453,488	2,842,567	2,907,350	3,066,407
Interest	1,835,077	2,154,860	2,531,840	3,167,191
Fiscal charges	16,515	18,559	18,677	19,089
Total expenditures	<u>48,510,384</u>	<u>53,314,212</u>	<u>52,647,965</u>	<u>66,690,698</u>
Deficiency of revenues under expenditures	(6,762,687)	(8,287,776)	(2,443,831)	(5,029,587)
Other financing sources (uses):				
Issuance of debt	11,000,000	772,669	18,969,760	21,623,647
Refunding bonds issued	-	-	-	-
Premiums/discount on refunding debt	212,000	-	-	(427,862)
Proceeds from fixed asset dispositions	-	-	-	18,668
Refund to bond escrow agent	-	-	-	-
Transfers in	5,276,758	6,064,663	8,272,993	6,711,505
Transfers out	(2,406,970)	(6,120,776)	(2,940,146)	(4,169,520)
Total other financing sources	<u>14,081,788</u>	<u>716,556</u>	<u>24,302,607</u>	<u>23,756,438</u>
Net changes in fund balances	<u>\$ 7,319,101</u>	<u>\$ (7,571,220)</u>	<u>\$ 21,858,776</u>	<u>\$ 18,726,851</u>
Debt service as a percentage of noncapital expenditures	9.8%	10.5%	11.5%	12.1%

TABLE V

	2007	2008	2009	2010
\$	49,259,941	\$ 53,937,806	\$ 55,435,770	\$ 57,594,108
	1,292,332	1,438,989	1,100,819	1,365,200
	5,088,196	3,023,159	2,416,723	3,302,656
	4,034,110	4,857,966	5,474,140	5,581,992
	1,845,447	2,644,196	3,993,509	3,246,230
	4,711,079	3,755,908	2,021,935	905,216
	-	-	465,885	446,996
	3,305,484	5,888,521	1,984,083	850,165
	<u>69,536,589</u>	<u>75,546,545</u>	<u>72,892,864</u>	<u>73,292,563</u>
	6,656,910	7,096,970	8,709,995	10,465,499
	28,487,534	33,188,694	35,666,780	36,873,391
	4,881,644	5,100,406	4,672,140	4,047,734
	9,822,757	10,566,828	10,863,401	9,305,228
	4,652,358	5,468,436	4,247,495	5,531,595
	19,518,661	30,278,105	37,746,644	20,243,349
	-	-	-	109,000
	-	-	-	546,097
	4,528,400	5,120,434	5,005,274	4,985,911
	3,507,615	4,795,150	4,938,132	5,195,100
	6,227	259,376	18,924	25,732
	<u>82,062,106</u>	<u>101,874,399</u>	<u>111,868,785</u>	<u>97,328,636</u>
	(12,525,517)	(26,327,854)	(38,975,921)	(24,036,073)
	-	42,868,775	19,675,000	-
	-	-	744,600	13,330,000
	-	(441,569)	(82,825)	365,808
	-	-	-	-
	-	-	(727,601)	(13,084,092)
	6,056,081	7,294,703	13,392,203	20,103,714
	<u>(2,042,627)</u>	<u>(1,416,865)</u>	<u>(5,695,015)</u>	<u>(14,544,488)</u>
	<u>4,013,454</u>	<u>48,305,044</u>	<u>27,306,362</u>	<u>6,170,942</u>
\$	<u>(8,512,063)</u>	<u>\$ 21,977,190</u>	<u>\$ (11,669,559)</u>	<u>\$ (17,865,131)</u>
	13.1%	14.1%	13.3%	12.8%

TABLE VI

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

Fiscal Year Ended	Taxable Assessed Value		Less: Tax Exempt Property	Total Taxable Assessed Valuation	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property					
2001	\$ 1,807,057,844	\$ 265,860,903	\$ 245,112,171	\$ 1,827,806,576	0.6800	\$ 2,288,765,949	0.7986
2002	1,894,856,103	303,325,791	254,849,959	1,943,331,935	0.6800	2,458,816,286	0.7904
2003	2,014,916,592	315,247,673	286,553,517	2,043,610,748	0.6800	2,623,975,762	0.7788
2004	2,522,768,679	320,734,650	307,256,037	2,536,247,292	0.6990	2,854,692,140	0.8884
2005	2,660,558,752	350,370,677	320,635,274	2,690,294,155	0.6950	3,018,010,096	0.8914
2006	2,998,256,599	360,965,321	335,207,423	3,024,014,497	0.6950	3,395,819,417	0.8905
2007	3,492,613,445	362,828,152	350,942,363	3,504,499,234	0.6950	3,904,819,744	0.8975
2008	3,977,228,893	370,077,827	371,725,172	3,975,581,548	0.6950	4,375,136,071	0.9087
2009	4,399,405,101	388,992,264	390,286,994	4,398,110,371	0.6950	4,810,217,058	0.9143
2010	4,697,341,556	381,864,985	513,563,290	4,565,643,251	0.6950	5,097,637,799	0.8956

TABLE VII

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>City of Killeen General Fund</u>	<u>City of Killeen Debt Service</u>	<u>Total City of Killeen</u>	<u>Bell County</u>	<u>Killeen ISD</u>	<u>Central Texas College</u>	<u>Total</u>
2001	2000	0.54540	0.13460	0.6800	0.3651	1.4280	0.1485	2.6216
2002	2001	0.51620	0.16380	0.6800	0.3651	1.4280	0.1485	2.6216
2003	2002	0.52110	0.17790	0.6990	0.3651	1.5223	0.1475	2.7339
2004	2003	0.52183	0.17317	0.6950	0.3650	1.5633	0.1475	2.7708
2005	2004	0.52183	0.17317	0.6950	0.3610	1.5583	0.1470	2.7613
2006	2005	0.50020	0.19480	0.6950	0.3760	1.5583	0.1460	2.7753
2007	2006	0.47625	0.21875	0.6950	0.3815	1.4191	0.1420	2.6376
2008	2007	0.46256	0.23244	0.6950	0.3795	1.1412	0.1420	2.3577
2009	2008	0.49281	0.20219	0.6950	0.3779	1.1412	0.1410	2.3551
2010	2009	0.49057	0.20443	0.6950	0.3759	1.1412	0.1409	2.3530

Note: Data presented is received from various government agencies.

TABLE VIII

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

Name of Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Oncor Electric Delivery Co. LLC	\$ 41,590,784	1	0.91%			
Wal-Mart Real Estate	19,886,932	2	0.44%	\$ 9,307,173	5	0.45%
Central Telephone Company of TX	18,657,540	3	0.41%	31,074,350	2	1.50%
Killeen Mall, LLC	16,973,485	4	0.37%			
Watercrest Place LP	14,114,812	5	0.31%			
TWE Advance / New House	12,512,870	6	0.27%	8,223,745	7	0.40%
HEB Grocery Company, LP	12,177,851	7	0.27%			
Aegis Communications Group, Inc.	11,326,849	8	0.25%			
Feiga/Sierra Creek LP	11,321,315	9	0.25%	8,448,943	6	0.41%
WLC Brookside Apartments LP	10,404,461	10	0.23%			
TXU Electric Company				33,348,141	1	1.61%
Student Loan Marketing Assoc.				19,564,706	3	0.94%
Southwest Shopping Center				12,370,898	4	0.60%
Oakwood Homes				7,777,855	8	0.38%
Wal-Mart Real Estate Business				7,772,616	9	0.37%
R.W. Associates				6,632,825	10	0.32%
Subtotal	168,966,899		3.70%	144,521,252		6.97%
All other taxpayers	4,396,676,352		96.30%	1,928,397,495		93.03%
	<u>\$ 4,565,643,251</u>		<u>100.00%</u>	<u>\$ 2,072,918,747</u>		<u>100.00%</u>

Source: Bell County Tax Appraisal District

TABLE IX

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

Fiscal Year September 30	Total Tax Levy for Fiscal Year	Tax Levy	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years (1)	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2001	2000	\$ 14,095,851	\$ 13,541,305	96.07%	\$ 195,560	\$ 13,736,865	97.45%
2002	2001	14,947,638	14,370,546	96.14%	345,835	14,716,381	98.45%
2003	2002	15,845,119	15,045,984	94.96%	418,055	15,464,039	97.59%
2004	2003	17,728,368	16,959,606	95.66%	415,950	17,375,556	98.01%
2005	2004	18,697,545	17,957,697	96.04%	441,789	18,399,486	98.41%
2006	2005	21,016,898	20,179,257	96.01%	461,613	20,640,870	98.21%
2007	2006	24,348,127	23,386,242	96.05%	490,899	23,877,141	98.07%
2008	2007	27,630,290	26,697,567	96.62%	339,246	27,036,813	97.85%
2009	2008	30,566,865	29,523,348	96.59%	354,100	29,877,448	97.74%
2010	2009	31,715,948	30,605,848	96.50%	370,681	30,976,529	97.67%

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

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Assessed Valuation</u>	<u>Assessments Rate</u>	<u>Gross Tax Rate</u>
2001	2000	\$ 2,072,918,747	100%	0.6880
2002	2001	2,198,181,894	100%	0.6800
2003	2002	2,330,164,265	100%	0.6800
2004	2003	2,843,503,329	100%	0.6990
2005	2004	3,010,929,429	100%	0.6950
2006	2005	3,359,221,920	100%	0.6950
2007	2006	3,855,441,597	100%	0.6950
2008	2007	4,347,306,720	100%	0.6950
2009	2008	4,788,397,365	100%	0.6950
2010	2009	5,079,206,541	100%	0.6950

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

Fiscal Year	Governmental Activities					Total Governmental Activities	General Obligation Bonds	Revenue Bonds
	General Obligation Bonds	Certificates of Obligation	Limited Tax Notes	Capital Lease Payable				
2001	\$ 13,561,316	\$ 20,715,000	\$ 3,030,000	\$ -	\$ 37,306,316	\$ 9,918,685	\$ 32,490,000	
2002	12,164,156	20,322,000	2,485,000	-	34,971,156	9,750,844	31,035,000	
2003	10,676,668	30,806,000	2,035,000	-	43,517,668	9,408,332	29,490,000	
2004	9,166,101	29,949,000	1,560,000	-	40,675,101	8,988,898	27,905,000	
2005	25,784,251	29,718,500	1,065,000	-	56,567,751	7,905,749	46,665,000	
2006	34,659,101	39,797,243	545,000	-	75,001,344	6,415,899	45,320,000	
2007	31,963,701	41,421,743	-	-	73,385,444	5,486,299	43,670,000	
2008	46,576,501	63,697,743	-	859,541	111,133,785	4,523,499	63,105,000	
2009	56,829,600	68,331,973	-	658,937	125,820,510	3,635,400	60,390,000	
2010	67,810,500	52,865,000	-	449,099	121,124,599	9,389,500	49,865,000	

TABLE XI

Business-Type Activities			Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
Certificates of Obligation	Notes Payable	Limited Tax Notes				
\$ 298,000	\$ 12,502	\$ 200,000	\$ 42,919,187	\$ 80,225,503	1.03%	\$ 923.08
1,053,000	44,336	800,000	42,683,180	77,654,336	0.95%	769.04
829,000	30,900	600,000	40,358,232	83,875,900	0.96%	830.65
556,000	16,758	300,000	37,766,656	78,441,757	0.84%	760.02
3,406,500	-	-	57,977,249	114,545,000	1.13%	1,109.82
19,702,757	-	-	71,438,656	146,440,000	1.26%	1,418.85
16,203,257	-	-	65,359,556	138,745,000	1.08%	1,344.30
15,602,257	-	-	83,230,756	194,364,541	1.43%	1,728.70
17,073,027	-	-	81,098,427	206,918,937	1.41%	1,769.54
16,320,000	-	-	75,574,500	196,699,099	*	1,537.66

* Personal income information is unavailable

TABLE XII

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2001	\$ 23,480,001	\$ 2,681,170	\$ 20,798,831	0.91%	\$ 239
2002	21,915,000	2,871,930	19,043,070	0.77%	189
2003	20,085,000	1,929,999	18,155,001	0.69%	180
2004	18,154,999	2,405,000	15,749,999	0.55%	153
2005	33,690,000	2,575,000	31,115,000	1.03%	301
2006	41,075,000	3,625,000	37,450,000	1.10%	363
2007	37,450,000	3,775,000	33,675,000	0.86%	326
2008	51,100,000	3,910,000	47,190,000	1.08%	420
2009	60,465,000	3,100,000	57,365,000	1.19%	491
2010	77,200,000	3,565,000	73,635,000	1.44%	576

TABLE XIII

**CITY OF KILLEEN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2010**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Bell County	\$ 130,835,000	28.24%	\$ 36,947,804
Killeen Independent School District	115,830,000	77.93%	<u>90,266,319</u>
Subtotal, overlapping debt			127,214,123
City of Killeen			<u>121,124,599</u>
Total direct and overlapping debt			<u><u>\$ 248,338,722</u></u>

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TABLE XIV

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

Fiscal Year	Gross Revenue	Operating Expenses *	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2001	\$ 17,914,851	\$ 11,338,927	\$ 6,575,924	\$ 1,220,000	\$ 1,461,947	\$ 2,681,947	2.45
2002	21,111,946	11,365,701	9,746,245	1,455,000	1,828,221	3,283,221	2.97
2003	21,960,302	11,135,352	10,824,950	1,545,000	1,669,701	3,214,701	3.37
2004	20,742,089	11,431,228	9,310,861	1,585,000	1,582,452	3,167,452	2.94
2005	24,775,090	14,616,805	10,158,285	1,440,000	1,492,576	2,932,576	3.46
2006	27,036,300	15,531,689	11,504,611	1,490,000	2,349,391	3,839,391	3.00
2007	26,898,319	16,935,527	9,962,792	1,730,000	2,035,991	3,765,991	2.65
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

Source: Finance Department, City of Killeen

* Total operating expenses less depreciation

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

Fiscal Year	City of Killeen			Overlapping Bell County		
	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen
2001	\$ 36,557,433	100.00%	\$ 36,557,433	\$ 31,540,000	28.24%	\$ 8,906,896
2002	77,610,000	100.00%	77,610,000	29,220,000	28.24%	8,251,728
2003	83,845,000	100.00%	83,845,000	27,805,000	28.24%	7,852,132
2004	78,424,999	100.00%	78,424,999	52,030,000	28.24%	14,693,272
2005	114,545,000	100.00%	114,545,000	53,735,000	28.24%	15,174,764
2006	146,440,000	100.00%	146,440,000	98,050,000	28.24%	27,689,320
2007	138,745,000	100.00%	138,745,000	99,855,000	28.24%	28,199,052
2008	194,364,541	100.00%	194,364,541	131,625,000	28.24%	37,170,900
2009	206,918,937	100.00%	206,918,937	126,620,000	28.24%	35,757,488
2010	196,699,099	100.00%	196,699,099	130,835,000	28.24%	36,947,804

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

TABLE XV

Debt						
Killeen Independent School District			Central Texas College			Total Amount Applicable to Killeen
Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	
\$ 89,325,258	77.93%	\$ 69,611,174	\$ 13,666,620	67.16%	\$ 9,178,502	\$ 124,254,005
84,219,990	77.93%	65,632,638	14,000,000	67.16%	9,402,400	160,896,766
179,795,938	77.93%	140,114,974	12,260,000	67.16%	8,233,816	240,045,922
172,941,739	77.93%	134,773,497	10,440,000	67.16%	7,011,504	234,903,272
167,140,974	77.93%	130,252,961	8,530,000	67.16%	5,728,748	265,701,473
158,793,665	77.93%	123,747,903	6,530,000	67.16%	4,385,548	302,262,771
144,650,000	77.93%	112,725,745	4,445,000	67.16%	2,388,210	282,058,007
135,050,000	77.93%	105,244,465	-	67.16%	-	336,779,906
127,110,000	77.93%	99,056,823	-	67.16%	-	341,733,248
115,830,000	77.93%	90,266,319	-	67.16%	-	323,913,222

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assessed Value, Tax Roll	\$ 4,565,643,251	\$ 4,398,110,371	\$ 3,975,581,548	\$ 3,504,499,234
	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
Legal Debt Limit	<u>\$ 114,141,081</u>	<u>\$ 109,952,759</u>	<u>\$ 99,389,539</u>	<u>\$ 87,612,481</u>
Actual amount expended for general obligation debt service during the year	\$ 6,100,636	\$ 6,162,242	\$ 5,449,036	\$ 5,470,766

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

TABLE XVI

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 3,024,014,497	\$ 2,690,294,155	\$ 2,536,247,292	\$ 2,330,164,265	\$ 2,198,181,894	\$ 2,072,918,747
<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
<u>\$ 75,600,362</u>	<u>\$ 67,257,354</u>	<u>\$ 63,406,182</u>	<u>\$ 58,254,107</u>	<u>\$ 54,954,547</u>	<u>\$ 51,822,969</u>
\$ 4,075,825	\$ 3,269,538	\$ 2,886,082	\$ 2,871,930	\$ 2,681,170	\$ 2,692,560

TABLE XVII

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

Fiscal Year	City of Killeen Population (a)	Killeen-Temple Fort Hood Metropolitan Statistical Area Population (b)	Fort Hood Metropolitan Personal Income (amounts expressed in thousands) (b)	Killeen-Temple Fort Hood Metropolitan Per Capita Personal Income	Killeen-Temple Fort Hood Metropolitan Unemployment Rates (c)
2001	86,911	315,281	\$ 7,782,476	\$ 24,684	5.3
2002	100,976	319,346	8,208,370	25,704	5.8
2003	100,976	324,649	8,739,875	26,921	6.4
2004	103,210	325,398	9,321,254	28,646	5.2
2005	103,210	341,797	10,162,000	29,731	5.2
2006	103,210	357,580	11,648,344	32,575	5.1
2007	103,210	370,755	12,845,443	34,717	4.8
2008	112,434	378,935	13,601,991	35,895	5.2
2009	116,934	379,231	14,697,693	38,757	6.9
2010	127,921	*	*	*	7.6

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

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

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

* Information is unavailable.

TABLE XVIII

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

Name of Employer	2010			2001		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Fort Hood (includes civilians and soldiers)	57,580	1	71.05%	52,400	1	82.05%
Killeen ISD	6,000	2	7.40%	4,200	2	6.58%
Central Texas College	1,500	3	1.85%	1,439	3	2.25%
City of Killeen	1,227	4	1.51%	708	8	1.11%
Metroplex Hospital	1,200	5	1.48%	900	5	1.41%
Westar Aerospace & Defense Group, Inc.	1,050	6	1.30%			
L-3 Communications	600	7	0.74%			
Aegis Communications	600	8	0.74%			
ESP, Inc.	510	9	0.63%			
Presidium, Inc.	401	10	0.49%			
Convergys Corporation				1,200	4	1.88%
Killeen Mall				808	6	1.27%
DynCorp				805	7	1.26%
Sallie Mae				705	9	1.10%
First National Bank, Texas				700	10	1.10%
Subtotal	<u>70,668</u>		<u>87.20%</u>	<u>63,865</u>		<u>100.00%</u>
All other employers	<u>10,372</u>		<u>12.80%</u>	<u>*</u>		<u>N/A</u>
Total employment	<u>81,040</u>		<u>100.00%</u>	<u>63,865</u>		<u>100.00%</u>

Source: Greater Killeen Chamber of Commerce

* Information not available

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
City Manager	3	3	3	3	3	3	4	4	4	4
Assistant City Manager	0	0	0	0	0	0	0	3	3	3
Grant Administration	0	0	0	0	0	0	0	0	0	1
City Auditor	0	0	0	0	0	0	1	1	1	1
Municipal Court	18	18	20	19	19	19	23	23	24	24
Public Information	1	1	1	1	1	2	2	2	3	2
Killeen Volunteer Services	3	3	3	3	3	3	3	3	3	3
City Attorney	6	6	6	6	7	7	7	7	7	7
City Secretary	1	1	1	1	1	1	1	1	1	1
Finance	4	5	5	5	6	6	6	6	6	5
Accounting	6	6	7	7	7	7	7	7	7	7
Purchasing	3	3	4	4	4	5	5	4	4	4
Building Services	2	2	2	2	2	3	3	3	4	4
Custodial Services	8	8	8	8	8	8	9	10	10	12
Printing Services	2	2	2	2	2	2	2	2	3	3
EMS Billing & Collections	3	3	5	5	5	5	5	5	5	5
Human Resources	6	6	8	8	8	10	10	11	12	12
Information Technology	10	10	10	10	10	12	12	14	15	15
Library Services	21	21	31	30	30	30	31	32	32	32
Golf Course	12	12	12	12	13	17	17	18	18	19
Golf Course Food & Beverage	0	0	0	0	0	0	5	5	5	5
Community Center Operations	0	0	0	0	0	0	0	6	6	6
Parks	29	31	31	31	31	31	37	33	33	33
Lions Club Park	0	0	0	0	0	0	0	14	14	14
Family Aquatics Center	0	0	0	0	0	0	0	0	2	2
Recreation	3	3	3	3	3	3	3	6	6	6
Athletics	3	3	3	3	3	3	3	3	3	3
Cemetery	6	6	6	6	6	6	6	6	6	6
Senior Citizens	2	2	3	3	3	3	5	6	6	6
Public Works	2	2	2	2	2	2	2	2	2	2
Engineering	2	4	4	2	2	2	2	2	2	2
Traffic	8	10	10	10	10	10	9	10	10	10
Street	31	35	35	35	35	39	39	43	47	47
Planning & Development	6	6	6	6	7	8	9	9	9	10
Building Inspections	14	13	11	11	12	14	16	14	14	15
Code Enforcement	0	0	4	7	7	8	8	8	9	9
Community Development	6	5	4	4	4	4	3	3	3	3
Downtown Revitalization	0	0	0	0	0	0	1	1	0	0
Home Program	2	2	2	2	2	2	1	1	1	1
Police	198	204	211	214	230	249	267	287	305	314
Animal Control	8	8	8	8	8	8	8	11	11	11
Fire	121	124	128	128	137	143	194	194	200	200
Emergency Management & Homeland Security	0	0	0	0	0	0	1	1	1	1
Total General Fund	550	568	599	601	631	675	766	821	856	869
Killeen-Fort Hood Regional Airport										
Killeen-Fort Hood Regional Airport	2	3	4	14	38	38	40	41	41	41
Total Killeen-Fort Hood Regional Airport Fund	2	3	4	14	38	38	40	41	41	41
Skylark Field										
Skylark Field	11	17	20	20	6	6	4	4	4	4
Total Skylark Field Fund	11	17	20	20	6	6	4	4	4	4

TABLE XIX

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Solid Waste										
Custodial	0	0	0	0	0	0	1	1	1	1
Accounting	0	0	0	0	0	0	0	0	4	4
Residential Services	22	26	32	35	35	38	38	40	41	41
Commercial Services	16	17	18	19	19	19	20	21	20	20
Recycle Center	3	3	4	7	7	7	7	7	7	7
Transfer Station	10	10	10	11	11	11	13	13	15	15
Mowing	0	0	0	0	0	11	11	19	22	22
Total Solid Waste Fund	51	56	64	72	72	86	90	101	110	110
Water and Sewer										
Fleet Services	20	19	19	19	19	19	22	23	23	23
Utility Collections	27	28	29	30	30	32	34	35	38	38
Water Distribution	12	12	15	15	15	15	15	19	19	19
Sanitary Sewer	11	11	11	11	11	13	13	13	15	15
Water and Sewer Operations	19	17	18	20	20	24	20	24	24	24
Engineering	0	0	0	0	0	0	8	9	10	10
Total Water and Sewer Fund	89	87	92	95	95	103	112	123	129	129
Drainage Utility Fund										
Engineering	0	1	3	3	3	9	3	3	3	3
Street	0	0	0	0	0	0	0	0	0	0
Maintenance	0	0	0	0	0	0	12	21	30	30
Total Drainage Utility Fund	0	1	3	3	3	9	15	24	33	33
Special Revenue Fund										
Cablesystem PEG	0	0	1	1	1	0	2	2	2	2
Civic and Conference Center	0	6	17	15	16	15	14	14	14	14
Community Development										
Block Grant	0	0	6	4	4	4	4	4	5	5
Home Program	0	0	1	1	1	1	1	1	1	1
Total Special Revenue Fund	0	6	25	21	22	20	21	21	22	22
Capital Improvement										
Bond Construction	6	5	5	5	5	0	0	0	1	1
Total Capital Improvement Fund	6	5	5	5	5	0	0	0	1	1
Total all funds	709	743	812	831	871	936	1047	1134	1195	1208

**CITY OF KILLEEN, TEXAS
WATERWORKS SYSTEM
SEPTEMBER 30, 2010**

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

Fiscal Year	Peak Day Usage	Average Day Usage	Total Usage
2001	18.38	11.05	4040
2002	19.26	12.06	4405
2003	21.12	12.30	4495
2004	16.75	11.07	4069
2005	21.17	11.48	4194
2006	22.31	12.99	4747
2007	18.72	11.99	4378
2008	23.37	14.47	5299
2009	26.28	14.93	2460
2010	25.741	14.64	5350

TEN LARGEST WATERS CUSTOMERS (IN THOUSANDS OF GALLONS)

Cusomter	Annual Water Usage	Annual Amount Billed	% of Total Water Usage
City of Killeen - Golf	90,929,900	\$ 51,876	2.05531%
Independence Place at Ft. Hood	22,460,100	54,265	0.50767%
Metroplex Hospital	16,038,600	47,472	0.36252%
TGFT Enterprise Inc DBA Zip	14,662,900	43,020	0.33143%
KISD - Ellison High School Sprinkler	14,045,400	41,678	0.31747%
Stone Hill Apartments	13,294,600	37,375	0.30050%
Summerlyn Apartments	10,646,400	30,585	0.24064%
Southern Hills MHP	9,507,200	27,389	0.21489%
Remington Apartments	9,391,600	26,447	0.21228%
Goode & Goodnight	9,100,900	25,633	0.20571%

Note: Percent of total consumption based on 4,424,154,598 gallons annual consumption

MONTHLY WATER RATES (EFFECTIVE 10/1/06)

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

0 to 2,000 gallons based on meter size:

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

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

TEN LARGEST WASTEWATER CUSTOMERS (MGD)

<u>Customer</u>	<u>Annual Water Usage</u>	<u>Annual Amount Billed</u>
CTC	30,612,870	\$ 120,640
Independence Place at Ft Hood	16,951,410	55,161
Metroplex Hospital	16,701,570	54,349
Tftg Enterprise Inc DBA Zip	13,200,210	42,970
Stone Hill Apartments	11,968,740	36,018
Summerlyn Apartments	10,516,650	31,230
Southern Hills MHP	9,395,900	35,499
Remington Apartments	9,710,400	27,551
Goode & Goodnight	8,194,410	26,701
Summerfield Community	8,706,500	38,509

TABLE XXI

**CITY OF KILLEEN, TEXAS
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2010**

Date of Incorporation	1882	Public Works			
Date of Charter	1949	Paved Streets		522.48	
Legal Form of Government Home		Unpaved Streets		1 mile	
Rule Municipal Corp.		Arterial Streets (State)		34.16 miles	
Management Form of Government:		Storm Water Piping	150,000 linear ft		
Council-Manager		Inlets and Outfalls	3,173 structures		
Area in Square Miles	54.72	Curb and Gutter		866 miles	
		Open Channels		283 miles	
Airport		Drainage Easements		295 acres	
Number of Airports	2	Signalized Intersections		89	
Number of Acres	289	Street lights		3,976	
Number of Airlines	3				
Passengers Enplaning	211,439	Wastewater Systems			
Passengers Deplaning	208,473	Sanitary Sewer Mains		520.197 miles	
		Sewer Connections		40,786	
Fire Protection		Number of Manholes		6,630	
Number of Fire Stations	8	Sewer Treatment Plane is Activated Sludge			
Fire Aparatus	35		Plant 1	Plant 2	Plant 3
Number of Fire Hydrants	3,630	Max Capacity	15 MGI	6 MGD	6 MGD
Number of Firemen	199				
Number of Fire Runs	7,515	Water System			
Number of Paramedic Runs	13,248	Average Daily Consumption		14,663,000 gpd	
EMS Units	11	Rated Daily Capacity		32,000,000 gpd	
Libraries		Water Mains		602.406 miles	
Number of Libraries	2	Water Connections		42,611	
Number of Visitors	294,139	Max System Daily Capacity (Killeen)		29,500,000 gal	
Number of Volumes	111,501			80,000,000 WCID	
Circulation of Volumes	276,826	Max Daily Use to Date (Killeen)		26,010,000 gal	
Library Cards in Force	41,841	Pressure on Mains		-100 PSI Killeen	
Story Time Attendance	14,701			45-175 PSI WCID	
Public Computer Sessions	92,110	Storage Capacity		,250,000 Killeen	
				30,000,000 WCID	
Parks and Recreation		Size of Mains		6" - 30" Killeen	
Number of Parks	21			18" - 54" WCID	
Playgrounds	22	Facilites not included in the Reporting Entity:			
Municipal Golf Courses	1				
Disc Golf Course	1	Education*			
Swimming Pools	2	Number of Elementary Schools		31	
Tennis Courts	9	Number of Middle Schools		13	
Recreation Centers	1	Number of High Schools		4	
Baseball/Softball Fields	15				
Soccer Fields	6	Number of Community Colleges		1	
Jogging/Walking Trails	6	Number of Universities		1	
Senior Center	2				
Aqautics Center	1				
Police Protection		* Schools include all campuses in the Killeen Independent School District.			
Number of Facilities	5				
Number of Commissioned					
Police Officers	240				

SINGLE AUDIT REPORT

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**CITY OF KILLEEN, TEXAS
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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

Independent Auditors' Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Killeen, Texas (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Ernst & Young, LLP

February 21, 2011



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

Independent Auditors' Report

To the City Council
City of Killeen, Texas

Compliance

We have audited the City of Killeen, Texas (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2010.

Internal Control Over Compliance

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

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

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

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

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

Ernst & Young, LLP

February 21, 2011

CITY OF KILLEEN, TEXAS
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2010

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	(A) Expenditures Indirect Costs or Award Amount	(B) Amount in (A) Relating to Pass- Through to Subrecipients
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</u>			
Community Development Block Grant	14.218	\$ 829,862	\$ 156,768
Community Development Block Grant - ARRA	14.253	150,000	-
Community Development Block Grant Home Program	14.239	797,403	264,306
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)		1,777,265	421,074
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Aviation Administration Grants:			
Airport Improvement Program	20.106	8,735	-
Airport Improvement Program	20.106	251,497	-
Airport Improvement Program	20.106	5,033	-
Airport Improvement Program	20.106	788,423	-
Airport Improvement Program	20.106	250,859	-
Airport Improvement Program - ARRA	20.106	2,514,670	-
TOTAL U. S. DEPARTMENT OF TRANSPORTATION		3,819,217	-
<u>NATIONAL TRAFFIC SAFETY ADMINISTRATION</u>			
Passed through Texas Department of Transportation Selective Traffic Enforcement Program (STEP)	20.600	72,179	-
TOTAL NATIONAL TRAFFIC SAFETY ADMINISTRATION		72,179	-
<u>OFFICE OF WATER, ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed through Texas Commission on Environmental Quality 2006 Clean Water Act - Nonpoint Source Pollution Grant	66.460	32,681	-
TOTAL OFFICE OF WATER, ENVIRONMENTAL PROTECTION AGENCY		32,681	-
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed through Texas Comptroller of Public Accounts 2009 Traffic Signal Synchronization - ARRA	81.041	118,652	-
TOTAL U.S. DEPARTMENT OF ENERGY		118,652	-
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest Partnership Program	16.607	19,247	-
2006 Edward Byrne Memorial Justice Assistance Grant	16.738	40,336	-
2007 Edward Byrne Memorial Justice Assistance Grant	16.738	53,597	9,521
2008 Edward Byrne Memorial Justice Assistance Grant	16.738	2,855	2,855
2009 Edward Byrne Memorial Justice Assistance Grant	16.738	70,930	244
2009 Edward Byrne Memorial Justice Assistance Grant - ARRA	16.804	506,870	177,488
TOTAL U. S. DEPARTMENT OF JUSTICE		693,835	190,108
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	259,516	-
Passed through Texas Department of Public Safety Homeland Security Grant	97.073	18,491	-
Emergency Management Preparedness Grant	97.042	21,309	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		299,316	-
TOTAL FEDERAL ASSISTANCE		\$ 6,813,146	\$ 611,182
Reconciliation of Community Development Block Grant Expenditures to HUD Consolidated Annual Performance and Evaluation Report (CAPER)			
CDBG audit period expenditures		\$ 829,862	
Add: Unliquidated obligations at end of current program year		33,655	
Add: Administrative expenditures that exceeded grant limitation		326	
Expenditures per HUD CAPER		\$ 863,843	

CITY OF KILLEEN, TEXAS
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2010

1. BASIS OF PRESENTATION

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

2. BASIS OF ACCOUNTING

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

CITY OF KILLEEN, TEXAS
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2010

Section I-Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.253	Community Development Block Grant-ARRA
16.738	Edward Byrne Memorial Justice Assistance Grant
16.804	Edward Byrne Memorial Justice Assistance-ARRA
20.106	Airport Improvement Program
81.041	State Energy Program

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

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

CITY OF KILLEEN, TEXAS
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended September 30, 2010

Section II-Financial Statement Findings

There were no findings and no matters were reported.

Section III-Federal Award Findings and Questioned Costs

There were no findings and no matters were reported.

PASSENGER FACILITY CHARGE REPORT

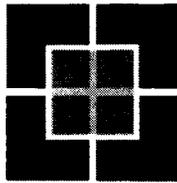
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**CITY OF KILLEEN, TEXAS
PASSENGER FACILITY CHARGE REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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BROCKWAY
GERSBACH
FRANKLIN &
NIEMEIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and
City Council
City of Killeen, Texas

Compliance

We have audited the compliance of City of Killeen, Texas with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended September 30, 2010. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of City of Killeen, Texas' management. Our responsibility is to express an opinion on City of Killeen, Texas' compliance based on our audit.

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

In our opinion, City of Killeen, Texas complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended September 30, 2010.

Internal Control Over Compliance

The management of City of Killeen, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered City of Killeen, Texas' internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We note no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Brookway, Sandbach, Franklin & Neimeier, P.C.

February 21, 2011

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**CITY OF KILLEEN, TEXAS
PFC REVENUE AND DISBURSEMENT SCHEDULE
KILLEEN AIRPORT AUTHORITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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

**CITY OF KILLEEN, TEXAS
PFC REVENUE AND DISBURSEMENT SCHEDULE
KILLEEN AIRPORT AUTHORITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Quarter 1 Oct-Dec	Quarter 2 Jan-Mar	Quarter 3 April-Jun	Quarter 4 Jul-Sep	FY-10 Program Total	Program Total
\$ 215,326	\$ -	\$ -	\$ -	\$ 215,326	\$ 2,782,477
159	-	-	-	159	32,981
-	191,942	239,296	239,131	670,369	670,369
-	169	246	336	751	751
<u>\$ 215,485</u>	<u>\$ 192,111</u>	<u>\$ 239,542</u>	<u>\$ 239,467</u>	<u>\$ 886,605</u>	<u>\$ 3,486,578</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,702
-	-	-	-	-	1,120,098
-	-	-	-	-	323,154
-	-	-	-	-	431,943
-	15,069	-	-	15,069	299,440
459	-	-	-	459	131,576
-	-	-	-	-	6,757
-	-	-	-	-	14,517
-	-	155	2,700	2,855	10,975
-	1,500	-	-	1,500	5,000
<u>\$ 459</u>	<u>\$ 16,569</u>	<u>\$ 155</u>	<u>\$ 2,700</u>	<u>\$ 19,883</u>	<u>\$ 2,474,162</u>
\$ -	\$ 8,061	\$ -	\$ 8,061	\$ 16,122	\$ 16,122
-	-	-	-	-	-
-	-	-	2,177	2,177	2,177
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	36,270	-	1,730	38,000	38,000
-	27,000	-	-	27,000	27,000
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 71,331</u>	<u>\$ -</u>	<u>\$ 11,968</u>	<u>\$ 83,299</u>	<u>\$ 83,299</u>
\$ 459	\$ 87,900	\$ 155	\$ 14,668	\$ 103,182	\$ 2,557,461
<u>\$ 215,026</u>	<u>\$ 104,211</u>	<u>\$ 239,387</u>	<u>\$ 224,799</u>	<u>\$ 783,423</u>	<u>\$ 937,532</u>
<u>\$ 215,026</u>	<u>\$ 104,211</u>	<u>\$ 239,387</u>	<u>\$ 224,799</u>	<u>\$ 783,423</u>	<u>\$ 937,532</u>
<u>\$ 360,720</u>	<u>\$ 464,931</u>	<u>\$ 704,318</u>	<u>\$ 929,117</u>	<u>\$ 1,446,913</u>	<u>\$ 929,117</u>
<u>\$ 360,720</u>	<u>\$ 464,931</u>	<u>\$ 704,318</u>	<u>\$ 929,117</u>	<u>\$ 1,446,913</u>	<u>\$ 929,117</u>

**CITY OF KILLEEN, TEXAS
PFC AUDIT SUMMARY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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





CITY OF KILLEEN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2010

www.ci.killeen.tx.us