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PRELIMINARY OFFICIAL STATEMENT

Dated April 9, 2026

Rating:
S&P: “AA”
(See “OTHER INFORMATION
– RATING” herein)

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Bonds (defined herein) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.



\$26,195,000*
CITY OF KILLEEN, TEXAS
(A political subdivision of the State of Texas located in Bell County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026

Dated Date: May 7, 2026

Due: August 1, as shown on page 2 hereof

Interest Accrues from Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$26,195,000* City of Killeen, Texas General Obligation Refunding Bonds, Series 2026 (the “Bonds”) will accrue from the Date of Initial Delivery (defined below), will be payable on February 1 and August 1 of each year commencing February 1, 2027 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – BOOK-ENTRY-ONLY SYSTEM”). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see “THE BONDS – PAYING AGENT/REGISTRAR”).

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Chapters 1207 and 1371, Texas Government Code, as amended, an ordinance adopted by the City Council of the City of Killeen, Texas (the “City” or “Issuer”) on April 7, 2026 (the “Bond Ordinance”) and a pricing certificate to be executed on the date of sale of the Bonds (the “Pricing Certificate” and together with the Bond Ordinance, the “Ordinance”). The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see “THE BONDS – AUTHORITY FOR ISSUANCE” and “THE BONDS – SECURITY AND SOURCE OF PAYMENT”).

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund certain outstanding obligations of the City as shown on SCHEDULE I hereto (the “Refunded Obligations”) to achieve a debt service savings; and (ii) pay the costs of issuing the Bonds (see “PLAN OF FINANCING”).

CUSIP PREFIX: 494135
MATURITY SCHEDULE
See Page 2 Hereof

REDEMPTION . . . The Bonds will not be callable prior to their stated maturities (see “THE BONDS – NO OPTIONAL REDEMPTION”). The Bonds may be subject to mandatory redemption in the event the Underwriters elect to aggregate two or more consecutive maturities as term bonds.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof identified below (the “Underwriters”) and subject to the approving opinions of the Attorney General of Texas and the opinions of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION”). Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through DTC on May 7, 2026 (the “Date of Initial Delivery”).

SAMCO CAPITAL

RAYMOND JAMES

UMB BANK, N.A.

*Preliminary, subject to change.

MATURITY SCHEDULE*

| <u>8/1</u> <u>Maturity</u> | <u>Principal</u> <u>Amount</u> | <u>Rate</u> | <u>Initial</u> <u>Yield</u> | <u>CUSIP</u> <u>Numbers⁽¹⁾</u> |
|-------------------------------|-----------------------------------|-------------|--------------------------------|--|
| 2027 | \$ 4,765,000 | | | |
| 2028 | 3,595,000 | | | |
| 2029 | 3,785,000 | | | |
| 2030 | 3,275,000 | | | |
| 2031 | 3,450,000 | | | |
| 2032 | 3,625,000 | | | |
| 2033 | 1,805,000 | | | |
| 2034 | 1,895,000 | | | |

(Interest Accrues from the Date of Initial Delivery)

*Preliminary, subject to change.

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City, the Financial Advisor or the Underwriters. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of the Bonds. None of the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

(The remainder of this page intentionally left blank.)

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, (the "Rule"), this document constitutes an "official statement" of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Bonds in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, ITS FINANCIAL ADVISOR OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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The cover page hereof, this page, the appendices and schedule included herein and any addenda, supplement or amendment hereto, are part of the Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

| | |
|--|---|
| THE CITY | <p>The City of Killeen, Texas (the “City” or “Issuer”) is a political subdivision located in Bell County, Texas and operating as a home-rule city under the laws of the State of Texas and a charter approved by voters in 1944, as amended. The City operates under the City Council/Manager form of government where the Mayor and seven Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.</p> <p>The City is approximately 54.69 square miles in area (see “INTRODUCTION – DESCRIPTION OF THE CITY”).</p> |
| THE BONDS | <p>The Bonds are issued as \$26,195,000* General Obligation Refunding Bonds, Series 2026. The Bonds are issued as serial Bonds maturing on August 1 in the years 2027 through and including 2034 unless the Underwriters elect to aggregate two or more consecutive maturities as Term Bonds (see “THE BONDS – DESCRIPTION OF THE BONDS”).</p> |
| PAYMENT OF INTEREST | <p>Interest on the Bonds accrues from the Date of Initial Delivery and is payable on February 1, 2027, and each August 1 and February 1 thereafter until maturity or prior redemption (see “THE BONDS”).</p> |
| AUTHORITY FOR ISSUANCE AND SECURITY | <p>The Bonds are being issued pursuant to the Constitution and general laws of the State including particularly Chapters 1207 and 1371, Texas Government Code, as amended, an ordinance adopted by the City Council on April 7, 2026 (the “Bond Ordinance”) and a pricing certificate to be executed on the date of sale of the Bonds (the “Pricing Certificate”) and together with the Bond Ordinance, the “Ordinance”) (see “THE BONDS – AUTHORITY FOR ISSUANCE”).</p> |
| REDEMPTION | <p>The Bonds will not be callable prior to their stated maturities. The Bonds may be subject to mandatory redemption in the event the Underwriters elect to aggregate two or more consecutive maturities as term bonds (see “THE BONDS – NO OPTIONAL REDEMPTION”).</p> |
| TAX EXEMPTION | <p>In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences (see “TAX MATTERS”).</p> |
| USE OF PROCEEDS | <p>Proceeds from the sale of the Bonds will be used to (i) refund certain outstanding obligations of the City as shown on SCHEDULE I (the “Refunded Obligations”) to achieve a debt service savings; and (ii) pay the costs of issuing the Bonds (see “PLAN OF FINANCING – PURPOSE”).</p> |
| RATING | <p>The Bonds and outstanding debt of the City have been rated “AA” by S&P Global Ratings (“S&P”) without regard to credit enhancement. The outstanding debt of the City is also rated “AA” by Fitch Ratings (“Fitch”) without regard to credit enhancement. No application has been made to Fitch for a rating on the Bonds. The City has various issues outstanding which are insured by various commercial insurance companies (see “OTHER INFORMATION – RATING”).</p> |
| BOOK-ENTRY-ONLY SYSTEM | <p>The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – BOOK-ENTRY-ONLY SYSTEM”).</p> |
| PAYMENT RECORD | <p>The City has never defaulted in the payment of its general obligation tax debt.</p> |

*Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 9/30 | Estimated City Population ⁽¹⁾ | Taxable Assessed Valuation | Per Capita Taxable Assessed Valuation | General Obligation (G.O.) Tax Debt ⁽²⁾ | Per Capita G.O. Tax Debt | Ratio G.O. Tax Debt to Taxable Assessed Valuation | % of Total Tax Collections |
|------------------------|--|----------------------------|---------------------------------------|---|--------------------------|---|----------------------------|
| 2022 | 159,172 | \$ 7,810,296,015 | \$ 49,068 | \$ 172,910,000 | \$ 1,086 | 2.21% | 98.71% |
| 2023 | 159,643 | 9,428,053,463 | 59,057 | 188,445,000 | 1,180 | 2.00% | 98.02% |
| 2024 | 160,616 | 10,959,970,207 | 68,237 | 173,640,000 | 1,081 | 1.58% | 97.85% |
| 2025 | 163,285 | 11,332,114,239 | 69,401 | 195,595,000 | 1,198 | 1.73% | 99.07% |
| 2026 | 164,823 | 11,613,903,426 | 70,463 | 179,810,000 ⁽³⁾ | 1,091 ⁽³⁾ | 1.55% ⁽³⁾ | 94.10% ⁽⁴⁾ |

(1) Source: The City Annual Reports.

(2) Includes self-supporting debt. See “Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT – FOOTNOTE 3.”

(3) Projected; includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.

(4) Partial collections as of February 28, 2026.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

| <u>City Council</u> | <u>Term Expires</u> |
|---|---------------------|
| Riakos Adams Mayor, At Large | May 2026 |
| Raymon Alvarez Mayor Pro Tem | May 2026 |
| Vacant Councilmember at Large | |
| Vacant Councilmember at Large | |
| Jessica Gonzalez Councilmember, District No. 1 | May 2027 |
| Joseph Solomon Councilmember, District No. 2 | May 2027 |
| Vacant Councilmember, District No. 3 | |
| Anthony Kendrick Councilmember, District No. 4 | May 2027 |

APPOINTED OFFICIALS

| <u>Name</u> | <u>Position</u> |
|----------------------------|-------------------------------|
| Kent Cagle ⁽¹⁾ | City Manager |
| Judith Tangalin, CPA, CGFO | Executive Director of Finance |
| Lorianne Luciano | Assistant Director of Finance |
| Laura Calcote | City Secretary |

(1) Mr. Cagle announced his retirement as City Manager effective May 31, 2026. An interim City Manager has not been named as of the date of this Preliminary Official Statement.

CONSULTANTS AND ADVISORS

Auditors Pattillo, Brown & Hill, L.L.P.
Waco, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Austin, Texas

Financial Advisor.....Specialized Public Finance Inc.
Austin, Texas

For additional information regarding the City, please contact:

| | | |
|---|----|---|
| Judith Tangalin, CPA, CGFO Executive Director of Finance City of Killeen 802 N. Second Street Building E, Suite B Killeen, Texas 76541 (254) 501-7730 | or | Dan Wegmiller Managing Director Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 (512) 275-7300 |
|---|----|---|

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$26,195,000*

**CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION REFUNDING
BONDS, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of the \$26,195,000* City of Killeen, Texas General Obligation Refunding Bonds, Series 2026 (the “Bonds”). The Bonds are being issued pursuant to an ordinance adopted by the City Council of the City of Killeen, Texas (the “City” or “Issuer”) on April 7, 2026 (the “Bond Ordinance”) and a pricing certificate to be executed on the date of sale of the Bonds (the “Pricing Certificate” and together with the Bond Ordinance, the “Ordinance”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s Financial Advisor, Specialized Public Finance Inc., Austin, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the City’s undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the “State”), duly organized and existing under the laws of the State. The City operates as a home-rule City under the City Council/Manager form of government with a City Council comprised of the Mayor and seven Councilmembers. The term of office is two years with the terms of the Mayor and of three Councilmembers expiring in even-numbered years and the terms of the other four Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, EMS and fire protection), highways and streets, water and sanitary sewer utilities, library, public improvements, planning and zoning, and general administrative services. The estimated 2026 population is 164,823. The City covers approximately 54.69 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund certain outstanding obligations of the City as shown on SCHEDULE I hereto (the “Refunded Obligations”) to achieve a debt service savings; and (ii) pay the costs of issuing the Bonds.

REFUNDED OBLIGATIONS . . . The principal of and interest due on the Refunded Bonds are to be paid on the redemption date of such Refunded Bonds from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Escrow Agent”) pursuant to an Escrow Agreement, dated as of May 7, 2026 (the “Escrow Agreement”) between the City and the Escrow Agent. The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with other lawfully available funds of the City, if any, the City will deposit with the Escrow Agent an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in an escrow account (the “Escrow Fund”) and may be used to purchase direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States (the “Escrow Securities”).

Public Finance Partners LLC (the “Verification Agent”), will verify in its verification report (the “Report”) the mathematical accuracy of schedules provided by Specialized Public Finance Inc., the Financial Advisor, at the time of delivery of the Bonds to the Underwriters and that the Escrow Securities will mature at such times and yield interest in amounts, together with uninvested funds, if any, in the Escrow Fund, sufficient to pay the principal of and interest on the Refunded Bonds as the same shall become due by reason of stated maturity or earlier redemption. See “OTHER INFORMATION – VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the escrow securities, if any, will not be available to pay principal of or interest on the Bonds.

*Preliminary, subject to change.

In connection with the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturity on the optional redemption date identified in SCHEDULE I attached hereto, on which dates money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of the Escrow Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the City will have entered into firm banking and financial arrangements for the discharge, defeasance and fund payment of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of such Refunded Bonds and in accordance with State law, including Chapter 1207. Bond Counsel will render an opinion to the effect that, in reliance upon the Report and as a result of such defeasance, the Refunded Bonds will be deemed to be no longer outstanding except for the purpose of being paid from funds provided therefor in the Escrow Agreement. Thereafter the City will have no further responsibility with respect to amounts available to the Escrow Agent for the payment of such Refunded Bonds, including any insufficiency therein caused by the failure of the Escrow Agent to receive payment when due on the Escrow Securities.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds, together with other lawfully available funds of the City, if any, will be applied approximately as follows:

| | | |
|---------------------------------|----|---|
| SOURCES: | | |
| Par Amount of Bonds | \$ | - |
| Transfer from Debt Service Fund | | |
| Reoffering Premium | | - |
| Total Sources | \$ | - |
| | | |
| USES: | | |
| Deposit to Escrow Fund | \$ | - |
| Deposit to Debt Service Fund | | - |
| Underwriters' Discount | | - |
| Costs of Issuance | | - |
| Total Uses | \$ | - |

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 7, 2026 and mature on August 1 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, will be payable on February 1 and August 1, commencing February 1, 2027, and will accrue from the Date of Initial Delivery until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “– BOOK-ENTRY-ONLY SYSTEM”).

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and the general laws of the State, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are direct obligations of the City, payable from a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities such as the City to \$2.50 per \$100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service calculated at the time of issuance based on 90% tax collections. The City’s 2025/26 tax rate is \$0.7014 of which \$0.1737 is for debt service purposes.

NO OPTIONAL REDEMPTION . . . **The Bonds will not be callable prior to their stated maturities.**

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the City so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised

on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the City or the Paying/Agent Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

DEFEASANCE . . . General. The Ordinance provide for the defeasance of the Bonds and the termination of the pledge of taxes and all other general covenants in the Ordinance under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (“Defeased Certificate”) within the meaning of the Ordinance, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the City to retain the right to call Defeased Certificates to be paid at maturity, when the payment of all principal and interest payable with respect to such Defeased Certificates to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until after all Defeased Certificates shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Certificate, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities and thereafter the City will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Certificate, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeased Securities.

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Ordinance. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the City also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times as set forth in the Ordinance, and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the City.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Ordinance for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar or a commercial bank or trust company shall perform the services of Paying Agent/Registrar for such Defeased Certificates the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by the Ordinance.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Ordinance shall be made without the consent of the registered owner of each Bond affected thereby.

Retention of Rights. To the extent that, upon the defeasance of any Defeased Certificates to be paid at its maturity, the City retains the right under State law to later call any Defeased Certificates which is subject to redemption (i.e. the Bonds) in accordance with the provisions of the Ordinance, the City may call such Defeased Certificates for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions set forth above regarding such Defeased Certificates as though it was being defeased at the time of the exercise of the option to redeem the Defeased Certificates and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Certificates.

Investments. Any escrow agreement or other instrument entered into between the City and the Paying Agent/Registrar or a commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or a commercial bank or trust company for the payment of Defeased Certificates may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the City.

For the purposes of these provisions, “Defeasance Securities” means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (iii) noncallable obligations of a

state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than “AAA” or its equivalent and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Obligations. For the purposes of these provisions, “Federal Securities” means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct

Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the respective Purchaser.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . If the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner

or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the fifteenth day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS’ REMEDIES . . . The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by the city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property.

While the court recognized that the distinction between governmental and proprietary functions is not clear, the *Wasson* opinion held that the proprietary-governmental dichotomy applies in contract-claims context. The Court reviewed *Wasson* for a second time and issued an opinion on October 5, 2018 clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code, determination of which will dictate the availability of the defense of immunity for causes of action arising under such contract.

As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of

a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

AMENDMENTS TO THE BOND ORDINANCE . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the owners, (4) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the owners.

The Ordinance further provides that the owners of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Bonds no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Bonds; (2) reducing the rate of interest borne by any of the outstanding Bonds; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

2025 LEGISLATIVE SESSION . . . The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Tax Appraisal District of Bell County (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property.

State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the “10% Homestead Cap”). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity (“Productivity Value”). The same land may not be qualified as both agricultural and open-space land.

Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,160,000 (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2025 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See “AD VALOREM PROPERTY TAXATION – ISSUER AND TAXPAYER REMEDIES.”

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

FREEPORT EXEMPTIONS . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days (“Goods-in-Transit”), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer’s retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or

university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value,” and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “AD VALOREM PROPERTY TAXATION – CITY APPLICATION OF PROPERTY TAX CODE” for descriptions of any of the City’s tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – CITY APPLICATION OF PROPERTY TAX CODE” herein.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total value.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate.”

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate,” an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

ISSUER AND TAXPAYER REMEDIES . . . Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "-- PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS.") The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition

in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PROPERTY ASSESSMENT AND PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of pricing information contained in either the standard edition of the Annual Energy Outlook published by the United States Energy Information Administration or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$20,000.

The City has not granted an additional exemption of 20% of the market value of the residence homesteads; minimum exception of \$5,000.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property and the Bell County Appraisal District collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

In 2007, the City Council approved a limitation on the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled or persons 65 years of age or older and their spouses, which first took effect in the 2008 tax year.

The City has taken action to tax freeport property; and the City has not taken action to tax goods-in-transit.

The City does not collect an additional one-half cent sales tax for economic development.

The City does not collect the additional one-third cent sales tax for reduction of ad valorem taxes.

On November 4, 2008, the City Council approved the creation of Reinvestment Zone Number Two, City of Killeen, Texas (“TIRZ No. 2”), which covers approximately 2,132 acres of vacant and partially developed land in the City. TIRZ No. 2 was established to provide a funding mechanism for public infrastructure improvements, including water, sewer, roads, landscaping, lighting, sidewalks and park improvements within TIRZ No. 2. Bell County and the Central Texas College District are also participants in TIRZ No. 2. The scheduled expiration date of TIRZ No. 2 was December 31, 2028. On December 13, 2022, the City Council approved extending the TIRZ No. 2 with a termination date that shall occur on December 31, 2048.

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

On April 28, 2020, the City of Killeen City Council approved an ordinance designating an 11.875-acre tract of land, located northwest of the intersection of Trimmier Road and Central Texas Expressway, as the I-14/Trimmier Road Reinvestment Zone for commercial-industrial tax abatement. On May 4, 2020, the City entered into an agreement for tax abatement with First National Bank Texas for a property located in the reinvestment zone. First National Bank Texas currently has a building on the property that will be leveled to construct a 5-story, 47,653 square foot building for a total investment of \$14.7 million and serve as the bank’s headquarters. The project will retain 130 full-time jobs. Under the terms of the agreement, First National Bank Texas will receive a tax abatement on the incremental value of the new building for a period of ten years. The bank will continue to pay property taxes in an amount equal to the value of the old building during the ten-year agreement period. The building was fully opened in February 2022.

On January 13, 2021, the City of Killeen City Council authorized and approved the creation of the Killeen Public Facility Corporation pursuant to Chapter 303 of the Texas Local Government Code. The purpose of the corporation is to provide financing, acquisition, and construction of public facilities within Killeen. Through a public private partnership with the NRP Group, an approximate 368-unit multifamily residential housing facility will be constructed at an estimated cost of \$55 million. The land and multifamily facility will be owned by the corporation and leased to the private partner. The facility will remain 100% property tax exempt through the 75-year lease term. Half of the units must be reserved for tenants whose income is less than 80% of the area

median income for Bell County. The income restricted units will be leased at a rate of 30% rent to income. The City of Killeen is not responsible for any of the costs associated with the construction or operation of the multifamily facility. The project was completed and became operational in 2024.

On May 5, 2023, the City, TIRZ No. 2 and the developer of Anthem Park Development entered into a Chapter 311 Tax Increment Reimbursement Agreement for a maximum amount of \$12,741,099 for public infrastructure. The reimbursements will be made as certain commercial and residential ad valorem values are met. The development will include: 37.8 acres of commercial/retail, 89.3 acres (1,720 units) of Multi-Family, 60 acres (630 units) of Build-to-Rent (mixed residential), 9 acres of Office/Flex/Storage. The development will include approximately 2.8 million square feet of improvements. The projected property value of the project at full build-out is \$534 million, and the projected property and sales tax revenue is approximately \$7 million per year at full build-out. Total sales and property tax between now and 2041 is approximately \$124 million.

On March 5, 2024, the Killeen Public Facility Corporation (“KPFC”) approved a resolution to initiate the Avanti Legacy Parkview Apartments project, including securing financing through low-income housing tax credits and forming necessary entities for the transaction. The project, which will include 108 residential units, will be partially financed by tax credits, with the KPFC or its subsidiary serving as the general partner and landowner. On March 19, 2024, the KPFC approved a Memorandum of Understanding with Crimson Bulldog Development, Inc. outlining the project’s financing, ownership, and management structures. The KPFC is entitled to a percentage of the developer’s fee and cash flow, with an option to require the developer to purchase the property after 15 years. On July 16, 2024, the KPFC authorized all necessary actions to proceed with the transaction, including the purchase of land, financing, and the acquisition of membership interest in the project’s general partnership.

TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT

| | | |
|---|--|------------------------------------|
| 2025/26 Market Valuation Established by Bell County Appraisal District (excluding totally exempt property) | | \$ 14,569,515,212 |
| Less Exemptions/Reductions at 100% Market Value: | | <u>2,955,611,786</u> |
| 2025/26 Taxable Assessed Valuation | | \$ 11,613,903,426 |
| City Funded Debt Payable from Ad Valorem Taxes (as of 3-1-2026) | | \$ 169,710,000 ⁽¹⁾ |
| The Bonds | | <u>26,195,000</u> ⁽²⁾ |
| Total Debt Payable from Ad Valorem Taxes | | \$ 195,905,000 |
| Less: Self-Supporting Debt | | <u>(25,230,000)</u> ⁽³⁾ |
| Net Debt Payable from Ad Valorem Taxes | | \$ 170,675,000 |
| Interest and Sinking Fund (as of 3-1-2026) | | \$ 19,668,444 |
| Ratio Tax Supported Debt to Taxable Assessed Valuation | | 1.47% |

2026 Estimated Population - 164,823
Per Capita Taxable Assessed Valuation - \$70,463
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$1,036

- (1) Excludes the Refunded Obligations. Preliminary, subject to change.
(2) Preliminary, subject to change.
(3) Certain ad valorem tax-supported indebtedness which was issued for water and sewer, drainage and hotel occupancy purposes is currently being paid from waterworks and sewer system, drainage and hotel occupancy revenues, respectively, and are considered by the City to be self-supporting debt. While the City considers such tax-supported debt to be self-supporting, revenues are not (except to the extent of certain limited pledges of surplus net revenues of the waterworks and sewer system, which may or may not have been fully satisfied) pledged to the payment of such debt. **The transfers of such revenues to make debt service payments on such ad valorem debt is discretionary and may be discontinued by the City, in whole or in part, at any time.** In the event and to the extent the City elects to discontinue such revenue transfers, the City will be required to levy ad valorem taxes or to appropriate other lawfully available funds of the City in an amount sufficient to pay the debt service on such debt. Preliminary, subject to change.

TABLE 2 – VALUATION AND GENERAL OBLIGATION TAX DEBT HISTORY

| Fiscal Year Ended 9/30 | Estimated Population ⁽¹⁾ | Taxable Assessed Valuation | Taxable Assessed Valuation Per Capita | Funded Debt Outstanding at End Of Year ⁽²⁾ | Ratio of Funded Debt to Taxable Assessed Valuation | Funded Debt Per Capita |
|------------------------|-------------------------------------|----------------------------|---------------------------------------|---|--|------------------------|
| 2022 | 159,172 | \$ 7,810,296,015 | \$ 49,068 | \$ 172,910,000 | 2.21% | \$ 1,086 |
| 2023 | 159,643 | 9,428,053,463 | 59,057 | 188,445,000 | 2.00% | 1,180 |
| 2024 | 160,616 | 10,959,970,207 | 68,237 | 173,640,000 | 1.58% | 1,081 |
| 2025 | 163,285 | 11,332,114,239 | 69,401 | 197,130,000 | 1.74% | 1,207 |
| 2026 | 164,823 | 11,613,903,426 | 70,463 | 179,810,000 ⁽³⁾ | 1.55% ⁽³⁾ | 1,091 ⁽³⁾ |

(1) Source: The City’s Annual Financial Report.

(2) Includes self-supporting debt. See footnote 3 to “Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT.”

(3) Projected; includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

| Fiscal Year Ended 9/30 | Tax Rate | Distribution | | Tax Levy | % Current Collections | % Total Collections |
|------------------------|-----------|--------------|---------------------------|---------------|-----------------------|-----------------------|
| | | General Fund | Interest and Sinking Fund | | | |
| 2022 | \$ 0.7004 | \$ 0.5119 | \$ 0.1885 | \$ 53,900,696 | 98.28% | 98.71% |
| 2023 | 0.6233 | 0.4656 | 0.1577 | 58,076,082 | 97.61% | 98.02% |
| 2024 | 0.6208 | 0.4742 | 0.1466 | 66,399,327 | 97.56% | 97.85% |
| 2025 | 0.6573 | 0.5107 | 0.1466 | 71,110,622 | 98.66% | 99.07% |
| 2026 | 0.7014 | 0.5277 | 0.1737 | 81,459,919 | 94.10% ⁽¹⁾ | 94.10% ⁽¹⁾ |

(1) Unaudited collections as of February 28, 2026.

TABLE 4 – TEN LARGEST TAXPAYERS

| Name of Taxpayer | 2025/26 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|-----------------------------------|------------------------------------|---------------------------------------|
| Oncor Electric Delivery Co. LLC | \$ 109,708,343 | 0.94% |
| LHCS LLC | 54,210,775 | 0.47% |
| MGC Pure Chemicals America, Inc. | 45,112,630 | 0.39% |
| Z-Modular LLC | 42,360,829 | 0.36% |
| Dongjin Semichem Texas Inc. | 39,609,701 | 0.34% |
| Amber Chase Townhomes LLC | 38,268,971 | 0.33% |
| BKCK, Ltd. | 37,503,357 | 0.32% |
| 5002 Thayer Drive, LLC | 37,500,000 | 0.32% |
| MFT-IP Killeen LLC | 33,500,000 | 0.29% |
| NMP - Killeen Limited Partnership | 32,355,988 | 0.28% |
| | <u>\$ 470,130,594</u> | <u>4.05%</u> |

GENERAL OBLIGATION DEBT LIMITATION . . . Except as expressly limited by Article XI, Section 5 of the Texas Constitution, no general obligation debt limitation is imposed on the City under current State law or the City’s Home Rule Charter (see “THE BONDS – TAX RATE LIMITATION”).

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TABLE 5 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional obligations since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional obligations, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

| Taxing Jurisdiction | Total Tax Supported Debt | Estimated % Applicable | City's Overlapping Tax Supported Debt as of 2/28/2026 |
|--|--------------------------------|---------------------------|--|
| Bell County | \$ 122,675,000 | 29.23% | \$ 35,857,903 |
| Killeen Independent School District | 349,795,000 | 67.09% | 234,677,466 |
| Salado Independent School District | 218,460,000 | 0.43% | 939,378 |
| City of Killeen | 170,675,000 ⁽¹⁾ | 100.00% | 170,675,000 |
| Total Direct and Overlapping Tax Supported Debt | | | \$ 442,149,746 |
| Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation | | | 3.81% |
| Per Capita Overlapping Tax Supported Debt | | | \$ 2,683 |

(1) Includes the Bonds and excludes the Refunded Obligations. Net of self-supported general obligation debt (see footnote 3 to “Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT” for more information on self-supporting ad valorem tax debt). Preliminary, subject to change.

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DEBT INFORMATION

TABLE 6 – PRO-FORMA DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending 9/30 | Outstanding Ad Valorem TaxDebt ⁽¹⁾ | | | The Bonds ⁽²⁾ | | | LESS: | Total |
|----------------------------------|---|---------------|----------------|--------------------------|--------------|---------------|--|------------------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Self-Supporting Debt ⁽³⁾ | Debt Service Requirements |
| | 2026 | \$ 16,815,000 | \$ 7,124,402 | \$ 23,939,402 | \$ - | \$ - | \$ - | \$ 3,429,764 |
| 2027 | 11,655,000 | 5,633,240 | 17,288,240 | 4,765,000 | 1,597,167 | 6,362,167 | 2,719,512 | 20,930,896 |
| 2028 | 13,090,000 | 5,343,093 | 18,433,093 | 3,595,000 | 1,071,500 | 4,666,500 | 2,818,285 | 20,281,307 |
| 2029 | 13,475,000 | 4,943,800 | 18,418,800 | 3,785,000 | 891,750 | 4,676,750 | 2,817,475 | 20,278,075 |
| 2030 | 11,950,000 | 4,516,364 | 16,466,364 | 3,275,000 | 702,500 | 3,977,500 | 2,675,410 | 17,768,454 |
| 2031 | 10,570,000 | 4,108,793 | 14,678,793 | 3,450,000 | 538,750 | 3,988,750 | 1,636,550 | 17,030,993 |
| 2032 | 10,845,000 | 3,715,575 | 14,560,575 | 3,625,000 | 366,250 | 3,991,250 | 1,532,800 | 17,019,025 |
| 2033 | 9,345,000 | 3,337,553 | 12,682,553 | 1,805,000 | 185,000 | 1,990,000 | 1,532,600 | 13,139,953 |
| 2034 | 9,660,000 | 2,960,882 | 12,620,882 | 1,895,000 | 94,750 | 1,989,750 | 1,532,350 | 13,078,282 |
| 2035 | 9,625,000 | 2,568,803 | 12,193,803 | - | - | - | 1,531,050 | 10,662,753 |
| 2036 | 7,670,000 | 2,167,618 | 9,837,618 | - | - | - | 1,528,700 | 8,308,918 |
| 2037 | 5,735,000 | 1,843,390 | 7,578,390 | - | - | - | 1,530,300 | 6,048,090 |
| 2038 | 5,985,000 | 1,595,300 | 7,580,300 | - | - | - | 1,530,700 | 6,049,600 |
| 2039 | 6,220,000 | 1,355,768 | 7,575,768 | - | - | - | 1,529,900 | 6,045,868 |
| 2040 | 5,965,000 | 1,106,294 | 7,071,294 | - | - | - | 1,532,900 | 5,538,394 |
| 2041 | 6,185,000 | 882,144 | 7,067,144 | - | - | - | 1,529,550 | 5,537,594 |
| 2042 | 4,890,000 | 649,594 | 5,539,594 | - | - | - | - | 5,539,594 |
| 2043 | 5,090,000 | 450,800 | 5,540,800 | - | - | - | - | 5,540,800 |
| 2044 | 2,770,000 | 240,550 | 3,010,550 | - | - | - | - | 3,010,550 |
| 2045 | 2,890,000 | 122,825 | 3,012,825 | - | - | - | - | 3,012,825 |
| | \$ 170,430,000 | \$ 54,666,786 | \$ 225,096,786 | \$ 26,195,000 | \$ 5,447,667 | \$ 31,642,667 | \$ 31,407,846 | \$ 225,331,608 |

- (1) Includes self-supporting general obligation debt (see footnote 3 to “Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT”) and excludes the Refunded Obligations. Preliminary, subject to change.
- (2) Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.
- (3) See “Table 1 – VALUATIONS, EXEMPTIONS AND GENERAL OBLIGATION DEBT.”

TABLE 7 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

| Purpose | Date Authorized | Amount Authorized | Amount | Authorization | Unissued Balance |
|----------------------------|--------------------|----------------------|----------------------|---------------|---------------------|
| | | | Heretofore Issued | Being Used | |
| Public Safety Improvements | 11/5/2002 | \$ 23,255,000 | \$ 23,253,717 | \$ - | \$ 1,283 |
| Parks & Recreation | 11/5/2002 | 18,040,000 | 18,036,343 | - | 3,657 |
| Total | | \$ 41,295,000 | \$ 41,290,060 | \$ - | \$ 4,940 |

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing any additional ad valorem debt within the next eight months.

OTHER OBLIGATIONS . . . See “APPENDIX B – EXCERPTS FROM THE CITY’S ANNUAL FINANCIAL REPORT.”

PENSION FUND . . . The City provides pension benefits for all of its full-time employees, except firemen, through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. The City provides pension benefits to firefighters through the Killeen Firefighter’s Relief and Retirement Fund, a single-employer defined benefit pension plan. (For more detailed information concerning the retirement plan, see “APPENDIX B – EXCERPTS FROM THE CITY’S ANNUAL FINANCIAL REPORT.”)

As a result of its participation in the TMRS and having no other post-retirement benefit plans, the City has no obligations for other post-employment benefits within the meaning of Government Accounting Standards Board Statement 45.

FINANCIAL ADMINISTRATION . . . The financial administration of the City is vested in the Department of Finance. The Department of Finance operates under the Director of Finance, who is appointed by the City Manager. Required activities of the Department of Finance are control, custody and disbursement of City funds, assessment and collection of taxes and issuance of licenses. Other activities of the Department of Finance include utility billing and collections, internal service fund operation, annual budget preparation and interim and annual financial reports.

FINANCIAL POLICIES

BASIS OF ACCOUNTING . . . All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

The more significant revenues which are treated as susceptible to accrual under the modified accrual basis are property taxes, intergovernmental revenues, charges for services, and interest. Other revenue sources are not considered measurable and available, and are not treated as susceptible to accrual.

All proprietary funds and the pension trust fund are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. For more detailed information concerning the basis of accounting, see “APPENDIX B – EXCERPTS FROM THE CITY OF KILLEEN, TEXAS ANNUAL FINANCIAL REPORT.”

GENERAL FUND BALANCE . . . The City’s policy is to maintain surplus and unencumbered funds equal to 22% of budgeted expenditures in the General Fund. This allows the City to avoid interim borrowing pending tax receipts.

USE OF BOND PROCEEDS, GRANTS, ETC. . . . The City’s policy is to use bond proceeds, grants or other non-recurring revenues for capital expenditures only. Such revenues are never to be used to fund City operations.

BUDGETARY PROCEDURES . . . The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year by the first of July. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15. The City Council then holds a public hearing on the budget. The Council shall then make any changes in the budget as it deems advisable and shall adopt a budget prior to September 20.

FUND INVESTMENTS . . . The City investment policy parallels state law which governs investment of public funds. The City generally restricts investments to direct obligations of the United States Government and to insured or collateralized bank Bonds of deposits. The City’s investment portfolio does not contain derivate securities.

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FINANCIAL INFORMATION

TABLE 8 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

| | Fiscal Year Ending September 30, | | | | |
|--|----------------------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| Revenues: | | | | | |
| Taxes | \$ 96,178,072 | \$ 90,894,179 | \$ 84,516,381 | \$ 79,791,453 | \$ 73,684,724 |
| Licenses and Permits | 2,755,673 | 2,348,862 | 2,478,317 | 2,535,111 | 2,116,005 |
| Intergovernmental | 4,558,237 | 5,644,029 | 9,065,235 | 8,122,156 | 7,510,813 |
| Contributions | 1,000 | 16,000 | 2,000 | - | - |
| Charges for Services | 8,267,572 | 6,914,509 | 7,816,418 | 7,425,435 | 6,693,118 |
| Investment Earnings | 2,291,027 | 5,918,522 | 1,398,172 | (48,003) | 201,715 |
| Fines and Forfeitures | 3,580,140 | 3,501,995 | 3,059,346 | 3,009,977 | 3,272,134 |
| Miscellaneous | 298,170 | 388,259 | 120,743 | 100,438 | 189,445 |
| Total Revenues | \$ 117,929,891 | \$ 115,626,355 | \$ 108,456,612 | \$ 100,936,567 | \$ 93,667,954 |
| Expenditures: | | | | | |
| General Government | \$ 17,297,684 | \$ 18,332,397 | \$ 16,211,833 | \$ 14,927,964 | \$ 12,613,614 |
| Public Safety | 83,567,795 | 78,159,101 | 74,404,207 | 68,474,229 | 58,911,812 |
| Highways and Streets | 5,417,734 | 5,539,321 | 4,237,907 | 4,180,271 | 4,147,554 |
| Community Services | 10,490,938 | 10,030,127 | 11,205,388 | 10,268,426 | 9,973,901 |
| Miscellaneous | 1,242,471 | 1,110,286 | 1,104,543 | 1,156,925 | 660,427 |
| Total Expenses | \$ 118,016,622 | \$ 113,171,232 | \$ 107,163,878 | \$ 99,007,815 | \$ 86,307,308 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (86,731) | \$ 2,455,123 | \$ 1,292,734 | \$ 1,928,752 | \$ 7,360,646 |
| Other Financing Sources | \$ 11,500,920 | \$ 11,317,885 | \$ 10,488,166 | \$ 10,340,506 | \$ 10,316,677 |
| Budgeted Transfers Out | (10,567,615) | (11,272,539) | (13,648,822) | (11,115,094) | (7,799,462) |
| Net Increase (Decrease) Fund Equity at Beginning of Year | \$ 846,574 | \$ 2,500,469 | \$ (1,867,922) | \$ 1,154,164 | \$ 9,877,861 |
| Adjustments to Fund Balance | - | - | - | - | - |
| Fund Equity at End of Year | \$ 35,415,993 | \$ 34,569,419 | \$ 32,068,950 | \$ 33,936,872 | \$ 32,782,708 |

Source: City’s audited financial statements.

TABLE 9 – MUNICIPAL SALES TAX HISTORY

The City has adopted a sales tax pursuant to the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

| Fiscal Year Ended 9/30 | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita |
|------------------------|-----------------|--------------------------|-----------------------------------|------------|
| 2022 | \$ 33,778,524 | 62.67% | \$ 0.4325 | \$ 212 |
| 2023 | 35,072,647 | 60.39% | 0.3720 | 220 |
| 2024 | 35,699,342 | 53.76% | 0.2056 | 222 |
| 2025 | 35,935,662 | 50.53% | 0.3171 | 220 |
| 2026 ⁽¹⁾ | 12,136,395 | 14.90% | 0.1045 | 74 |

(1) Partial collections as of February 28, 2026.

INVESTMENTS

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under State law the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed

through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

An eligible political subdivision such as the City may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used by the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision's cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition cost, a project cost, or a construction expense.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in no-load money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the treasurer, the chief financial officer (if not the treasurer) and the investment officer, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

The City's current investment policy is in compliance with the State law requirements described above.

TABLE 10 – CURRENT INVESTMENTS

As of February 28, 2026, the City's investable funds were invested in the following categories:

| Investments | Market Value | % of Total |
|----------------------------------|----------------|---------------|
| TexSTAR | \$ 45,984,876 | 14.51% |
| Texas CLASS | 17,280,839 | 5.45% |
| Texas Connect | 17,332,463 | 5.47% |
| Money Market Accounts | 22,824,651 | 7.20% |
| Federal Agency Coupon Securities | 70,699,153 | 22.31% |
| Treasury Coupon Securities | 130,425,348 | 41.15% |
| Commercial Paper | 10,331,972 | 3.26% |
| Certificates of Deposit | 2,078,013 | 0.66% |
| | \$ 316,957,315 | 100.00% |

TAX MATTERS

OPINION . . . On the Date of Initial Delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the owners thereof; and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX C – FORM OF BOND COUNSEL’S OPINION.”

In rendering its opinions, Bond Counsel will rely upon (a) the City’s federal tax certificate and the report prepared by the Verification Agent, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure by the City to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the City with the covenants and requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Certificates”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the owner holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts

so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreements for the benefit of the respective registered and beneficial owners of the Bonds. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB currently makes this information publicly available on its Electronic Municipal Market Access System ("EMMA") at <http://emma.msrb.org/>.

ANNUAL REPORTS . . . The City will provide annually to the MSRB, (i) within six months after the end of each fiscal year of the City ending in and after 2020, financial information and operating data, which information and data may be unaudited, with respect to the City of the general type included in this Official Statement being the information of the type included in Tables numbered 1-4 and 6-10 and (ii) if not provided as part of such financial information and operating data, audited financial statements of the City, within twelve months after the end of each fiscal year of the City ending in and after 2026. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation and in substantially the form included in APPENDIX B and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Security and Exchange Commission Rule 15c2-12, as amended, (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 and September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

EVENT NOTICES . . . The City will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The City will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the City or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the City or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for debt service reserves, credit enhancement or a trustee.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative

instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The City intends the words used in clauses (15) and (16) above and the definition of financial obligation in this Section to have the meanings as when they are used in the Rule, as evidenced by Securities and Exchange Commission Release No. 34-83885, dated August 20, 2018.

The City will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The City will also provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Should the Rule be amended to obligate the City to make filing with or provide notices to entities other than the MSRB, the City agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule, with the submission of their Annual Comprehensive Financial Report (“ACFR”). In previous continuing disclosure undertakings, the City has agreed to supply financial information and operating data with respect to the City of the general type of information contained in specified tables of the applicable Official Statement. The annual financial information filings made by the City as a result of these undertakings for each of the last five years have consisted of the related City’s ACFR, which the City believes contains the information of the general type of information contained in the specified tables. Please note that certain information in the specified tables is not presented explicitly in the ACFRs but can be derived from information in the ACFRs, except for the amount of authorized but unissued bonds amounts. The City has not had any changes in the amount of authorized but unissued bonds in the last five years.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The issuance of the Bonds will be subject to delivery by the Verification Agent of its Report verifying at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of certain computations. The Verification Agent will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the Escrow Securities and cash deposits listed in the schedules provided by Specialized Public Finance Inc. (as Financial Advisor to the City) to be held in the Escrow Funds, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Bonds.

The Verification Agent will express no opinion on the assumptions provided to them. Such verification of accuracy of such mathematical computation will be based upon information and assumptions supplied by the City and the Financial Advisor, and such verification, information and assumptions will be relied on by Bond Counsel in rendering the opinion described herein.

LEGAL MATTERS

LEGAL OPINION . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the City. The issuance of the Bonds is also subject to a separate legal opinion of McCall, Parkhurst & Horton L.L.P. (“Bond Counsel”), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the City payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel’s legal opinion will also address the matters described above under “TAX MATTERS.” In the performance of its duties, Bond Counsel has reviewed the information describing the Bonds in the Official Statement under the captions and subcaptions “PLAN OF FINANCING – REFUNDED OBLIGATIONS,” “THE BONDS” (except the last sentence of subcaption “TAX RATE LIMITATIONS” and the subcaptions “DTC REDEMPTION PROVISIONS,” “BOOK-ENTRY-ONLY SYSTEM,” and “BONDHOLDERS’ REMEDIES”), “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION,” (except the subcaption “COMPLIANCE WITH PRIOR UNDERTAKINGS”), “LEGAL MATTERS – LEGAL OPINION” (except for the last two sentences of the first paragraph under “LEGAL OPINION”), “OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” and “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS,” and the information in APPENDIX C and is of the opinion that the information relating to the Bonds in the Ordinance contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the book-entry-only system. Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The fee as counsel to the Underwriters is contingent upon the sale and delivery of the Bonds.

The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO-LITIGATION CERTIFICATE . . . The City will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by both the Mayor and Secretary of the City, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

CYBERSECURITY RISKS

The City, like other municipalities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City’s finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

OTHER INFORMATION

RATING . . . The Bonds and outstanding debt of the City have been rated “AA” by S&P Global Ratings (“S&P”) without regard to credit enhancement. The outstanding debt of the City is also rated “AA” by Fitch Ratings (“Fitch”) without regard to credit enhancement. No application has been made to Fitch for a rating on the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or more of such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION . . . It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Under the Texas Public Security Procedures Act, Chapter 1201, Texas Government Code, as amended, the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (a) an insurance company, (b) a fiduciary or trustee, or (c) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2236, Texas Government Code, as amended, the Bonds may have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “OTHER INFORMATION – RATING” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. No review has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the City’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City’s actual results could differ materially from those in such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are

difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering price to the public shown on page 2 of this Official Statement less an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

SAMCO Capital Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Reference is made to original documents in all respects. The Ordinance authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

This Official Statement has been approved by the City Council of the City for distribution in accordance with the United States Securities and Exchange Commission's Rule 15c2-12, as amended.

Mayor
City of Killeen, Texas

ATTEST:

City Secretary
City of Killeen, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS*

General Obligation
Refunding Bonds, Series 2015

| Amount | Maturity | Coupon |
|--------------|-------------------------|--------|
| \$ 905,000 | 8/1/2027 | 4.000% |
| 700,000 | 8/1/2028 | 4.000% |
| 735,000 | 8/1/2029 | 4.000% |
| 770,000 | 8/1/2030 | 4.000% |
| 805,000 | 8/1/2031 | 4.000% |
| 845,000 | 8/1/2032 | 4.000% |
| 885,000 | 8/1/2033 ⁽¹⁾ | 3.000% |
| 915,000 | 8/1/2034 ⁽¹⁾ | 3.000% |
| \$ 6,560,000 | | |

Redemption Date: 6/8/2026
Redemption Price: 100%

General Obligation
Refunding Bonds, Series 2016

| Amount | Maturity | Coupon |
|---------------|----------|--------|
| \$ 4,440,000 | 8/1/2027 | 5.000% |
| 3,210,000 | 8/1/2028 | 4.000% |
| 3,340,000 | 8/1/2029 | 4.000% |
| 2,770,000 | 8/1/2030 | 4.000% |
| 2,885,000 | 8/1/2031 | 4.000% |
| 3,000,000 | 8/1/2032 | 4.000% |
| 1,110,000 | 8/1/2033 | 4.000% |
| 1,150,000 | 8/1/2034 | 4.000% |
| \$ 21,905,000 | | |

Redemption Date: 8/1/2026
Redemption Price: 100%

*Preliminary, subject to change.
(1) Term Bonds.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY . . . Killeen, Texas, known as the City of Killeen, is centrally located in Bell County along Interstate 14. It is situated approximately 17 miles west of Interstate 35, with U.S. Highways 281 and 183 located about 30 miles further west. The city is conveniently positioned within a short driving distance of major metropolitan areas such as Austin (70 miles), San Antonio (150 miles), Dallas (160 miles), and Houston (190 miles).

Founded in 1882 by the Santa Fe Railroad, the city was named in honor of Frank P. Killeen, a civil employee of the railroad. At that time, Killeen had a population of 350 and consisted of a post office, a cotton gin, and two grain mills. However, the city's population began to grow significantly when Camp Hood a military base located on its northern border, was activated in 1942.

Since then, Killeen has experienced continuous increases in population. The city had 1,265 residents in 1941, which rose to 7,100 in 1950. Subsequent population figures were 23,377 in 1960, 35,507 in 1970, 46,296 in 1980, 63,535 in 1990, 86,911 in 2000, 127,921 in 2010, and 153,095 according to the 2020 U.S. Census Report. Currently, the estimated population of Killeen in 2026 stands at approximately 164,823. The city owes much of its growth and economic development to the presence of Fort Hood, which has played a pivotal role in attracting residents and shaping the local community.

CITY SERVICES . . . The City provides a full range of municipal services to its residents, including police and fire protection, emergency medical services, water, sewer, and solid waste utilities, airport operations (Killeen Regional Airport and Skylark Field), a municipal golf course, a public library system, a Civic and Conference Center, an Arts and Activities Center, and numerous parks and recreational facilities.

UTILITIES . . . Electric service is delivered by Oncor Electric Delivery Company, with retail electric service provided by various competitive providers. Natural gas service is provided by Atmos Energy. Telecommunications services, including telephone and VoIP, are available through multiple providers. The City purchases treated water at wholesale from Bell County Water Control and Improvement District No. 1 (“WCID No. 1”) under a long-term contract and provides retail water distribution services to its customers.

TRANSPORTATION . . . Interstate 14 is a four-lane divided highway between the City and its intersection with Interstate Highway 35. Interstate Highway 35 is the state's major north-south freeway traveling north to Dallas and Fort Worth, Texas and south to Austin and San Antonio.

The City operates two airports: The Killeen Regional Airport (“GRK”) and Skylark Field (“ILE”). The Killen Regional Airport is a joint use facility sharing a runway with the US Army at Fort Hood Robert Gray Army Airfield. This City facility includes a passenger terminal building, maintenance facilities, rental car facilities, parking lots, fuel facilities, aircraft parking aprons and roads. Non-stop commercial service at GRK currently connects passengers to Dallas/Ft. Worth (DFW) via American Airlines. In recent years, the airport has received a Federal Aviation Administration Airport Improvement Program (AIP) grant for terminal HVAC replacement and completed a \$7 million solar carport and terminal lighting project that enhances energy efficiency and sustainability. The second City airport, Skylark Field, serves as the community's general aviation facility—supporting private and corporate aircraft operations, a skydiving enterprise operating under a commercial lease, and a newly constructed City-owned terminal and fixed-base operations (FBO) facility funded through a federal grant and a City-issued Certificate of Obligation.

The City is served by the Burlington Northern Santa Fe (BNSF) Railway, providing regional freight connectivity within the Central Texas corridor and access to major distribution centers across the United States. Freight infrastructure in the area includes local transload facilities supporting pick-up, delivery, and intermodal shipping.

Public transportation within the City and surrounding communities is provided by the Hill Country Transit District, operating as The HOP. Intercity bus service to destinations across Texas and the United States is available through Greyhound and Arrow Trailways.

Numerous motor freight carriers serve the Killeen area, including Allied Van Lines, Mayflower Transit, and Central Transportation Systems.

BUSINESS AND INDUSTRY . . . The City and community organizations combine their efforts to develop a diversified economy. Area developments that directly affect the City's economy:

1. The National Mounted Warrior Museum, located on 17 acres adjacent to the Bernie Beck Gate at Fort Hood, opened to the public on September 19, 2024. The facility features more than 12,000 square feet of permanent gallery space and immersive exhibits. Initial projections estimate up to 377,000 visitors annually—with approximately 70% from outside the region—and an economic impact on local businesses in the range of \$5 million to \$45 million.

2. MGC Pure Chemicals America, a subsidiary of Tokyo-based Mitsubishi Gas Chemical Company, announced a planned expansion of its Killeen manufacturing facility, supported by a \$5.3 million Texas Semiconductor Innovation Fund grant. The project involves more than \$150 million in capital investment, approximately 130,000 sq ft of additional production space, and is intended to bolster capacity to supply ultra-pure chemicals for the semiconductor industry.

3. Z-Modular, Z Modular, a division of Zekelman Industries, has established a 230,000-square-foot facility at 710 Swanner Loop. Specializing in steel-framed modular construction for markets such as hospitality and multifamily housing, the company is expected to create up to 250 skilled jobs, contributing significantly to local employment.

4. In 2020, the City of Killeen established an 11.875-acre reinvestment zone for commercial-industrial tax abatement. First National Bank Texas invested \$14.7 million to construct a 5-story, 47,653-square-foot headquarters, replacing their previous building. Completed in February 2022, the project retained 130 full-time jobs. Under a 10-year agreement, the bank receives a tax abatement on the incremental value of the new building while continuing to pay taxes on the original property value.

5. Station42, a 368-unit mixed-income multifamily community completed in early 2024 near W.S. Young Drive and East Veterans Memorial Boulevard, reserves more than half its units for households earning ≤ 80% of area median income and features resort-style amenities including a pool, fitness center, coworking lounge and EV-charging garages.

6. As part of the City’s revitalization efforts under the “Killeen 2040” plan, the downtown historic district has welcomed more than 60 new businesses and generated over 200 new jobs and \$15 million+ in private investment in 2023-24, helping to strengthen the local service and retail economy.

MAJOR EMPLOYERS

| Name of Employer | Number of Employees |
|--------------------------|---------------------|
| Fort Hood | 45,647 |
| Killeen ISD | 6,800 |
| Central Texas College | 1,488 |
| City of Killeen | 1,173 |
| Advent Health | 1,000 |
| First Community Services | 700 |
| Texas A&M University | 305 |
| Killeen Auto | 271 |

MILITARY FACILITIES – FORT HOOD . . . Fort Hood, established in 1942 in Bell and Coryell Counties of Central Texas, is one of the U.S. Army’s premier heavy-armor training installations. Covering roughly 214,968 acres (about 342 square miles) and capable of hosting two armored divisions simultaneously, the installation supports Headquarters III Corps, the 1st Cavalry Division, 1st Army Division West, and numerous other tenant units.

The base lies adjacent to the cities of Killeen, Copperas Cove and Gatesville. Its mission supports large-scale mechanized training, testing and deployment operations, making it a major regional employer and pivotal economic contributor.

According to the Texas Comptroller’s Office, Fort Hood supports approximately 59,700 direct jobs and a total employment footprint (direct + indirect) of roughly 173,700 jobs. In 2023 the base’s affiliated population was conservatively estimated to contribute about \$39 billion in economic output to the Texas economy.

The installation encompasses approximately 214,968 acres (about 342 square miles), making it one of the largest U.S. Army training posts.

EDUCATION . . . Killeen Independent School District (“KISD”) serves over 44,000 students across 31 elementary schools, 12 middle schools, 6 high schools (including Early College High School), and 4 specialized campuses, such as the state-of-the-art KISD Career Center. The district employs more than 6,500 teachers and staff, making it the region’s second-largest employer after Fort Hood. Accredited by the Texas Education Agency (“TEA”) and rated “B” for 2023, KISD ranks among the most diverse districts in Texas, providing comprehensive educational opportunities that prepare students for college, careers, and military service.

Central Texas College (“CTC”), founded in 1965 and opened in 1967, is a two-year community college headquartered in Killeen with instructional sites on U.S. military installations worldwide and programs serving deployed U.S. Navy personnel. CTC enrolls approximately 17,000 students across its global network and employs over 2,000 faculty and staff. The college offers Associate of Arts (A.A.), Associate of Science (A.S.), Associate of Applied Science (A.A.S.), Associate of Arts in General Studies (A.A.G.S.), and Associate of Arts in Teaching (A.A.T.) degrees, along with more than 40 certificate programs. Courses transfer to all Texas public universities under statewide articulation agreements. The CTC Foundation awards over \$70,000 in scholarships annually, and the college’s Veterans Services and Financial Aid offices assist students in securing educational funding and military benefits.

Texas A&M University–Central Texas (“TAMUCT”) was established in 1999 as Tarleton State University–Central Texas and became a standalone university within The Texas A&M University System in 2009. Accredited by the Southern Association of Colleges and Schools Commission on Colleges (“SACSCOC”) since 2013, the university serves approximately 2,500 students and employs more than 300 faculty and staff. TAMUCT offers 38 bachelor’s and 17 master’s degree programs in business, education,

criminal justice, and STEM disciplines. In 2019, the university opened a 67,000-square-foot academic facility valued at \$38 million to expand its STEM and research capacity. The university continues to advance its planned Forge Research Park, a mixed-use innovation district designed to attract technology firms and foster collaboration between academia, industry, and government.

Fort Hood Education Services Division supports academic and professional development for soldiers, family members, and Department of the Army civilians. On-post educational institutions include Central Texas College, Texas A&M University–Central Texas, the University of Mary Hardin-Baylor, and St. Mary’s University, offering degree programs ranging from associate to master’s levels and professional certifications.

HOSPITALS AND HEALTH CENTERS . . . The City of Killeen is served by AdventHealth Central Texas, a full-service, nonprofit hospital providing emergency, surgical, and diagnostic services. Additional healthcare services within the City are provided through multiple outpatient and specialty care providers, including Baylor Scott & White Health clinics, AdventHealth Medical Group facilities, the West Killeen Medical Home serving military families and retirees, and freestanding emergency facilities such as SignatureCare Emergency Center.

In addition, residents have access to major regional medical facilities located in nearby communities, including Baylor Scott & White Medical Center in Temple and Seton Medical Center in Harker Heights, which provide a broader range of specialized and tertiary care services.

PARKS AND RECREATION . . . The City of Killeen maintains an extensive system of more than 20 public parks and several major multi-acre complexes providing diverse recreational opportunities for residents. Among the larger parks are Long Branch Park (approximately 77 acres), Conder Park (approximately 32 acres), Lion’s Club Park (approximately 68 acres), and the Community Center Complex (approximately 110 acres). These facilities include amenities such as swimming pools, athletic fields, playgrounds, pavilions, and lighted courts.

The Killeen Athletic Complex, a 140-acre sports and recreation facility, features multiple lighted softball and baseball fields, an amphitheater, a senior center, and the Andy K. Wells Hike and Bike Trail, a three-mile loop connecting surrounding parks.

The City is currently constructing the Rosa Hereford Community Center, a multi-generational facility that will include a banquet hall, gymnasium, pickleball courts, billiard room, outdoor dining courtyard, and dedicated senior program areas. The new center replaces the former Rosa Hereford Community Center building and represents a major reinvestment in the City’s community and recreation infrastructure.

The Stonetree Golf Club, the City’s municipal golf course, is undergoing a bunker and tee renovation project scheduled to begin in October 2025. The work—funded through the City’s FY 2025–2029 Capital Improvement Program with a construction contract of approximately \$368,000—will enhance playability, improve drainage, and extend the life of the course.

The Parks & Recreation Department offers a wide range of year-round programs and events, including aquatics, youth sports, adult leagues, and community festivals. In 2025, the City Council also approved schematic design funding for an additional future park on donated property, further expanding the City’s recreation network.

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LABOR MARKET PROFILE

The Killeen–Temple Metropolitan Statistical Area (MSA), anchored by Bell County, continues to demonstrate a stable labor market supported by steady population growth, strong military presence, and expanding private-sector investment. As of August 2025, the regional unemployment rate of 5.2% closely mirrors the statewide average of 4.7%, reflecting sustained job creation across education, healthcare, defense, and advanced manufacturing sectors. The area’s workforce participation remains strong, with both total employment and labor force levels exceeding prior-year figures.

| Bell County | | |
|----------------------------|--------------|--------------|
| | January 2026 | January 2025 |
| Total Civilian Labor Force | 167,986 | 168,285 |
| Total Employment | 159,581 | 160,596 |
| Total Unemployment | 8,405 | 7,689 |
| Percent Unemployed | 5.0% | 4.6% |

| Killeen-Temple Metropolitan Statistical Area (MSA) | | |
|--|--------------|--------------|
| | January 2026 | January 2025 |
| Total Civilian Labor Force | 205,059 | 205,373 |
| Total Employment | 194,825 | 195,999 |
| Total Unemployment | 10,234 | 9,374 |
| Percent Unemployed | 5.0% | 4.6% |

| State of Texas | | |
|----------------------------|--------------|--------------|
| | January 2026 | January 2025 |
| Total Civilian Labor Force | 15,838,900 | 15,769,642 |
| Total Employment | 15,126,189 | 15,109,463 |
| Total Unemployment | 712,711 | 660,179 |
| Percent Unemployed | 4.5% | 4.2% |

Source: Texas Workforce Commission.

APPENDIX B

**EXCERPTS FROM THE
CITY OF KILLEEN, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2025**

The information contained in this APPENDIX consists of excerpts from the City of Killeen, Texas Annual Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Killeen, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Killeen Economic Development Corporation, whose assets were \$12,268,156 and revenues were \$1,539,026. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Killeen Economic Development Corporation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note I to the basic financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Patillo, Brown & Hill, L.L.P.
Waco, Texas
March 24, 2026



CITY OF KILLEEN



MANAGEMENT'S DISCUSSION AND ANALYSIS





CITY OF KILLEEN



Management's Discussion and Analysis

As management of the City of Killeen (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$510,726,009 (*net position*). Of this amount, the unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, was \$20,350,197.
- The City's total net position increased by \$50,580,532. This growth was driven by a \$1,802,549 increase in charges for services and a \$5,473,722 rise in property tax revenues, reflecting ongoing population and economic expansion. Additionally, investment income declined by \$4,667,172, primarily due to the recognition of a market gain that offset losses recognized in the prior year.
- Expenses increased by \$14,794,816 compared to the prior year; however, they represented 82% of total revenues, an improvement from 81% in the previous year. This indicates that revenue growth outpaced the rise in expenditures, strengthening the City's financial position.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$172,300,169, an increase of \$21,035,073 in comparison with the prior year.
- At the end of the current fiscal year the unassigned fund balance for the general fund was \$35,032,844, or 30% of total general fund expenditures.
- The City's total outstanding long-term debt increased by \$70,896,368 during the current fiscal year due to multiple new debt issuances that were offset by regular debt service payments.

Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

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

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

The government-wide financial statements can be found after Management's Discussion and Analysis.

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 the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the capital improvements project fund, 2023 CO bond fund, the 2025 CO bond fund, and the debt service fund because they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated column labeled as "Other Governmental Funds." Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund and special revenue funds, except for the KPFC and Park Development Benefit Fund. Budgetary Comparison Schedules have been provided for the general fund and budgeted special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on after the government-wide financial statements.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the operations of the airport, solid waste, water and sewer, and drainage utility activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for activities that provide services to other funds on a cost reimbursement basis. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

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

The basic enterprise fund financial statements can be found on following the governmental fund statements in this report.

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

The basic fiduciary fund financial statements can be found on immediately after the proprietary fund statements.

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

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

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and budgetary comparison schedules can be found after the required supplementary information.

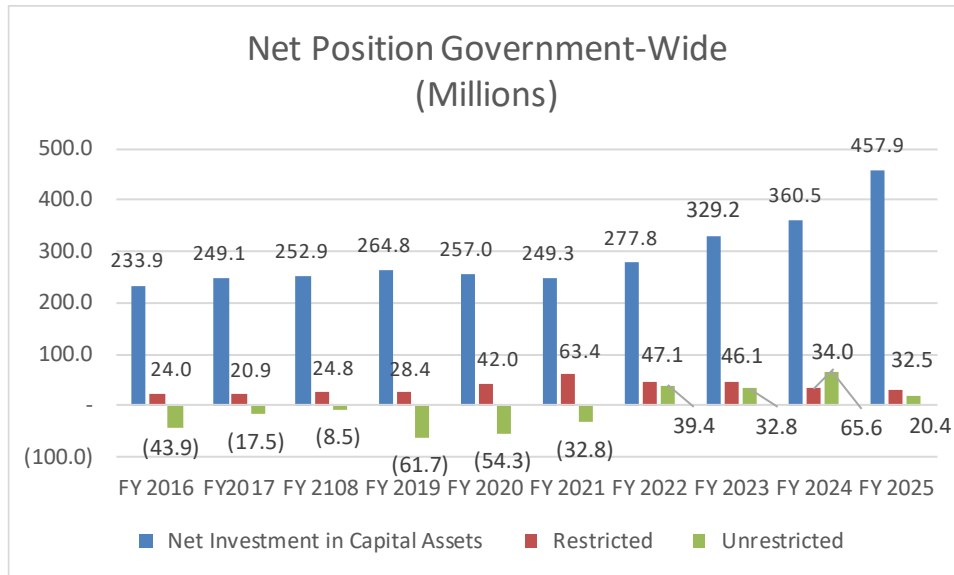
Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$510,726,009 at the close of the most recent fiscal year.

**CITY OF KILLEEN
NET POSITION**

| | Governmental | | Business-Type | | Total | |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Activities | | Activities | | | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| ASSETS | | | | | | |
| Current and other assets | \$195,612,970 | \$182,747,090 | \$123,104,061 | \$ 88,224,585 | \$318,717,031 | \$ 270,971,675 |
| Capital assets | <u>277,107,242</u> | <u>234,813,408</u> | <u>309,181,785</u> | <u>282,874,218</u> | <u>586,289,027</u> | <u>517,687,626</u> |
| Total assets | <u>472,720,212</u> | <u>417,560,498</u> | <u>432,285,846</u> | <u>371,098,803</u> | <u>905,006,058</u> | <u>788,659,301</u> |
| RESOURCES | | | | | | |
| Deferred charge on refunding | 6,114,319 | 6,689,533 | 204,673 | 277,191 | 6,318,992 | 6,966,724 |
| Deferred outflows - pensions | 26,220,876 | 26,004,200 | 2,141,122 | 3,216,353 | 28,361,998 | 29,220,553 |
| Deferred outflows - OPEB | <u>1,476,310</u> | <u>1,454,011</u> | <u>428,069</u> | <u>399,398</u> | <u>1,904,379</u> | <u>1,853,409</u> |
| resources | <u>33,811,505</u> | <u>34,147,744</u> | <u>2,773,864</u> | <u>3,892,942</u> | <u>36,585,369</u> | <u>38,040,686</u> |
| LIABILITIES | | | | | | |
| Current liabilities | 13,643,993 | 39,716,886 | 12,156,789 | 16,657,295 | 25,800,782 | 56,374,181 |
| Noncurrent liabilities | <u>297,614,075</u> | <u>250,156,549</u> | <u>93,842,467</u> | <u>51,299,602</u> | <u>391,456,542</u> | <u>301,456,151</u> |
| Total liabilities | <u>311,258,068</u> | <u>289,873,435</u> | <u>105,999,256</u> | <u>67,956,897</u> | <u>417,257,324</u> | <u>357,830,332</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows - leases | - | - | 1,485,023 | 1,982,168 | 1,485,023 | 1,982,168 |
| Deferred inflows - pensions | 5,999,316 | 1,875,876 | 635,328 | 176,336 | 6,634,644 | 2,052,212 |
| Deferred inflows - OPEB | <u>4,255,878</u> | <u>3,681,024</u> | <u>1,232,549</u> | <u>1,008,774</u> | <u>5,488,427</u> | <u>4,689,798</u> |
| Total deferred inflows of resources | <u>10,255,194</u> | <u>5,556,900</u> | <u>3,352,900</u> | <u>3,167,278</u> | <u>13,608,094</u> | <u>8,724,178</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 152,380,385 | 108,048,194 | 305,544,519 | 252,544,557 | 457,924,904 | 360,592,751 |
| Restricted | 29,885,905 | 26,879,305 | 2,565,003 | 7,117,464 | 32,450,908 | 33,996,769 |
| Unrestricted | <u>2,752,165</u> | <u>21,350,408</u> | <u>17,598,032</u> | <u>44,205,549</u> | <u>20,350,197</u> | <u>65,555,957</u> |
| Total net position | <u>\$185,018,455</u> | <u>\$156,277,907</u> | <u>\$325,707,554</u> | <u>\$303,867,570</u> | <u>\$510,726,009</u> | <u>\$460,145,477</u> |

By far the largest portion of the City's net position, \$457,924,904, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment, and systems), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



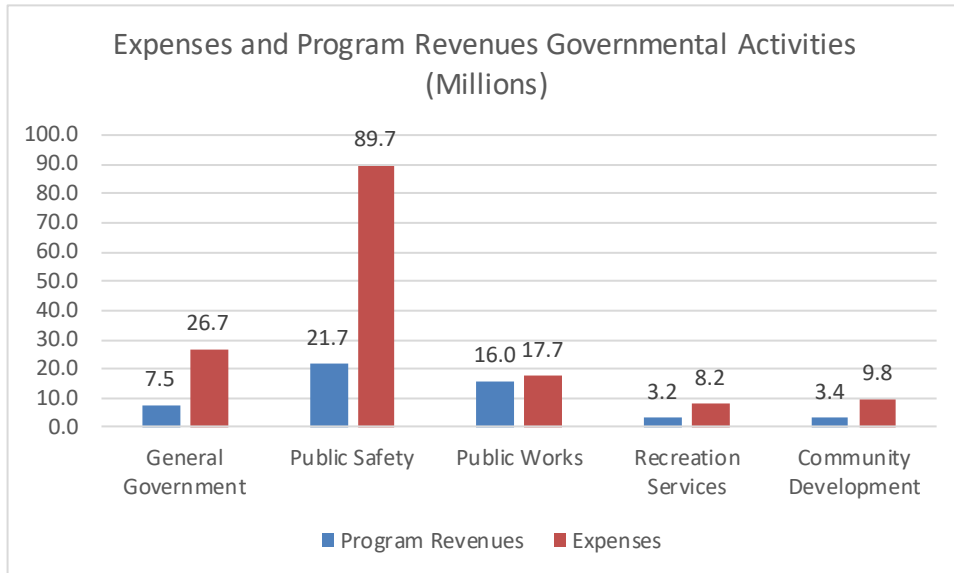
An additional portion of the City’s net position, \$32,450,908, represents resources that are subject to external and internal restrictions on how they may be used. The remaining balance of unrestricted net position, \$20,350,197, may be used to meet the City’s ongoing obligations to citizens and creditors.

The City’s overall net position increased by \$50,580,532 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$28,740,548, bringing the total to \$185,018,455. Key revenue increases from the previous year include a \$5,473,722 rise in property taxes due to increased property values and a \$5,854,316 increase in operating grants and contributions from new grant funding opportunities. Expenses also increased by \$9,353,682. The ratio of expenditures to revenues was 90%, an improvement from 88% last year, indicating better alignment between revenue growth and spending.

**CITY OF KILLEEN
CHANGES IN NET POSITION**

| | Governmental | | Business-Type | | Total | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Activities | | Activities | | | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Revenues | | | | | | |
| <i>Program revenues:</i> | | | | | | |
| Charges for services | \$ 26,312,670 | \$ 24,913,990 | \$ 87,725,538 | \$ 87,321,669 | \$ 114,038,208 | \$ 112,235,659 |
| Operating grants and contributions | 11,316,044 | 14,261,521 | 13,488,894 | 1,108,418 | 24,804,938 | 15,369,939 |
| Capital grants and contributions | 14,182,540 | 8,328,224 | 7,837,169 | 13,400,207 | 22,019,709 | 21,728,431 |
| <i>General revenues:</i> | | | | | | |
| Property taxes | 70,191,770 | 64,718,048 | - | - | 70,191,770 | 64,718,048 |
| Franchise fees | 5,568,993 | 5,469,597 | - | - | 5,568,993 | 5,469,597 |
| Sales taxes | 39,417,764 | 39,328,334 | - | - | 39,417,764 | 39,328,334 |
| Interest and investment income | 7,630,591 | 11,766,500 | 3,122,493 | 3,653,756 | 10,753,084 | 15,420,256 |
| Gain on sale of capital assets | 179,537 | 162,442 | 411,740 | 265,375 | 591,277 | 427,817 |
| Lease revenue | 1,227,448 | - | - | 111,339 | 1,227,448 | 111,339 |
| Total revenues | 176,027,357 | 168,948,656 | 112,585,834 | 105,860,764 | 288,613,191 | 274,809,420 |
| Expenses | | | | | | |
| General government | 26,722,172 | 23,529,165 | - | - | 26,722,172 | 23,529,165 |
| Public safety | 89,702,693 | 84,711,760 | - | - | 89,702,693 | 84,711,760 |
| Public works | 17,658,128 | 15,132,285 | - | - | 17,658,128 | 15,132,285 |
| Recreation services | 8,185,777 | 8,228,515 | - | - | 8,185,777 | 8,228,515 |
| Community development | 9,842,115 | 11,513,641 | - | - | 9,842,115 | 11,513,641 |
| Interest on long-term debt | 6,187,702 | 5,829,539 | - | - | 6,187,702 | 5,829,539 |
| Airport operations | - | - | 10,738,817 | 8,893,689 | 10,738,817 | 8,893,689 |
| Solid waste | - | - | 21,415,860 | 20,987,987 | 21,415,860 | 20,987,987 |
| Water and sewer | - | - | 40,481,169 | 38,509,529 | 40,481,169 | 38,509,529 |
| Drainage utility | - | - | 5,303,602 | 3,904,834 | 5,303,602 | 3,904,834 |
| Golf course | - | - | 1,794,624 | 1,668,608 | 1,794,624 | 1,668,608 |
| Total expenses | 158,298,587 | 148,944,905 | 79,734,072 | 73,964,647 | 238,032,659 | 222,909,552 |
| Change in net position before transfers | 17,728,770 | 20,003,751 | 32,851,762 | 31,896,117 | 50,580,532 | 51,899,868 |
| Transfers | 11,011,778 | 10,322,148 | (11,011,778) | (10,322,148) | - | - |
| Change in net position | 28,740,548 | 30,325,899 | 21,839,984 | 21,573,969 | 50,580,532 | 51,899,868 |
| Net position at beginning of year | 156,277,907 | 125,952,008 | 303,867,570 | 282,293,601 | 460,145,477 | 408,245,609 |
| Net position at end of year | \$ 185,018,455 | \$ 156,277,907 | \$ 325,707,554 | \$ 303,867,570 | \$ 510,726,009 | \$ 460,145,477 |



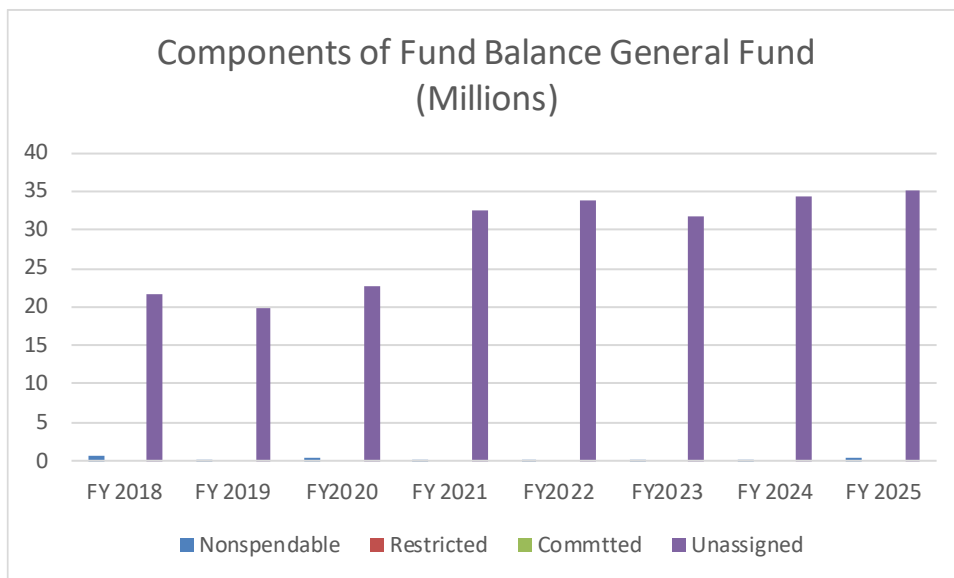
Business-type activities. Business-type activities increased the City’s net position by \$21,839,984. Key revenue increases from the previous year include a \$403,869 rise in charges for services from increased utility usage as a result of continued population growth and a \$11,429,677 increase in operating grants and contributions due to growth in federal grant programs in the Airport Fund. Total expenses amounted to 71% of program revenues, reflecting the ability of these funds to generate sufficient revenue to cover operating costs.

Financial Analysis of the City’s Funds

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

Governmental Funds. The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City’s governmental funds reported combined fund balances of \$172,300,169, an increase of \$21,035,073 in comparison with the prior year. Approximately \$35,032,772 is *unassigned fund balance*, which is available for spending at the City’s discretion and \$21,484,011 is assigned for capital projects. The remainder of fund balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form (\$1,375,181) or 2) restricted for particular purposes (\$114,408,205).



The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$35,032,844, while the total fund balance increased to \$35,415,993. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 29.7% of total general fund expenditures, while total fund balance represents 30.0% percent of that same amount.

The fund balance of the City's general fund increased by \$846,574 during the current fiscal year. General fund transfers out total \$10,567,615 and transfers in total \$11,324,360 in the current fiscal year. The major transfers were:

- A total transfer of \$9,240,954 was made to the Governmental Capital Improvements Fund, allocated as follows: \$2,906,590 for governmental fleet replacement, \$450,000 for new fleet purchases and \$5,884,364 to transfer excess fund balance for capital improvement projects, in accordance with the Financial Governance Policy.
- Indirect cost allocations were transferred from the Solid Waste Fund, Water and Sewer Fund, and Drainage Fund in the amounts of \$3,533,527, \$6,794,346, and \$755,883, respectively.

The capital improvement fund had a decrease in fund balance during the current year of \$13,158,086. This was the result of the funds assets being spent on capital projects during the year, which exceeded revenues and transfers from other funds.

The debt service fund, the remaining major governmental fund, had an increase in fund balance during the current year of \$377,458 to bring the year end fund balance to \$5,148,122. The fund received revenues of \$15,627,924 in property taxes, \$2,410,855 from a TXDOT reimbursement program based, and \$234,658 in investment earnings. Total expenditures amounted to \$17,895,979 for debt service payments.

The 2023 C.O. Bond Fund experienced a decrease in fund balance of \$1,150,619 during the current year. The fund received revenues of \$1,235,304 in investment earnings and incurred expenditures of \$2,385,923.

The 2025 C.O. Bond Fund was established during the current year to record the issuance of the City's Series 2025 Certificates of Obligation and the related expenditures. The fund ended the year with fund balance of \$35,663,947, all of which is restricted for capital projects.

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

Unrestricted net position of the airport, solid waste, water and sewer, drainage, and golf course funds at the end of the year amounted to \$1,717,744, \$3,035,032, \$11,675,018, \$856,964 and \$313,274, respectively. The combined growth in net position for all funds was \$20,889,185. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. Differences between the original budget and the final amended budget amounted to a \$7,077,890 increase in net appropriations, and can be briefly summarized as follows:

- Use of Fund Balance and Capital Transfers: The budget was amended to utilize \$5,884,364 in excess fund balance, including \$3,654,669 transferred to the Governmental Capital Improvements Projects Fund to support capital improvement projects, in accordance with the City's Financial Governance Policy.
- Fire Department Personnel: Fire Department personnel expenses increased by \$2,286,716 due to additional staffing required for the new fire station, supported by excess fund balance.
- Information Technology Transfer (Axon Program): Transfers to the Information Technology program increased by \$1,261,683 to support the Police Department's Axon program.

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

| Revenue Source | Estimated Revenues | Actual Revenues | Difference |
|-----------------------|---------------------------|------------------------|-------------------|
| Taxes | \$ 97,520,733 | \$ 96,178,072 | \$ (1,342,661) |
| Intergovernmental | 3,472,059 | 4,558,237 | 1,086,178 |
| Charges for services | 6,889,672 | 8,267,572 | 1,377,900 |
| Fines and fees | 2,897,356 | 3,580,140 | 682,784 |
| Investment earnings | 1,339,868 | 5,918,522 | 4,578,654 |

The shortfall in tax revenues was primarily due to property tax collections falling \$1,342,661 million below projections. The budget assumed a 98.5 percent collection rate of the certified total levy, but actual collections were approximately 97 percent.

Intergovernmental revenue increased by \$1,086,178, primarily due to higher reimbursements from firefighter deployments through the Texas Intrastate Fire Mutual Aid System (TIFMAS), administered by TEEX, totaling \$1,404,439. This increase was partially offset by a \$453,775 decrease in state grant reimbursements related to the disabled veteran (DV) exemption.

Charges for services increased by \$1,377,900, primarily due to higher Emergency Medical Services (EMS) revenues resulting from the implementation of an updated fee structure. Investment earnings increased by \$4,578,654, primarily due to higher-than-anticipated interest rates and increased average cash balances during the year. The favorable variance from the original budget reflects more conservative assumptions in the prior year, while current year budget estimates were adjusted to better align with prevailing market conditions.

Fines and fees increased by \$682,784, primarily due to increased building permit activity associated with development and construction.

A review of actual expenditures compared to appropriations in the final budget showed no significant variances, with one exception. Actual expenditures were approximately \$4,301,268 below the final budget, primarily attributable to personnel savings resulting from vacancies throughout the year.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to \$586,289,027 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure. The total increase in capital assets for the current fiscal year was \$69,215,112.

CAPITAL ASSETS
(net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land | \$ 9,622,672 | \$ 9,622,672 | \$ 1,841,636 | \$ 1,841,636 | \$ 11,464,308 | \$ 11,464,308 |
| Construction in progress | 52,910,203 | 27,359,624 | 54,464,476 | 49,520,078 | 107,374,679 | 76,879,702 |
| Buildings | 51,687,308 | 44,801,653 | 54,145,446 | 51,551,805 | 105,832,754 | 96,353,458 |
| Improvements other than buildir | - | - | 118,928,602 | 106,578,865 | 118,928,602 | 106,578,865 |
| Furniture and equipment | 6,442,112 | 6,038,078 | 12,436,309 | 7,017,862 | 18,878,421 | 13,055,940 |
| Vehicles | 16,731,144 | 10,693,225 | 4,731,439 | 4,888,323 | 21,462,583 | 15,581,548 |
| Infrastructure assets | 125,509,268 | 133,266,672 | 62,526,849 | 61,475,649 | 188,036,117 | 194,742,321 |
| Right to use - equipment | 70,722 | 163,196 | 107,028 | - | 177,750 | 163,196 |
| Right to use - software | 14,133,813 | 2,868,288 | - | - | 14,133,813 | 2,868,288 |
| Total | <u>\$277,107,242</u> | <u>\$234,813,408</u> | <u>\$ 309,181,785</u> | <u>\$282,874,218</u> | <u>\$586,289,027</u> | <u>\$517,687,626</u> |

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

- \$15.5 million in airport projects, of which approximately \$1.5 million was funded by Customer Facility Charges and Passenger Facility Charges
- \$34.0 million in governmental construction-in-progress, including streets, facility improvements, park enhancements, and infrastructure projects, including investments in public safety and community facilities
- \$16.0 million in enterprise construction-in-progress, including solid waste facility upgrades, water and sewer infrastructure improvements, drainage system enhancements and related street reconstruction activities associated with utility and drainage improvements
- \$2.1 million in street and sidewalk improvement projects, including pavement rehabilitation and sidewalk expansion
- \$8.7 million of water, sewer, drainage, and street infrastructure contributed to the City by developers
- \$5.6 million for the purchase of heavy machinery and equipment, including cranes, loaders, and other specialized vehicles to support public works, solid waste operations, and infrastructure maintenance
- \$10.2 million for the purchase of vehicles, including fleet replacements for public safety, utility services, and other departmental operations
- \$14.5 million for Subscription-Based Information Technology Arrangements (SBITAs) related to IT service agreements and cloud computing arrangements in compliance with GASB 96

Additional information on the City's capital assets can be found in Note III.E.

Long-term Debt

At the end of the current fiscal year, the City had total outstanding debt of \$296,496,547, of which \$266,480,000 was bonded debt. This includes \$109,060,000 in general obligation bonds and \$86,535,000 in certificates of obligations, both backed by the full faith and credit of the City, as well as \$70,885,000 in revenue bonds issued by the City's business enterprises.

OUTSTANDING DEBT

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | Revenue bonds | \$ - | \$ - | \$ 70,885,000 | \$ 35,430,000 | \$ 70,885,000 |
| General obligation bonds | 105,455,000 | 118,205,000 | 3,605,000 | 4,730,000 | 109,060,000 | 122,935,000 |
| Certificates of obligation | 83,535,000 | 50,705,000 | 3,000,000 | - | 86,535,000 | 50,705,000 |
| Plus unamortized bond premiums/discounts | 11,271,797 | 10,831,023 | 4,732,291 | 3,050,995 | 16,004,088 | 13,882,018 |
| Leases | 111,730 | 214,185 | 112,383 | 52,135 | 224,113 | 266,320 |
| Subscriptions | 13,788,346 | 2,381,841 | - | - | 13,788,346 | 2,381,841 |
| Total outstanding debt | <u>\$ 214,161,873</u> | <u>\$ 182,337,049</u> | <u>\$ 82,334,674</u> | <u>\$ 43,263,130</u> | <u>\$ 296,496,547</u> | <u>\$ 225,600,179</u> |

The City's total debt increased by \$70,896,368 during the current fiscal year (including premium/discount amortization balances). The increase is the result of the scheduled debt service payments plus issuance of certificates of obligation.

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

BONDED DEBT RATINGS

September 30, 2025

| Bond Type | Rating | |
|----------------------------|--------|-------|
| | S&P | Fitch |
| General Obligation Bonds | AA | AA |
| Certificates of Obligation | AA | AA |
| Utility Revenue Bonds | AA | AA- |

All taxable property within the City of Killeen is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities such as the City of Killeen to \$2.50 per \$100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum rate for all general obligation debt service calculated at the time of issuance based on 90% tax collections. The current debt limitation for the City is \$168.8 million, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note III.G.

Economic Factors and Next Year's Budget and Rates

The following economic factors and priorities were considered in developing the 2026 fiscal year budget:

The fiscal year 2026 budget was developed in consideration of continued economic growth, expanding service demands, and the City Council's strategic priorities.

The budget was adopted with a property tax rate of \$0.7014 per \$100 of taxable valuation, an increase of \$0.0441 from the prior year. Net taxable value rose 2.73% to approximately \$11.6 billion, including \$223 million in new construction, reflecting ongoing development activity and moderate tax base expansion.

Total exempt property value increased by \$359 million, bringing the Citywide total to slightly more than \$4.0 billion. The disabled veteran exemption accounts for the majority of this growth, increasing 15.5% (\$324 million) to approximately \$2.4 billion.

This exemption is projected to reduce property tax revenue by approximately \$17.0 million in fiscal year 2026. The City expects to receive roughly \$900,000 in State reimbursement, resulting in a net revenue impact of \$16.1 million.

State reimbursement has not kept pace with the rapid growth in exempt valuations and is distributed among eligible taxing jurisdictions statewide. As participation in the program expands, available funding is allocated more broadly, limiting the City's recovery of forgone revenue. The City's legislative program continues to prioritize increased State funding to mitigate this structural imbalance. Reimbursement levels were further constrained following a \$1.0 million statewide reduction during the 2022–2023 biennium.

The fiscal year 2026 budget establishes a stable financial foundation while positioning the City to address operational demands associated with sustained population growth. Primary budget objectives include maintaining competitive compensation, strategically expanding the workforce to preserve service levels, and sustaining affordable employee healthcare options.

Progress toward market-aligned compensation continues in fiscal year 2026 with a 5% cost-of-living adjustment for classified and public safety civil service employees, in addition to step increases for eligible public safety personnel. The City also advanced its multi-year strategy to compress the Police Officer and Fire Rescue Officer pay plans, reducing the structure from 17 steps to 16 and accelerating progression to top pay. Targeted pay adjustments were informed by a recently completed compensation study to strengthen recruitment and retention.

The adopted budget includes 1,403.37 full-time equivalent positions, representing an increase of 40.50 FTEs over the prior year. The most significant addition is the staffing of Fire Station 4, supported by 24 new positions. Other enhancements include the creation of a Crime Scene Unit, additional sworn personnel, executive leadership support, technology security resources, and targeted operational roles.

Even with these additions, 39 requested positions remain unfunded, underscoring the ongoing challenge of aligning workforce capacity with service expectations in a high-growth environment. The employee-to-population ratio increased to 8.51 per 1,000 residents, primarily reflecting the expansion of fire protection services.

The adopted budget reflects priorities identified during the February 24, 2025 City Council workshop, including maintaining full public safety staffing, expanding investigative capabilities, and continuing the Community Engagement Unit's citywide presence. Infrastructure reinvestment remains a central focus, highlighted by major corridor improvements such as Zephyr Road and Stagecoach Road, alongside continued upgrades to the water and sewer systems.

The City's Strategic Plan integrates the six "Big Ideas" established in the Comprehensive Plan adopted in August 2022. Departmental initiatives are aligned with these guiding principles to ensure that policy objectives consistently inform both the annual budget and the Capital Improvement Program, supporting coordinated and sustainable long-term growth.

Requests for Information

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

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



CITY OF KILLEEN



BASIC FINANCIAL STATEMENTS





CITY OF KILLEEN



CITY OF KILLEEN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-----------------------|---------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Killeen Economic Development Corp. |
| ASSETS | | | | |
| Cash and equity in pooled cash and investments | \$ 177,358,703 | \$ 107,662,350 | \$ 285,021,053 | \$ 4,400,380 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Taxes | 8,922,920 | - | 8,922,920 | - |
| Accounts | 3,815,336 | 10,234,089 | 14,049,425 | 348,206 |
| Accrued interest | 38,970 | - | 38,970 | - |
| Intergovernmental | 3,767,596 | 3,164,552 | 6,932,148 | - |
| Lease | - | 1,526,100 | 1,526,100 | - |
| Prepaid items | 1,308,353 | 11,116 | 1,319,469 | - |
| Inventories | 401,092 | 505,854 | 906,946 | - |
| Capital assets: | | | | |
| Nondepreciable | 62,532,875 | 56,306,112 | 118,838,987 | 5,731,463 |
| Depreciable, net of accumulated depreciation | <u>214,574,367</u> | <u>252,875,673</u> | <u>467,450,040</u> | <u>1,788,107</u> |
| Total capital assets | <u>277,107,242</u> | <u>309,181,785</u> | <u>586,289,027</u> | <u>7,519,570</u> |
| Total assets | <u>472,720,212</u> | <u>432,285,846</u> | <u>905,006,058</u> | <u>12,268,156</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charge on refunding | 6,114,319 | 204,673 | 6,318,992 | - |
| Deferred outflows - TMRS pension | 7,624,184 | 2,141,122 | 9,765,306 | - |
| Deferred outflows - FRRF pension | 18,596,692 | - | 18,596,692 | - |
| Deferred outflows - TMRS OPEB | 184,421 | 51,790 | 236,211 | - |
| Deferred outflows - RHP OPEB | <u>1,291,889</u> | <u>376,279</u> | <u>1,668,168</u> | - |
| Total deferred outflows of resources | <u>33,811,505</u> | <u>2,773,864</u> | <u>36,585,369</u> | - |
| LIABILITIES | | | | |
| Accounts payable | 8,751,149 | 7,674,391 | 16,425,540 | 24,877 |
| Deposits payable | - | 3,016,958 | 3,016,958 | - |
| Unearned revenue | 655,772 | 499,318 | 1,155,090 | - |
| Accrued salaries payable | 2,859,155 | 534,260 | 3,393,415 | - |
| Other liabilities | 48,913 | - | 48,913 | - |
| Accrued interest payable | 1,329,004 | 431,862 | 1,760,866 | 51,344 |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Long-term debt | 17,632,715 | 5,250,162 | 22,882,877 | 1,188,516 |
| Compensated absences | 1,773,592 | 235,218 | 2,008,810 | - |
| Total OPEB Liability - TMRS | 76,459 | 21,472 | 97,931 | - |
| Total OPEB Liability - RHP | 170,664 | 49,707 | 220,371 | - |
| Due in more than one year: | | | | |
| Long-term debt | 196,529,158 | 77,084,512 | 273,613,670 | 1,429,564 |
| Compensated absences | 15,962,319 | 2,116,972 | 18,079,291 | - |
| Net pension liability - TMRS | 22,565,053 | 6,337,015 | 28,902,068 | - |
| Net pension liability - FRRF | 33,384,599 | - | 33,384,599 | - |
| Total OPEB Liability - TMRS | 2,422,520 | 680,323 | 3,102,843 | - |
| Total OPEB Liability - RHP | <u>7,096,996</u> | <u>2,067,086</u> | <u>9,164,082</u> | - |
| Total liabilities | <u>311,258,068</u> | <u>105,999,256</u> | <u>417,257,324</u> | <u>2,694,301</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows - leases | - | 1,485,023 | 1,485,023 | - |
| Deferred inflows - TMRS pension | 2,262,299 | 635,328 | 2,897,627 | - |
| Deferred inflows - FRRF pension | 3,737,017 | - | 3,737,017 | - |
| Deferred inflows - TMRS OPEB | 673,738 | 189,209 | 862,947 | - |
| Deferred inflows - RHP OPEB | <u>3,582,140</u> | <u>1,043,340</u> | <u>4,625,480</u> | - |
| Total deferred inflows of resources | <u>10,255,194</u> | <u>3,352,900</u> | <u>13,608,094</u> | - |
| NET POSITION | | | | |
| Net investment in capital assets | 152,380,385 | 305,544,519 | 457,924,904 | 4,901,490 |
| Restricted for: | | | | |
| Debt service | 3,946,519 | - | 3,946,519 | - |
| Capital projects | - | 2,565,003 | 2,565,003 | - |
| Grants, contracts and regulations | 25,939,386 | - | 25,939,386 | - |
| Economic development | - | - | - | 4,672,365 |
| Unrestricted | <u>2,752,165</u> | <u>17,598,032</u> | <u>20,350,197</u> | - |
| Total net position | <u>\$ 185,018,455</u> | <u>\$ 325,707,554</u> | <u>\$ 510,726,009</u> | <u>\$ 9,573,855</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF KILLEEN, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| Functions / Programs | Expenses | Program Revenues | | |
|------------------------------------|-----------------------|-----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 26,722,172 | \$ 3,872,059 | \$ 2,597,566 | \$ 1,046,941 |
| Public safety | 89,702,693 | 10,207,986 | 3,312,728 | 8,225,348 |
| Public works | 17,658,128 | 9,823,574 | 2,445,335 | 3,684,996 |
| Recreation services | 8,185,777 | 1,234,415 | 1,969,991 | - |
| Community development | 9,842,115 | 1,174,636 | 990,424 | 1,225,255 |
| Interest on long-term debt | <u>6,187,702</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>158,298,587</u> | <u>26,312,670</u> | <u>11,316,044</u> | <u>14,182,540</u> |
| Business-type activities: | | | | |
| Airport operations | 10,738,817 | 4,140,554 | 13,488,894 | 2,827,210 |
| Solid waste | 21,415,860 | 27,368,180 | - | - |
| Water and sewer | 40,481,169 | 48,982,578 | - | 4,193,240 |
| Drainage utility | 5,303,602 | 5,319,102 | - | 816,719 |
| Golf course | <u>1,794,624</u> | <u>1,915,124</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>79,734,072</u> | <u>87,725,538</u> | <u>13,488,894</u> | <u>7,837,169</u> |
| Total primary government | <u>\$ 238,032,659</u> | <u>\$ 114,038,208</u> | <u>\$ 24,804,938</u> | <u>\$ 22,019,709</u> |
| Component Unit: | | | | |
| Killeen Economic Development Corp. | <u>1,531,081</u> | <u>450,040</u> | <u>885,000</u> | <u>-</u> |
| Total component unit | <u>\$ 1,531,081</u> | <u>\$ 450,040</u> | <u>\$ 885,000</u> | <u>\$ -</u> |

General revenues:

Taxes:

Ad valorem

Sales

Franchise

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and
Changes in Net Position

| Primary Government | | | Component Unit |
|----------------------------|-----------------------------|-----------------------|---------------------------------------|
| Governmental Activities | Business-Type Activities | Total | Killeen Economic Development Corp. |
| \$ (19,205,606) | \$ - | \$ (19,205,606) | \$ - |
| (67,956,631) | - | (67,956,631) | - |
| (1,704,223) | - | (1,704,223) | - |
| (4,981,371) | - | (4,981,371) | - |
| (6,451,800) | - | (6,451,800) | - |
| <u>(6,187,702)</u> | <u>-</u> | <u>(6,187,702)</u> | <u>-</u> |
| <u>(106,487,333)</u> | <u>-</u> | <u>(106,487,333)</u> | <u>-</u> |
| - | 9,717,841 | 9,717,841 | - |
| - | 5,952,320 | 5,952,320 | - |
| - | 12,694,649 | 12,694,649 | - |
| - | 832,219 | 832,219 | - |
| <u>-</u> | <u>120,500</u> | <u>120,500</u> | <u>-</u> |
| <u>-</u> | <u>29,317,529</u> | <u>29,317,529</u> | <u>-</u> |
| <u>(106,487,333)</u> | <u>29,317,529</u> | <u>(77,169,804)</u> | <u>-</u> |
| | | | <u>(196,041)</u> |
| | | | <u>(196,041)</u> |
| 70,191,770 | - | 70,191,770 | - |
| 39,417,764 | - | 39,417,764 | - |
| 5,568,993 | - | 5,568,993 | - |
| 7,630,591 | 3,122,493 | 10,753,084 | 203,986 |
| 179,537 | 411,740 | 591,277 | - |
| 1,227,448 | - | 1,227,448 | - |
| <u>11,011,778</u> | <u>(11,011,778)</u> | <u>-</u> | <u>-</u> |
| <u>135,227,881</u> | <u>(7,477,545)</u> | <u>127,750,336</u> | <u>203,986</u> |
| 28,740,548 | 21,839,984 | 50,580,532 | 7,945 |
| <u>156,277,907</u> | <u>303,867,570</u> | <u>460,145,477</u> | <u>9,565,910</u> |
| <u>\$ 185,018,455</u> | <u>\$ 325,707,554</u> | <u>\$ 510,726,009</u> | <u>\$ 9,573,855</u> |

CITY OF KILLEEN, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Improvements Projects</u> |
|--|----------------------|-------------------------|--|
| ASSETS | | | |
| Cash and equity in pooled cash and investments | \$ 29,432,711 | \$ 2,737,267 | \$ 24,100,824 |
| Receivables, net | | | |
| Taxes | 8,671,753 | 80,762 | - |
| Accounts | 2,443,814 | - | 50,000 |
| Accrued interest | 38,970 | - | - |
| Intergovernmental | 585,402 | 2,410,855 | - |
| Due from other funds | 542,685 | - | - |
| Inventories | 54,018 | - | - |
| Prepaid items | 329,131 | - | 979,222 |
| Total assets | <u>42,098,484</u> | <u>5,228,884</u> | <u>25,130,046</u> |
| LIABILITIES | | | |
| Accounts payable | 1,289,648 | - | 2,666,813 |
| Due to other funds | - | - | - |
| Other liabilities | 35,792 | - | - |
| Accrued salaries payable | 2,620,051 | - | - |
| Unearned revenue | 568,592 | - | - |
| Total liabilities | <u>4,514,083</u> | <u>-</u> | <u>2,666,813</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | 2,168,408 | 80,762 | - |
| Total deferred inflows of resources | <u>2,168,408</u> | <u>80,762</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Inventories | 54,018 | - | - |
| Prepaid items | 329,131 | - | 979,222 |
| Restricted: | | | |
| Debt service | - | 5,148,122 | - |
| Capital projects | - | - | - |
| Grants, contracts and regulations | - | - | - |
| Assigned: | | | |
| Capital projects | - | - | 21,484,011 |
| Unassigned | 35,032,844 | - | - |
| Total fund balances | <u>35,415,993</u> | <u>5,148,122</u> | <u>22,463,233</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 42,098,484</u> | <u>\$ 5,228,884</u> | <u>\$ 25,130,046</u> |

| 2023 C.O. Bond | 2025 C.O. Bond | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------|----------------------|-----------------------------------|--------------------------------|
| \$ 32,555,480 | \$ 35,730,370 | \$ 43,671,877 | \$ 168,228,529 |
| - | - | 170,405 | 8,922,920 |
| - | - | 1,270,135 | 3,763,949 |
| - | - | - | 38,970 |
| - | - | 771,339 | 3,767,596 |
| - | - | - | 542,685 |
| - | - | 12,810 | 66,828 |
| - | - | - | 1,308,353 |
| <u>32,555,480</u> | <u>35,730,370</u> | <u>45,896,566</u> | <u>186,639,830</u> |
| 275,507 | 66,423 | 3,831,406 | 8,129,797 |
| - | - | 542,685 | 542,685 |
| - | - | - | 35,792 |
| - | - | 112,466 | 2,732,517 |
| - | - | 81,108 | 649,700 |
| <u>275,507</u> | <u>66,423</u> | <u>4,567,665</u> | <u>12,090,491</u> |
| - | - | - | 2,249,170 |
| - | - | - | 2,249,170 |
| - | - | 12,810 | 66,828 |
| - | - | - | 1,308,353 |
| - | - | - | 5,148,122 |
| 32,279,973 | 35,663,947 | 15,376,777 | 83,320,697 |
| - | - | 25,939,386 | 25,939,386 |
| - | - | - | 21,484,011 |
| - | - | (72) | 35,032,772 |
| <u>32,279,973</u> | <u>35,663,947</u> | <u>41,328,901</u> | <u>172,300,169</u> |
| <u>\$ 32,555,480</u> | <u>\$ 35,730,370</u> | <u>\$ 45,896,566</u> | <u>\$ 186,639,830</u> |



CITY OF KILLEEN



CITY OF KILLEEN, TEXAS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2025

| | |
|---|----------------------|
| Total Fund Balances - Governmental Funds | \$172,300,169 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. | 261,932,176 |
| Long-term liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported in the funds. | |
| Bonds payable | (188,990,000) |
| Premium on bonds | (11,271,797) |
| Leases payable | (106,921) |
| Accrued interest payable | (1,282,365) |
| Vacation, sick leave, and compensatory time payable are not due and payable in the current period and, therefore, are not reported in the funds. | (17,333,342) |
| The other postemployment benefit obligation (OPEB) is not due and payable in the current period and, therefore, is not reported in the funds. | (9,254,892) |
| The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds. | (54,514,401) |
| Deferred inflows of resources are not reported in the governmental funds: | |
| Deferred inflows - pensions | (5,855,423) |
| Deferred inflows - OPEB | (4,039,136) |
| Deferred outflows of resources are not reported in the governmental funds: | |
| Deferred charges on debt refundings | 6,114,319 |
| Deferred outflows — pensions | 25,735,939 |
| Deferred outflows — OPEB | 1,401,867 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. | |
| Property taxes | 1,004,123 |
| EMS fees | 1,096,296 |
| Other | 148,751 |
| Internal service funds are used by management to account for any activity that provide good or services to other funds. The assets and liabilities of the internal service fund are included in governmental activities in the government-wide statement of net position. | <u>7,933,092</u> |
| Net Position of Governmental Activities | <u>\$185,018,455</u> |

CITY OF KILLEEN, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Improvements Projects</u> |
|--|----------------------|-------------------------|--|
| REVENUES | | | |
| Taxes | \$ 96,178,072 | \$ 15,627,924 | \$ - |
| Licenses and permits | 2,755,673 | - | - |
| Charges for services | 8,267,572 | - | - |
| Fines and forfeitures | 3,580,140 | - | - |
| Intergovernmental | 4,558,237 | 2,410,855 | 10,497,544 |
| Investment earnings | 2,291,027 | 234,658 | 1,537,405 |
| Contributions | 1,000 | - | - |
| Miscellaneous | 298,170 | - | 674,635 |
| Total revenues | <u>117,929,891</u> | <u>18,273,437</u> | <u>12,709,584</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 17,297,684 | - | 46,234 |
| Public safety | 83,567,795 | - | 181,628 |
| Public works | 5,417,734 | - | 37,250 |
| Recreation services | 5,971,252 | - | 35,430 |
| Community development | 4,519,686 | - | 246,563 |
| Capital outlay | 1,117,474 | - | 34,428,090 |
| Debt service: | | | |
| Principal | 108,442 | 12,965,000 | - |
| Interest and fiscal charges | 16,555 | 4,930,979 | - |
| Total expenditures | <u>118,016,622</u> | <u>17,895,979</u> | <u>34,975,195</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(86,731)</u> | <u>377,458</u> | <u>(22,265,611)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of bonds | - | - | - |
| Premium on bonds | - | - | - |
| Transfers in | 11,324,360 | - | 9,240,954 |
| Transfers out | (10,567,615) | - | (133,429) |
| Sale of capital assets | 176,560 | - | - |
| Total Other Financing Sources | <u>933,305</u> | <u>-</u> | <u>9,107,525</u> |
| NET CHANGE IN FUND BALANCES | 846,574 | 377,458 | (13,158,086) |
| FUND BALANCES, BEGINNING | <u>34,569,419</u> | <u>4,770,664</u> | <u>35,621,319</u> |
| FUND BALANCES, ENDING | <u>\$ 35,415,993</u> | <u>\$ 5,148,122</u> | <u>\$ 22,463,233</u> |

The accompanying notes are an integral part of these financial statements.

| 2023 C. O. Bond | 2025 C. O. Bond | Other Governmental Funds | Total Governmental Funds |
|-----------------------|-----------------------|--------------------------------|--------------------------------|
| \$ - | \$ - | \$ 3,132,152 | \$ 114,938,148 |
| - | - | 9,152 | 2,764,825 |
| - | - | 11,176,981 | 19,444,553 |
| - | - | 244,461 | 3,824,601 |
| - | - | 4,433,771 | 21,900,407 |
| 1,235,304 | 315,285 | 1,736,113 | 7,349,792 |
| - | - | 140,491 | 141,491 |
| - | - | 113,152 | 1,085,957 |
| <u>1,235,304</u> | <u>315,285</u> | <u>20,986,273</u> | <u>171,449,774</u> |
| 98 | - | 155,406 | 17,499,422 |
| 98 | - | 869,224 | 84,618,745 |
| - | - | 4,100,262 | 9,555,246 |
| 926 | - | 1,810,112 | 7,817,720 |
| - | - | 3,450,311 | 8,216,560 |
| 2,384,801 | 526,858 | 9,645,849 | 48,103,072 |
| - | - | 1,422,318 | 14,495,760 |
| - | 159,017 | 833,948 | 5,940,499 |
| <u>2,385,923</u> | <u>685,875</u> | <u>22,287,430</u> | <u>196,247,024</u> |
| <u>(1,150,619)</u> | <u>(370,590)</u> | <u>(1,301,157)</u> | <u>(24,797,250)</u> |
| - | 34,465,000 | - | 34,465,000 |
| - | 1,569,537 | - | 1,569,537 |
| - | - | - | 20,565,314 |
| - | - | (247,604) | (10,948,648) |
| - | - | 4,560 | 181,120 |
| <u>-</u> | <u>36,034,537</u> | <u>(243,044)</u> | <u>45,832,323</u> |
| (1,150,619) | 35,663,947 | (1,544,201) | 21,035,073 |
| <u>33,430,592</u> | <u>-</u> | <u>42,873,102</u> | <u>151,265,096</u> |
| <u>\$ 32,279,973</u> | <u>\$ 35,663,947</u> | <u>\$ 41,328,901</u> | <u>\$ 172,300,169</u> |



CITY OF KILLEEN



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, 2025

Change in fund balance of governmental funds \$ 21,035,073

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

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

| | |
|-------------------------|--------------|
| Capital outlay | 51,796,898 |
| Capital asset disposals | (1,583) |
| Depreciation expense | (21,010,530) |

The issuance of long-term debt (e.g, bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities.

| | |
|--|--------------|
| Issuance of bonds | (34,465,000) |
| Premium on bonds | (1,569,537) |
| Debt principal repayments | 14,385,000 |
| Lease principal payment | 104,779 |
| Interest expense on bonds | (325,727) |
| Amortization premium on bonds | 1,128,763 |
| Amortization of deferred charge on refunding | (575,214) |

Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|--|-------------|
| Compensated absences | (2,589,094) |
| Change in deferred outflows - pensions | 419,952 |
| Change in deferred outflows - OPEB | 39,585 |
| Change in net pension liability | 3,102,850 |
| Change in total OPEB liability | 412,218 |
| Change in deferred inflows - pensions | (4,017,279) |
| Change in deferred inflows - OPEB | (590,302) |

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.

| | |
|----------------|---------|
| Property taxes | 153,560 |
| EMS fees | 230,895 |
| Other | 47,796 |

Internal service funds are used by management to account for any activity that provide good or services to other funds. The change of net position of the internal service funds is reported with governmental activities.

1,027,445

Change in net position of governmental activities - statement of activities \$ 28,740,548

CITY OF KILLEEN, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2025

| | Business-Type Activities - Enterprise Funds | | |
|---|---|---------------|-----------------|
| | Airport | Solid Waste | Water and Sewer |
| ASSETS | | | |
| Current assets: | | | |
| Cash and equity in pooled cash and investments | \$ 8,775,231 | \$ 11,140,727 | \$ 76,282,531 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts | 712,681 | 2,879,993 | 5,946,163 |
| Intergovernmental | 3,164,552 | - | - |
| Lease | 948,733 | 577,367 | - |
| Inventories | 113,391 | - | 356,919 |
| Prepaid expenses | - | - | 11,116 |
| Total current assets | 13,714,588 | 14,598,087 | 82,596,729 |
| Noncurrent assets: | | | |
| Property and equipment: | | | |
| Land | 1,319,003 | 72,165 | 278,278 |
| Buildings | 5,847,196 | 12,348,867 | 91,654,351 |
| Improvements other than buildings | 112,399,201 | - | 113,253,596 |
| Furniture and equipment | 1,950,507 | 12,457,856 | 3,948,019 |
| Vehicles | 1,370,010 | 8,140,060 | 4,460,319 |
| Infrastructure | 16,012,240 | 1,762,100 | 50,609,008 |
| Construction in progress | 24,505,285 | 1,961,662 | 26,793,667 |
| Less accumulated depreciation | (67,422,957) | (17,398,542) | (112,256,839) |
| Total capital assets, net of accumulated depreciation | 95,980,485 | 19,344,168 | 178,740,399 |
| Total assets | 109,695,073 | 33,942,255 | 261,337,128 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on refundings | - | 94,677 | 99,271 |
| Deferred outflows - Pensions | 290,370 | 671,129 | 945,901 |
| Deferred outflows - TMRS OPEB | 7,024 | 16,233 | 22,880 |
| Deferred outflows - RHP OPEB | 100,341 | 163,054 | 100,341 |
| Total deferred outflows of resources | 397,735 | 945,093 | 1,168,393 |

The accompanying notes are an integral part of these financial statements.

| Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|------------------|------------------------|-------------------------|
| Drainage Utility | Golf Course | Total Enterprise Funds | Internal Service Funds |
| \$ 8,073,467 | \$ 3,390,394 | \$ 107,662,350 | \$ 9,130,174 |
| 634,852 | 60,400 | 10,234,089 | 51,387 |
| - | - | 3,164,552 | - |
| - | - | 1,526,100 | - |
| - | 35,544 | 505,854 | 334,264 |
| - | - | 11,116 | - |
| <u>8,708,319</u> | <u>3,486,338</u> | <u>123,104,061</u> | <u>9,515,825</u> |
| 172,190 | - | 1,841,636 | - |
| - | - | 109,850,414 | - |
| 7,712,772 | - | 233,365,569 | - |
| 820,687 | - | 19,177,069 | 19,990,674 |
| 2,316,134 | - | 16,286,523 | 4,214,971 |
| 12,262,076 | - | 80,645,424 | - |
| 1,203,862 | - | 54,464,476 | - |
| <u>(9,370,988)</u> | <u>-</u> | <u>(206,449,326)</u> | <u>(9,030,579)</u> |
| <u>15,116,733</u> | <u>-</u> | <u>309,181,785</u> | <u>15,175,066</u> |
| <u>23,825,052</u> | <u>3,486,338</u> | <u>432,285,846</u> | <u>24,690,891</u> |
| 10,725 | - | 204,673 | - |
| 233,722 | - | 2,141,122 | 484,937 |
| 5,653 | - | 51,790 | 11,729 |
| <u>12,543</u> | <u>-</u> | <u>376,279</u> | <u>62,714</u> |
| <u>262,643</u> | <u>-</u> | <u>2,773,864</u> | <u>559,380</u> |

CITY OF KILLEEN, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2025

| | Business-Type Activities - Enterprise Funds | | |
|--------------------------------------|---|----------------------|-----------------------|
| | Airport | Solid Waste | Water and Sewer |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 2,472,315 | \$ 1,834,671 | \$ 3,249,517 |
| Deposits payable | 13,100 | 4,000 | 2,999,858 |
| Other liabilities | - | - | - |
| Unearned revenue | 96,175 | 11,297 | 391,846 |
| Accrued salaries payable | 74,470 | 171,670 | 230,641 |
| Accrued interest payable | 35,188 | 9,752 | 356,313 |
| Compensated absences | 36,443 | 78,269 | 93,381 |
| Leases payable | 3,437 | 3,621 | 39,472 |
| Bonds payable | 115,000 | 625,000 | 3,915,000 |
| SBITA payable | - | - | - |
| Total OPEB Liability - TMRS | 2,912 | 6,730 | 9,486 |
| Total OPEB Liability - RHP | <u>13,255</u> | <u>21,540</u> | <u>13,255</u> |
| Total current liabilities | <u>2,862,295</u> | <u>2,766,550</u> | <u>11,298,769</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 327,988 | 704,425 | 840,432 |
| Leases payable | 810 | 930 | 64,113 |
| SBITA payable | - | - | - |
| Bonds payable | 3,430,000 | 2,517,187 | 67,961,653 |
| Net pension liability | 859,398 | 1,986,319 | 2,799,556 |
| Total OPEB Liability - TMRS | 92,262 | 213,246 | 300,552 |
| Total OPEB Liability - RHP | <u>551,223</u> | <u>895,737</u> | <u>551,223</u> |
| Total noncurrent liabilities | <u>5,261,681</u> | <u>6,317,844</u> | <u>72,517,529</u> |
| Total liabilities | <u>8,123,976</u> | <u>9,084,394</u> | <u>83,816,298</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - leases | 941,903 | 543,120 | - |
| Deferred inflows - pension | 86,160 | 199,142 | 280,675 |
| Deferred inflows - TMRS OPEB | 25,660 | 59,307 | 83,588 |
| Deferred inflows - RHP OPEB | <u>278,224</u> | <u>452,114</u> | <u>278,224</u> |
| Total deferred inflows of resources | <u>1,331,947</u> | <u>1,253,683</u> | <u>642,487</u> |
| NET POSITION | | | |
| Net investment in capital assets | 96,354,138 | 21,514,239 | 166,371,718 |
| Restricted for capital projects | 2,565,003 | - | - |
| Unrestricted | <u>1,717,744</u> | <u>3,035,032</u> | <u>11,675,018</u> |
| Total net position | <u>\$ 100,636,885</u> | <u>\$ 24,549,271</u> | <u>\$ 178,046,736</u> |

The accompanying notes are an integral part of these financial statements.

| Business-Type Activities - Enterprise Funds | | | Governmental |
|---|-------------------|-----------------------|---------------------|
| Drainage | | Total | Internal |
| Utility | Golf Course | Enterprise | Service |
| | | Funds | Funds |
| \$ 117,888 | \$ - | \$ 7,674,391 | \$ 621,352 |
| - | - | 3,016,958 | - |
| - | - | - | 13,121 |
| - | - | 499,318 | 6,072 |
| 57,479 | - | 534,260 | 126,638 |
| 996 | 29,613 | 431,862 | 46,639 |
| 27,125 | - | 235,218 | 40,257 |
| - | - | 46,530 | 4,809 |
| 515,000 | 33,632 | 5,203,632 | - |
| - | - | - | 2,381,320 |
| 2,344 | - | 21,472 | 4,863 |
| 1,657 | - | 49,707 | 8,285 |
| <u>722,489</u> | <u>63,245</u> | <u>17,713,348</u> | <u>3,253,356</u> |
| 244,127 | - | 2,116,972 | 362,312 |
| - | - | 65,853 | - |
| - | - | - | 11,407,026 |
| - | 3,109,819 | 77,018,659 | - |
| 691,742 | - | 6,337,015 | 1,435,251 |
| 74,263 | - | 680,323 | 154,085 |
| 68,903 | - | 2,067,086 | 344,514 |
| <u>1,079,035</u> | <u>3,109,819</u> | <u>88,285,908</u> | <u>13,703,188</u> |
| <u>1,801,524</u> | <u>3,173,064</u> | <u>105,999,256</u> | <u>16,956,544</u> |
| - | - | 1,485,023 | - |
| 69,351 | - | 635,328 | 143,893 |
| 20,654 | - | 189,209 | 42,852 |
| 34,778 | - | 1,043,340 | 173,890 |
| <u>124,783</u> | <u>-</u> | <u>3,352,900</u> | <u>360,635</u> |
| 21,304,424 | - | 305,544,519 | 1,381,911 |
| - | - | 2,565,003 | - |
| 856,964 | 313,274 | 17,598,032 | 6,551,181 |
| <u>\$ 22,161,388</u> | <u>\$ 313,274</u> | <u>\$ 325,707,554</u> | <u>\$ 7,933,092</u> |

CITY OF KILLEEN, TEXAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Business-Type Activities - Enterprise Funds | | |
|--|---|----------------------|-----------------------|
| | Airport | Solid Waste | Water and Sewer |
| OPERATING REVENUES | | | |
| Charges for services | \$ 3,862,991 | \$ 27,299,907 | \$ 48,982,578 |
| Miscellaneous | <u>277,563</u> | <u>-</u> | <u>-</u> |
| Total operating revenues | <u>4,140,554</u> | <u>27,299,907</u> | <u>48,982,578</u> |
| OPERATING EXPENSES | | | |
| Purchase of water | - | - | 10,490,016 |
| Sewage treatment | - | - | 4,576,631 |
| Salaries and employee benefits | 2,890,670 | 5,939,393 | 8,721,092 |
| Repairs and maintenance | 1,232,540 | 1,356,939 | 1,139,371 |
| Supplies | 155,122 | 827,934 | 800,367 |
| Miscellaneous services and charges | 1,512,125 | 2,756,260 | 5,864,830 |
| Refuse disposal costs | - | 8,152,832 | - |
| Depreciation | <u>4,866,305</u> | <u>2,309,955</u> | <u>7,789,711</u> |
| Total operating expenses | <u>10,656,762</u> | <u>21,343,313</u> | <u>39,382,018</u> |
| OPERATING INCOME (LOSS) | <u>(6,516,208)</u> | <u>5,956,594</u> | <u>9,600,560</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Gain on disposition of capital assets | 7,790 | 298,900 | 54,800 |
| Intergovernmental | 12,538,095 | - | - |
| Investment earnings | 322,970 | 470,768 | 1,992,378 |
| Lease revenue | - | 68,273 | - |
| Interest and fiscal charges | <u>(82,055)</u> | <u>(72,547)</u> | <u>(1,099,151)</u> |
| Total nonoperating revenues (expenses) | <u>12,786,800</u> | <u>765,394</u> | <u>948,027</u> |
| Income (loss) before contributions and transfers | <u>6,270,592</u> | <u>6,721,988</u> | <u>10,548,587</u> |
| CONTRIBUTIONS AND TRANSFERS | | | |
| Capital contributions | 2,827,210 | - | 4,193,240 |
| Transfers in | - | - | 314,913 |
| Transfers out | <u>-</u> | <u>(3,653,505)</u> | <u>(6,794,346)</u> |
| Total contributions and transfers | <u>2,827,210</u> | <u>(3,653,505)</u> | <u>(2,286,193)</u> |
| CHANGE IN NET POSITION | 9,097,802 | 3,068,483 | 8,262,394 |
| TOTAL NET POSITION - BEGINNING | <u>90,588,284</u> | <u>21,480,788</u> | <u>169,784,342</u> |
| TOTAL NET POSITION - ENDING | <u>\$ 99,686,086</u> | <u>\$ 24,549,271</u> | <u>\$ 178,046,736</u> |

The accompanying notes are an integral part of these financial statements.

| Business-Type Activities - Enterprise Funds | | | Governmental |
|---|-------------------|------------------------------|------------------------------|
| Drainage Utility | Golf Course | Total Enterprise Funds | Internal Service Funds |
| \$ 5,319,102 | \$ 1,904,349 | \$ 87,368,927 | \$ 18,421,020 |
| - | 10,775 | 288,338 | 475,100 |
| <u>5,319,102</u> | <u>1,915,124</u> | <u>87,657,265</u> | <u>18,896,120</u> |
| - | - | 10,490,016 | - |
| - | - | 4,576,631 | - |
| 2,347,195 | - | 19,898,350 | 4,052,699 |
| 181,767 | 72,765 | 3,983,382 | 1,534,944 |
| 141,885 | - | 1,925,308 | 627,209 |
| 744,659 | 1,685,415 | 12,563,289 | 9,918,889 |
| 10,361 | - | 8,163,193 | 9,626 |
| <u>1,856,953</u> | <u>-</u> | <u>16,822,924</u> | <u>2,932,175</u> |
| <u>5,282,820</u> | <u>1,758,180</u> | <u>78,423,093</u> | <u>19,075,542</u> |
| <u>36,282</u> | <u>156,944</u> | <u>9,234,172</u> | <u>(179,422)</u> |
| 50,250 | - | 411,740 | - |
| - | - | 12,538,095 | - |
| 330,676 | 5,701 | 3,122,493 | 280,799 |
| - | - | 68,273 | - |
| <u>(20,782)</u> | <u>(36,444)</u> | <u>(1,310,979)</u> | <u>(469,044)</u> |
| <u>360,144</u> | <u>(30,743)</u> | <u>14,829,622</u> | <u>(188,245)</u> |
| <u>396,426</u> | <u>126,201</u> | <u>24,063,794</u> | <u>(367,667)</u> |
| 816,719 | - | 7,837,169 | - |
| 7,000 | - | 321,913 | 1,395,112 |
| <u>(885,840)</u> | <u>-</u> | <u>(11,333,691)</u> | <u>-</u> |
| <u>(62,121)</u> | <u>-</u> | <u>(3,174,609)</u> | <u>1,395,112</u> |
| 334,305 | 126,201 | 20,889,185 | 1,027,445 |
| <u>21,827,083</u> | <u>187,073</u> | <u>303,867,570</u> | <u>6,905,647</u> |
| <u>\$ 22,161,388</u> | <u>\$ 313,274</u> | <u>\$ 324,756,755</u> | <u>\$ 7,933,092</u> |

CITY OF KILLEEN, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Business-Type Activities - Enterprise Funds | |
|--|--|----------------------|
| | Airport | Solid Waste |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 3,641,351 | \$ 27,466,091 |
| Cash received from interfund charges for services | - | - |
| Cash payments for goods and services | (2,158,613) | (13,649,698) |
| Cash payments to employees | <u>(2,817,513)</u> | <u>(6,152,447)</u> |
| Net cash provided (used) by operating activities | <u>(1,334,775)</u> | <u>7,663,946</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Cash received from other funds | - | - |
| Cash paid to other funds | <u>-</u> | <u>(3,653,505)</u> |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>(3,653,505)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital contributions and grants | 14,644,389 | - |
| Purchase and construction of capital assets | (15,889,577) | (4,805,957) |
| Proceeds from sale of assets | 197,315 | 298,900 |
| Lease revenue | - | 68,273 |
| Issuance of long-term debt | 3,545,000 | - |
| Principal payments on long-term debt | (2,873) | (622,904) |
| Interest paid and fiscal charges | <u>(46,867)</u> | <u>(67,733)</u> |
| Net cash provided (used) by capital and related financing activities | <u>2,447,387</u> | <u>(5,129,421)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and dividends on investments | <u>336,793</u> | <u>483,873</u> |
| Net cash provided (used) by investing activities | <u>336,793</u> | <u>483,873</u> |
| NET INCREASE (DECREASE) IN CASH | 1,449,405 | (635,107) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>7,325,826</u> | <u>11,775,834</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 8,775,231</u> | <u>\$ 11,140,727</u> |

The accompanying notes are an integral part of these financial statements.

| Business-Type Activities - Enterprise Funds | | | | Governmental Activities |
|--|---------------------|---------------------|------------------------------|------------------------------|
| Water and Sewer | Drainage Utility | Golf Course | Total Enterprise Funds | Internal Service Funds |
| \$ 49,296,415 | \$ 5,328,957 | \$ 1,854,724 | \$ 87,587,538 | \$ - |
| - | - | - | - | 18,397,381 |
| (23,086,260) | (1,011,654) | (1,790,269) | (41,696,494) | (12,328,018) |
| <u>(8,589,058)</u> | <u>(2,273,245)</u> | <u>-</u> | <u>(19,832,263)</u> | <u>(2,907,318)</u> |
| <u>17,621,097</u> | <u>2,044,058</u> | <u>64,455</u> | <u>26,058,781</u> | <u>3,162,045</u> |
| 314,913 | 7,000 | - | 321,913 | 1,395,112 |
| <u>(6,794,346)</u> | <u>(885,840)</u> | <u>-</u> | <u>(11,333,691)</u> | <u>-</u> |
| <u>(6,479,433)</u> | <u>(878,840)</u> | <u>-</u> | <u>(11,011,778)</u> | <u>1,395,112</u> |
| 4,248,040 | 816,719 | - | 19,709,148 | - |
| (20,730,349) | (1,927,057) | - | (43,352,940) | (14,440,417) |
| 32,924 | 50,250 | - | 579,389 | - |
| - | - | - | 68,273 | - |
| 37,780,805 | - | 3,143,451 | 44,469,256 | 11,405,538 |
| (3,895,343) | (505,000) | - | (5,026,120) | - |
| <u>(1,184,211)</u> | <u>(10,869)</u> | <u>(6,831)</u> | <u>(1,316,511)</u> | <u>(469,044)</u> |
| <u>16,251,866</u> | <u>(1,575,957)</u> | <u>3,136,620</u> | <u>15,130,495</u> | <u>(3,503,923)</u> |
| <u>2,051,308</u> | <u>341,202</u> | <u>5,701</u> | <u>3,218,877</u> | <u>280,799</u> |
| <u>2,051,308</u> | <u>341,202</u> | <u>5,701</u> | <u>3,218,877</u> | <u>280,799</u> |
| 29,444,838 | (69,537) | 3,206,776 | 33,396,375 | 1,334,033 |
| <u>46,837,693</u> | <u>8,143,004</u> | <u>183,618</u> | <u>74,265,975</u> | <u>7,796,141</u> |
| <u>\$ 76,282,531</u> | <u>\$ 8,073,467</u> | <u>\$ 3,390,394</u> | <u>\$ 107,662,350</u> | <u>\$ 9,130,174</u> |

CITY OF KILLEEN, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Business-Type Activities - Enterprise Funds | |
|---|--|---------------------|
| | Airport | Solid Waste |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ (6,516,208) | \$ 5,956,594 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation expense | 4,866,305 | 2,309,955 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in receivables | (564,166) | 167,238 |
| Decrease (increase) in inventories | (20,703) | - |
| Decrease (increase) in prepaids | - | - |
| Decrease (increase) in deferred outflows - pensions | 125,042 | 469,192 |
| Decrease (increase) in deferred outflows - OPEB | (15,927) | (12,213) |
| Increase (decrease) in payables | 761,877 | (555,733) |
| Increase (decrease) in customer deposits | - | - |
| Increase (decrease) in accrued salaries payable | 13,820 | 36,380 |
| Increase (decrease) in compensated absences | 23,748 | 87,209 |
| Increase (decrease) in unearned revenue | 64,963 | (1,054) |
| Increase (decrease) in other liabilities | - | - |
| Increase (decrease) in net pension liability | (217,281) | (969,215) |
| Increase (decrease) in OPEB liability | 10,665 | (48,400) |
| Increase (decrease) in deferred inflows - pensions | 63,385 | 136,624 |
| Increase (decrease) in deferred inflows - OPEB | 69,705 | 87,369 |
| Total adjustments | <u>5,181,433</u> | <u>1,707,352</u> |
| Net cash provided (used) by operating activities | <u>\$ (1,334,775)</u> | <u>\$ 7,663,946</u> |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Contributions of capital assets | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements.

| Business-Type Activities - Enterprise Funds | | | | Governmental Activities |
|--|---------------------|------------------|------------------------------|------------------------------|
| Water and Sewer | Drainage Utility | Golf Course | Total Enterprise Funds | Internal Service Funds |
| \$ 9,600,560 | \$ 36,282 | \$ 156,944 | \$ 9,234,172 | \$ (179,422) |
| 7,789,711 | 1,856,953 | - | 16,822,924 | 2,932,175 |
| 67,667 | 9,855 | (60,400) | (379,806) | (40,168) |
| (9,132) | - | - | (29,835) | (4,738) |
| 4,726 | - | - | 4,726 | - |
| 384,009 | 96,988 | - | 1,075,231 | 203,276 |
| (1,818) | 1,287 | - | (28,671) | 17,286 |
| (210,639) | 67,018 | (32,089) | 30,434 | 569,541 |
| 225,007 | - | - | 225,007 | - |
| 38,063 | 5,076 | - | 93,339 | 30,774 |
| 79,440 | 67,819 | - | 258,216 | 16,531 |
| 21,163 | - | - | 85,072 | 626 |
| - | - | - | - | 13,121 |
| (647,358) | (165,404) | - | (1,999,258) | (348,486) |
| 13,206 | 8,992 | - | (15,537) | (139,184) |
| 58,729 | 51,220 | - | 309,958 | 106,161 |
| 207,763 | 7,972 | - | 372,809 | (15,448) |
| <u>8,020,537</u> | <u>2,007,776</u> | <u>(92,489)</u> | <u>16,824,609</u> | <u>3,341,467</u> |
| \$ <u>17,621,097</u> | \$ <u>2,044,058</u> | \$ <u>64,455</u> | \$ <u>26,058,781</u> | \$ <u>3,162,045</u> |

| | | | | |
|--------------|------------|------|--------------|------|
| \$ 4,248,040 | \$ 816,719 | \$ - | \$ 5,064,759 | \$ - |
|--------------|------------|------|--------------|------|

CITY OF KILLEEN, TEXAS

**STATEMENT OF FIDUCIARY NET POSITION
EMPLOYEE BENEFITS TRUST FUND**

SEPTEMBER 30, 2025

ASSETS

Total assets \$ -

LIABILITIES AND NET POSITION

Total liabilities -

NET POSITION

Restricted for employee benefits -

Total net position -

Total liabilities and net position \$ -

CITY OF KILLEEN, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
EMPLOYEE BENEFITS TRUST FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

ADDITIONS

Total additions

\$ -

DEDUCTIONS

Benefit payments

 2,616

Total deductions

 2,616

**NET INCREASE (DECREASE)
IN NET POSITION**

(2,616)

TOTAL NET POSITION - BEGINNING

 2,616

TOTAL NET POSITION - ENDING

\$ -



CITY OF KILLEEN



CITY OF KILLEEN, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Blended Component Unit

On November 4, 2008, the City Council approved the creation of Tax Increment Reinvestment Zone Number Two ("TIRZ #2") which covers approximately 2,104 acres of vacant and partially developed land in the City. TIRZ #2 was established to provide a funding mechanism for public infrastructure improvements, including water, sewer, roads, landscaping, lighting, sidewalks, and park improvements within TIRZ #2 utilizing the property tax increment, or growth in value, subsequent to the creation of TIRZ #2. Bell County and the Central Texas College District are also participants in TIRZ #2. The board consists of four representatives of the City, two representatives of Bell County, and one representative of the Central Texas College District. On December 8, 2015, the TIRZ #2 boundary was amended to include 32 acres in the Southwest corner of Rancier Avenue and 38th Street to accommodate a proposed retail development in that area. Additionally, the City Council then amended the boundary again on February 28, 2017, to include Rancier Avenue from Fort Hood Street to Root Avenue. On December 13, 2022, the City Council subsequently amended again to include approximately 331.8913 acres east of Roy Reynolds Drive in anticipation of expanding the Killeen Business Park. The original scheduled expiration date of TIRZ #2 was December 31, 2028, however on December 13, 2022, the City Council approved extending the duration of the TIRZ #2 by moving the expiration date to December 31, 2048.

On January 12, 2021, the City Council approved the creation of Killeen Public Facility Corporation (KPFC) for the purpose of assisting the City in providing a public facility in the form of a mixed income apartment complex. On January 20, 2021, the State issued to the KPFC the Certificate of Formation pursuant to the Public Facility Corporation Act, Chapter 303 of the Texas Local Government Code. The KPFC is a non-profit corporation with no part of any net earnings going to benefit any person but shall be for the City only. The KPFC has a "Governing Board" consisting of the City Mayor and the members of the City Council. On February 2, 2021, the KPFC board approved a resolution authorizing the purchase and lease of land and other related transactions to be executed to facilitate the development of the Killeen Apartments project (the "Project"). The Project encompasses 25.7 acres with the property being located at 1900 Veterans Memorial Drive in Killeen, Texas. The Project is intending to produce approximately 368 units of multifamily residential housing. In March 2024, the City Council also approved amendments to the KPFC's Certificate of Formation to support future ventures. On March 5, 2024, the KPFC board approved a resolution to initiate the Avanti Legacy Parkview Apartments project, a 108-unit residential development partially financed through low-income housing tax credits. On July 16, 2024, the KPFC authorized the necessary actions to proceed, including purchasing land, securing financing, and finalizing ownership and management structures. The KPFC is a blended component unit of the City and does not issue its own separate financial statements.

Discretely Presented Component Unit

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

B. Basis of Presentation – Government-Wide and Fund Financial Statements

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

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

C. Basis of Presentation – Fund Financial Statements

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

The City has the following major governmental funds:

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

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

The **Capital Improvements Projects Fund** is used to account for capital outlay and for miscellaneous capital project activity attributable to the governmental funds.

The **2023 CO Bond Fund** is used to account for the use of proceeds from 2023 certificate obligation issue for specified capital projects. Its purpose is to ensure transparent and accountable use of these funds in accordance with the intended capital improvements.

The **2025 CO Bond Fund** is used to account for the use of proceeds from 2025 certificate obligation issue for specified capital projects. Its purpose is to ensure transparent and accountable use of these funds in accordance with the intended capital improvements.

The City reports the following proprietary funds:

Enterprise Funds

The **Airport Fund** accounts for the provision of airport facilities. All activities necessary to provide such services are accounted for in this fund.

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

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

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

The **Golf Course Fund** accounts for the operations and maintenance of the City's golf course, including revenues generated from fees, memberships, and other related activities.

Internal Service Funds

The **Fleet Services Fund** accounts for the acquisition of vehicles/rolling stock and fleet maintenance services provided to other funds on a cost-reimbursement basis.

The **Health Insurance Fund** accounts for the health benefits premiums of employees and covered dependents provided to other funds on a cost-reimbursement basis.

The **Risk Management Fund** accounts for risk management services (including claims for workers' compensation, general liability, and property damage) provided to other funds on a cost-reimbursement basis.

The **Information Technology Fund** accounts for the acquisition of information technology equipment and maintenance services provided to other funds on a cost-reimbursement basis.

The City reports the following fiduciary fund:

The **Employee Benefits Private-Purpose Trust Fund** accounts for the City's dental and life insurance benefits. It does not include pension information. The fiduciary fund is not reported in the government-wide financial statements because the resources of this fund are not available to support the City's own programs.

Additionally, the City reports the following fund types:

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

E. Budgetary Information

1. Budgetary Basis of Accounting

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances except for major capital projects approved in the Capital Improvement Program as allowed by Article V, Section 73 of the City Charter. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated with City Council approval and become part of the subsequent year's budget pursuant to state regulations.

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

- I. Not less than forty-five (45) days prior to the beginning of each fiscal year, the City Manager submits a proposed budget to the City Council for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- II. On or before September 20, the budget is legally adopted by the City Council.
- III. Subsequent to enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget which may result in a change in total appropriations as long as total estimated expenditures do not exceed total estimated resources. The legal level of control (the level at which expenditures may not legally exceed appropriations) is the fund. The City Manager is authorized to transfer appropriations at the department levels within any fund. Any revisions that alter the total appropriations of any fund must be approved by the City Council.
- IV. Formal budgetary integration is employed as a management control device by the expenditure category for the following funds, which have legally adopted annual budgets: general fund, debt service fund, special revenue funds (except Killeen Public Facility Corporation and Park Develop Benefit Fund), and enterprise funds. Annual budgetary integration is not employed for the capital projects funds because the contracts and projects in these funds provide effective project-length budgetary control.
- V. Budgets for the general fund, debt service fund, the special revenue funds, and enterprise funds are adopted on a basis specified by the charter of the City, which is consistent with the modified accrual basis of accounting.

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

1. Cash and Equity in Pooled Cash and Investments

The City maintains a pooled cash and investments account. Each fund whose monies are deposited in the pooled cash and investment account has equity therein, an interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest-bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash and investments."

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

2. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

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

4. Long-term Debt

In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payments of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as liabilities in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

5. Compensated Absences

The City offers the following leave benefits to its employees:

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

- ii. Sick Leave - All full-time employees, other than policemen and firemen, upon retirement only, will be reimbursed for accrued sick pay up to 720 hours. Policemen and firemen, upon resignation or retirement, will be reimbursed for accrued sick up to 720 and 1,080 hours, respectively. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.
- iii. Compensatory Leave - All nonexempt employees will receive payment for accumulated compensatory leave upon separation from the City. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

A liability for these leave balances is reported to the extent they are considered more likely than not to be paid based on historical data.

6. *Proprietary Funds Operating and Nonoperating Revenues and Expenses*

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

7. *Deferred Outflows/Inflows of Resources*

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

- i. Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pension and other postemployment benefits (OPEB) plan contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- ii. Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- iii. Changes in actuarial assumptions – These changes are deferred and amortized over the average of the expected service lives of pension and OPEB plan members.
- iv. Difference in expected and actual experience – These changes are deferred and amortized over the average of the expected service lives of pension and OPEB plan members.

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

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

8. *Net Position Flow Assumption*

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

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

9. *Fund Balance Flow Assumptions*

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

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

10. *Fund Balance Policies*

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

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

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

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

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

- i. **Nonspendable fund balance** – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- ii. **Restricted fund balance** - amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantors or contributors, laws or regulations of other governments, through constitutional provisions, or by enabling legislation.

- iii. **Committed fund balance** – amounts that can only be used for specific purposes, pursuant to constraints imposed to establish, modify, or rescind a fund balance commitment by the City Council through an ordinance.
- iv. **Assigned fund balance** – amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. The City Council has authorized the City Manager to assign, remove, or modify fund balance assigned constraints to a specific purpose.
- v. **Unassigned fund balance** – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

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

11. Leases – Lessee

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

12. Leases – Lessor

The City is a lessor for a noncancellable lease of land and infrastructure. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines 1) the discount rate it uses to discount the expected lease payments to present value, 2) lease term, and 3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for the leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

13. Subscription-Based Information Technology Arrangements

The City is a lessee for noncancellable subscription-based IT arrangements (SBITAs). The City recognizes a liability and an intangible right-to-use assets in the government-wide financial statements. At the commencement of a SBITA, the City initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The agreement term includes the noncancellable period of the SBITA.
- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These rights to use assets are reported with other capital assets and liabilities are reported with long- term debt on the statement of net position.

14. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Killeen Firefighters Relief and Retirement Fund net position is reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

15. *Other Postemployment Benefits (OPEB)*

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death payments for the upcoming year. Benefit payments are treated as being equal to the City's yearly contributions for retirees.

The City administers an additional single-employer defined benefit OPEB plan, known as the City of Killeen Retiree Healthcare Plan (the "Plan"). The City elected, by ordinance, to provide medical benefits for eligible retirees and their dependents. The premiums are based on a combination of years of service and hire date, and the coverage levels for retirees are the same as the coverage provided to active employees. The City has elected to subsidize premiums for the Plan and funding is provided on a pay-as-you-go basis.

16. *Program Revenues*

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

17. *Property Taxes*

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The City may levy a tax of up to \$1.50 per \$100 of assessed valuations for operations and maintenance purposes. Taxes are due by January 1 following the October 1 levy date, at which time a lien attaches to the property.

Legislation enacted in 1979 established centralized appraisal districts. The Tax Appraisal District of Bell County (TADBC) is a political subdivision of the State of Texas created effective January 1, 1980, to serve all of Bell County. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. In accordance with Property Tax Code § 25.18(a) each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under § 6.05(i). (b) The plan shall provide for the reappraisal activities (see PTC for exhaustive list) for all real and personal property in the district at least every three years. Tax Code Section 23.01(b) provides that if a CAD determines the appraised value of a property using mass appraisal standards, those standards must comply with the Uniform Standards of Professional Appraisal Practice (USPAP).

In accordance with Property Tax Code, the City sets tax rates on property within the City limits. However, if the 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 3.5 percent; the taxing entity is required to hold an election so that the voters may accept or reject the proposed tax rate.

18. *Change in Accounting Principle*

During fiscal year 2025, the City adopted GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning certain previously required disclosures.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance

At year-end, the Library Memorial Fund reported a deficit fund balance of \$72. This deficit is the result of timing differences between the revenues and expenditures and is expected to reverse within the next year.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

All of the City's demand depository accounts are held in a local banking institution under the terms of a written depository contract. The City's policy requires the depository bank to secure the City's funds on a day-to-day basis with approved pledged securities with a fair value equal to, but not less than, 102 percent of the uninsured deposit. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2025, the City's deposit balance was fully collateralized with securities held by the pledging financial institution. The City's policy is to maximize its earnings potential by keeping a majority of the City's funds on deposit with external investment pools. Funds are transferred from the pools, as needed, to ensure that the bank balance remains positive at all times.

B. Cash and Investments

Investments are made in accordance with the financial governance policies updated and adopted by the City on February 27, 2024, to comply with the Public Funds Investment Act.

The financial governance policy is consistent with statutory limitations of the State, requiring collateralization of deposits on a dollar for dollar basis or treasury issues, which are backed by the full faith and credit of the United States Government. Therefore, the City was not exposed to custodial credit risk during the fiscal year ended September 30, 2025.

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

As of September 30, 2025, the City reported the following cash and investments:

| | Reported Value 9/30/2025 | Method | Weighted Average Maturity (Days) |
|-------------------------------------|-----------------------------|---------------------|--|
| Demand Accounts | \$ 5,785,273 | Cost | 1 |
| TexStar | 5,052,837 | Amortized Cost | 50 |
| Texas CLASS | 21,494,340 | Amortized Cost | 43 |
| Money Market Accounts | 50,556,959 | Cost | 1 |
| US Treasury Obligations | 126,601,562 | Fair Value, Level 2 | 515 |
| US Agency Obligations | 73,487,674 | Fair Value, Level 2 | 247 |
| Certificates of Deposit | <u>2,042,408</u> | Cost | 154 |
| Total | <u>\$ 285,021,053</u> | | |
| Portfolio weighted average maturity | | | 381 |

GASB no.72 requires all investments to be categorized under a fair value hierarchy. Fair value of investments is determined based on both observable and unobservable inputs. Investments are categorized within the fair value hierarchy established by GASB and the levels within the hierarchy are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date;

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs; and

Level 3: Significant unobservable inputs for an asset or liability.

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

1. Interest Rate Risk

Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value of those securities if interest rates rise. The allowed maturity of any individual investment owned by the City shall not exceed five years at the time of purchase and pooled funds shall have a weighted maximum average dollar maturity of less than 90 days. Limiting investment maturities and purchasing government securities are the City's means for limiting exposure to fair value losses arising from interest rate fluctuations.

2. Credit Risk

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

3. Concentration Risk

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

4. Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments, held by an outside party, are fully insured and backed by the U.S. Government and registered in the name of the City. Therefore, the City is not exposed to custodial credit risk on its investments.

C. External Investment Pools

The Texas Short-term Reserve Fund ("TexStar") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexStar was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. J. P. Morgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. J. P. Morgan Chase Bank and/or its subsidiary, J. P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services. TexStar has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

The Cooperative Liquid Assets Securities System – Texas (“CLASS”) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Chapter 2256, Texas Government Code. CLASS is created under an Amended and Restated Trust Agreement, dated as of May 1, 2001 (the “Agreement”) among certain Texas governmental entities investing in the pool (the “Participants”), Municipal Investors Services Corporation (“MBIA-MISC”) as program administrator, and Wells Fargo as custodian. CLASS is not SEC-registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the “Board”), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with MBIA-MISC to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained by contacting MBIA Asset Management at 815-A Brazos Street, Suite 345, Austin, Texas 78701-9996 or by calling (800) 707-6242. CLASS has a redemption notice period of one day and may redeem daily. The investment pool’s authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool’s liquidity.

D. Receivables

Receivables at September 30, 2025, for the City’s individual major governmental funds, in the aggregate nonmajor governmental funds, proprietary funds, and the fiduciary fund, net of allowances for uncollectible accounts, consisted of the following:

| | Accounts | Allowance Doubtful Accounts | Total Net |
|------------------------------|----------------------|--------------------------------|----------------------|
| General | \$ 13,120,845 | \$ (1,380,906) | \$ 11,739,939 |
| Debt service | 2,881,441 | (389,824) | 2,491,617 |
| Capital improvement projects | 50,000 | - | 50,000 |
| Other governmental funds | 2,211,879 | - | 2,211,879 |
| Internal service funds | 51,387 | - | 51,387 |
| Airport | 4,825,966 | - | 4,825,966 |
| Solid Waste | 3,667,305 | (209,945) | 3,457,360 |
| Water and sewer | 6,340,289 | (394,126) | 5,946,163 |
| Drainage utility | 660,293 | (25,441) | 634,852 |
| Golf course | 60,400 | - | 60,400 |
| Total | \$ 33,869,805 | \$ (2,400,242) | \$ 31,469,563 |

E. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

| | Beginning Balance, | Additions | Reclassifications/ Retirements | Ending Balance |
|---|-----------------------|---------------|-----------------------------------|-------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 9,622,672 | \$ - | \$ - | \$ 9,622,672 |
| Construction in progress | 27,359,624 | 26,909,401 | (1,358,822) | 52,910,203 |
| Total capital assets not being depreciated | 36,982,296 | 26,909,401 | (1,358,822) | 62,532,875 |
| Capital assets being depreciated: | | | | |
| Buildings | 108,886,542 | 9,961,185 | (1,255,626) | 117,592,101 |
| Furniture and equipment | 16,069,441 | 2,241,539 | (6,346,319) | 11,964,661 |
| Vehicles | 43,327,446 | 9,465,590 | (4,556,270) | 48,236,766 |
| Infrastructure | 232,839,841 | 5,072,346 | (38,743,912) | 199,168,275 |
| Right to use - equipment | 482,912 | 12,516 | (72,673) | 422,755 |
| Right to use - SBITA | 4,174,556 | 14,495,097 | (728,091) | 17,941,562 |
| Total assets being depreciated | 405,780,738 | 41,248,273 | (51,702,891) | 395,326,120 |
| Less accumulated depreciation for: | | | | |
| Buildings | (64,084,889) | (3,075,530) | 1,255,626 | (65,904,793) |
| Furniture and equipment | (10,031,363) | (1,837,505) | 6,346,319 | (5,522,549) |
| Vehicles | (32,634,221) | (3,427,671) | 4,556,270 | (31,505,622) |
| Infrastructure | (99,573,169) | (12,829,750) | 38,743,912 | (73,659,007) |
| Right to use - equipment | (319,716) | (103,407) | 71,090 | (352,033) |
| Right to use - SBITA | (1,306,268) | (2,668,842) | 167,361 | (3,807,749) |
| Total accumulated depreciation | (207,949,626) | (23,942,705) | 51,140,578 | (180,751,753) |
| Total capital assets being depreciated, net | 197,831,112 | 17,305,568 | (562,313) | 214,574,367 |
| Governmental activities capital assets, net | \$ 234,813,408 | \$ 44,214,969 | \$ 1,921,135 | \$ 277,107,242 |

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

| | |
|-------------------------------|----------------------|
| Governmental activities: | |
| General government | \$ 9,983,926 |
| Public safety | 2,775,461 |
| Public works | 9,086,451 |
| Community development | 250,346 |
| Culture and recreation | <u>1,846,521</u> |
| Total Governmental Activities | <u>\$ 23,942,705</u> |

Business-Type Activities: Airport

| | Beginning Balance | Additions | Reclassifications/ Retirements | Ending Balance |
|---|----------------------|----------------------|-----------------------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,319,003 | \$ - | \$ - | \$ 1,319,003 |
| Construction in progress | 26,259,435 | 14,845,986 | (16,600,136) | 24,505,285 |
| Total capital assets not being depreciated | <u>27,578,438</u> | <u>14,845,986</u> | <u>(16,600,136)</u> | <u>25,824,288</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 2,056,660 | 4,741,708 | (951,172) | 5,847,196 |
| Improvements other than Buildings | 102,126,020 | 12,146,104 | (1,872,923) | 112,399,201 |
| Furniture and equipment | 1,829,406 | 557,139 | (448,875) | 1,937,670 |
| Vehicles | 1,247,375 | 198,776 | (76,141) | 1,370,010 |
| Infrastructure | 16,012,240 | - | - | 16,012,240 |
| Right to use - equipment | 12,837 | - | - | 12,837 |
| Total assets being depreciated | <u>123,284,538</u> | <u>17,643,727</u> | <u>(3,349,111)</u> | <u>137,579,154</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,722,237 | 46,887 | (951,172) | 817,952 |
| Improvements other than Buildings | 60,161,920 | 3,752,561 | (1,683,398) | 62,231,083 |
| Furniture and equipment | 1,510,181 | 191,397 | (448,875) | 1,252,703 |
| Vehicles | 1,019,754 | 57,107 | (76,141) | 1,000,720 |
| Infrastructure | 1,295,935 | 815,258 | - | 2,111,193 |
| Right to use - equipment | 6,211 | 3,095 | - | 9,306 |
| Total accumulated depreciation | <u>65,716,238</u> | <u>4,866,305</u> | <u>(3,159,586)</u> | <u>67,422,957</u> |
| Total capital assets being depreciated, net | <u>57,568,300</u> | <u>12,777,422</u> | <u>(189,525)</u> | <u>70,156,197</u> |
| Airport activities capital assets, net | <u>\$ 85,146,738</u> | <u>\$ 27,623,408</u> | <u>\$ (16,789,661)</u> | <u>\$ 95,980,485</u> |

Business-Type Activities: Solid Waste

| | Beginning Balance | Additions | Reclassifications/ Retirements | Ending Balance |
|---|----------------------|---------------------|-----------------------------------|----------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 72,165 | \$ - | \$ - | \$ 72,165 |
| Construction in progress | 2,633,494 | 791,802 | (1,463,634) | 1,961,662 |
| Total capital assets not being depreciated | <u>2,705,659</u> | <u>791,802</u> | <u>(1,463,634)</u> | <u>2,033,827</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 12,348,867 | - | - | 12,348,867 |
| Furniture and equipment | 7,811,311 | 5,264,907 | (632,344) | 12,443,874 |
| Vehicles | 11,997,272 | 212,882 | (4,070,094) | 8,140,060 |
| Infrastructure | 1,764,850 | - | (2,750) | 1,762,100 |
| Right to use - equipment | 13,982 | - | - | 13,982 |
| Total assets being depreciated | <u>33,936,282</u> | <u>5,477,789</u> | <u>(4,705,188)</u> | <u>34,708,883</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 7,582,237 | 312,501 | - | 7,894,738 |
| Furniture and equipment | 3,017,328 | 1,478,204 | (632,344) | 3,863,188 |
| Vehicles | 8,793,844 | 428,488 | (4,070,094) | 5,152,238 |
| Infrastructure | 392,804 | 87,799 | (2,750) | 477,853 |
| Right to use - equipment | 7,562 | 2,963 | - | 10,525 |
| Total accumulated depreciation | <u>19,793,775</u> | <u>2,309,955</u> | <u>(4,705,188)</u> | <u>17,398,542</u> |
| Total capital assets being depreciated, net | <u>14,142,507</u> | <u>3,167,834</u> | <u>-</u> | <u>17,310,341</u> |
| Solid waste activities capital assets, net | <u>\$ 16,848,166</u> | <u>\$ 3,959,636</u> | <u>\$ (1,463,634)</u> | <u>\$ 19,344,168</u> |

Business-Type Activities: Water and Sewer

| | Beginning Balance | Additions | Reclassifications/ Retirements | Ending Balance |
|--|----------------------|---------------|-----------------------------------|-------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 278,278 | \$ - | \$ - | \$ 278,278 |
| Construction in progress | 18,341,065 | 14,509,783 | (6,057,181) | 26,793,667 |
| Total capital assets not being depreciated | 18,619,343 | 14,509,783 | (6,057,181) | 27,071,945 |
| Capital assets being depreciated: | | | | |
| Buildings | 91,922,338 | 40,766 | (308,753) | 91,654,351 |
| Improvements other than buildings | 109,604,326 | 6,057,181 | (2,407,911) | 113,253,596 |
| Furniture and equipment | 3,095,136 | 1,679,036 | (965,883) | 3,808,289 |
| Vehicles | 5,641,926 | 206,157 | (1,387,764) | 4,460,319 |
| Infrastructure | 46,425,392 | 4,193,239 | (9,623) | 50,609,008 |
| Right to use - equipment | 99,120 | 101,368 | (60,758) | 139,730 |
| Total assets being depreciated | 256,788,238 | 12,277,747 | (5,140,692) | 263,925,293 |
| Less accumulated depreciation for: | | | | |
| Buildings | 45,471,586 | 1,829,445 | (308,753) | 46,992,278 |
| Improvements other than buildings | 47,782,427 | 2,684,231 | (2,382,085) | 48,084,573 |
| Furniture and equipment | 1,474,434 | 451,469 | (965,883) | 960,020 |
| Vehicles | 4,583,902 | 304,676 | (1,387,764) | 3,500,814 |
| Infrastructure | 10,207,641 | 2,481,446 | (9,623) | 12,679,464 |
| Right to use - equipment | 54,906 | 38,444 | (53,660) | 39,690 |
| Total accumulated depreciation | 109,574,896 | 7,789,711 | (5,107,768) | 112,256,839 |
| Total capital assets being depreciated, net | 147,213,342 | 4,488,036 | (32,924) | 151,668,454 |
| Water and sewer activities capital assets, net | \$ 165,832,685 | \$ 18,997,819 | \$ (6,090,105) | \$ 178,740,399 |

Business-Type Activities: Drainage Utility

| | Beginning Balance | Additions | Reclassifications/ Retirements | Ending Balance |
|---|----------------------|--------------|-----------------------------------|-------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 172,190 | \$ - | \$ - | \$ 172,190 |
| Construction in progress | 2,286,084 | 838,029 | (1,920,251) | 1,203,862 |
| Total capital assets not being depreciated | 2,458,274 | 838,029 | (1,920,251) | 1,376,052 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 8,382,438 | 1,920,251 | (2,589,917) | 7,712,772 |
| Furniture and equipment | 688,597 | 172,815 | (40,725) | 820,687 |
| Vehicles | 2,892,049 | 99,494 | (675,409) | 2,316,134 |
| Infrastructure | 11,455,433 | 816,719 | (10,076) | 12,262,076 |
| Total assets being depreciated | 23,418,517 | 3,009,279 | (3,316,127) | 23,111,669 |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | 5,589,572 | 1,121,656 | (2,589,917) | 4,121,311 |
| Furniture and equipment | 461,905 | 77,120 | (40,725) | 498,300 |
| Vehicles | 2,492,799 | 83,922 | (675,409) | 1,901,312 |
| Infrastructure | 2,285,886 | 574,255 | (10,076) | 2,850,065 |
| Total accumulated depreciation | 10,830,162 | 1,856,953 | (3,316,127) | 9,370,988 |
| Total capital assets being depreciated, net | 12,588,355 | 1,152,326 | - | 13,740,681 |
| Drainage utility activities capital assets, net | \$ 15,046,629 | \$ 1,990,355 | \$ (1,920,251) | \$ 15,116,733 |

Business-Type Activities: Total

| | Beginning Balance | Additions | Reclassifications/ Retirements | Ending Balance |
|--|----------------------|---------------|-----------------------------------|-------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,841,636 | \$ - | \$ - | \$ 1,841,636 |
| Construction in progress | 49,520,078 | 30,985,600 | (26,041,202) | 54,464,476 |
| Total capital assets not being depreciated | 51,361,714 | 30,985,600 | (26,041,202) | 56,306,112 |
| Capital assets being depreciated: | | | | |
| Buildings | 106,327,865 | 4,782,474 | (1,259,925) | 109,850,414 |
| Improvements other than buildings | 220,112,784 | 20,123,536 | (6,870,751) | 233,365,569 |
| Furniture and equipment | 13,424,450 | 7,673,897 | (2,087,827) | 19,010,520 |
| Vehicles | 21,778,622 | 717,309 | (6,209,408) | 16,286,523 |
| Infrastructure | 75,657,915 | 5,009,958 | (22,449) | 80,645,424 |
| Right to use - equipment | 125,939 | 101,368 | (60,758) | 166,549 |
| Total assets being depreciated | 437,427,575 | 38,408,542 | (16,511,118) | 459,324,999 |
| Less accumulated depreciation for: | | | | |
| Buildings | 54,776,060 | 2,188,833 | (1,259,925) | 55,704,968 |
| Improvements other than buildings | 113,533,919 | 7,558,448 | (6,655,400) | 114,436,967 |
| Furniture and equipment | 6,463,848 | 2,198,190 | (2,087,827) | 6,574,211 |
| Vehicles | 16,890,299 | 874,193 | (6,209,408) | 11,555,084 |
| Infrastructure | 14,182,266 | 3,958,758 | (22,449) | 18,118,575 |
| Right to use - equipment | 68,679 | 44,502 | (53,660) | 59,521 |
| Total accumulated depreciation | 205,915,071 | 16,822,924 | (16,288,669) | 206,449,326 |
| Total capital assets being depreciated, net | 231,512,504 | 21,585,618 | (222,449) | 252,875,673 |
| Business-type activities capital assets, net | \$ 282,874,218 | \$ 52,571,218 | \$ (26,263,651) | \$ 309,181,785 |

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

| | |
|--------------------------------|----------------------|
| Business-type activities: | |
| Airport | \$ 4,866,305 |
| Solid Waste | 2,309,955 |
| Water and Sewer | 7,789,711 |
| Drainage | <u>1,856,953</u> |
| Total Business-type Activities | <u>\$ 16,822,924</u> |

F. Construction and Other Significant Commitments

The City has active construction and other significant projects as of September 30, 2025. At year-end, the City's commitments for governmental and business-type activities are as follows:

| Project | Expenditures to Date | Remaining Commitments |
|--|-------------------------|--------------------------|
| Governmental Activities: | | |
| Fleet Services Facility | \$ 95,716 | \$ 17,679,106 |
| Featherline Reconstruction | 435,533 | 10,888,045 |
| Fire Station 5 Rebuild | - | 9,000,000 |
| Mohawk Drive | - | 8,940,600 |
| Chaparral Road Widening | 1,526,180 | 7,469,416 |
| Watercrest Reconstruction | 2,450,968 | 6,961,960 |
| Park Development | 2,899 | 4,798,227 |
| PD Evidence Storage Building | 61,023 | 4,700,067 |
| Bunny Trail Reconstruction | 4,918,229 | 4,053,100 |
| Rosa Hereford Community Center | 6,273,447 | 3,181,829 |
| GC Bunker & Tee Renovation | 35,229 | 3,138,111 |
| Parks Maintenance Facility | 65,210 | 3,087,941 |
| Stagecoach Road Reconstruction | 895,472 | 2,648,430 |
| Gilmer Reconstruction | 2,881,883 | 2,150,155 |
| City of Killeen Reunification Center | 133,760 | 1,865,757 |
| Fleet Replacement Governmental CIP FY 2025 | 1,698,780 | 1,503,651 |
| Limited Tax Note Series 2023 | 3,910,134 | 1,089,867 |
| Street Lighting Project | 402,713 | 1,028,287 |
| GRK Office Building | - | 1,000,000 |
| Police Records Management System | 532,117 | 867,882 |
| Fire Station #4 New Building | 10,361,974 | 647,106 |
| FD Training Tower | - | 600,000 |
| ADA Compliance Project | 1,657,443 | 517,348 |
| EOC Generator | - | 512,655 |
| Fire Station 9 HVAC | 300,000 | 473,500 |
| Conder Park | 1,397,171 | 429,960 |
| Willow Springs Reconstruction | 458,610 | 376,280 |
| Fire Station 4 Generator | - | 332,492 |
| PD Impound Lot | - | 200,000 |
| Little Nolan - WS Young Traffic Signal | 229,939 | 170,061 |
| ERP Software Upgrade | 2,231,668 | 168,332 |
| Electric Vehicle Charging Station | - | 167,654 |
| AS Crematorium | 55,909 | 137,285 |
| PD HQ Roof Replacements | - | <u>132,628</u> |
| Total Governmental Activities | <u>\$ 43,012,007</u> | <u>\$ 100,917,732</u> |

| Project | Expenditures to Date | Remaining Commitments |
|--|-------------------------|--------------------------|
| Business-type Activities: | | |
| 24-Inch Hwy 195 Waterline | \$ 598,931 | \$ 17,734,594 |
| Lift Station No. 6 Rehabilitation & Expansion | 419,497 | 7,389,377 |
| GRK PAX Terminal & Security Improv | 296,801 | 5,674,052 |
| Hwy 195 Ground Storage Tank | 349,766 | 5,383,150 |
| GRK Office Building | 477,285 | 3,835,832 |
| 12-Inch Featherline Water Repl | - | 3,516,300 |
| 12" Wastewater Trimmer Basin | - | 3,450,500 |
| Dead-End Looping/Auto-Flushing | - | 3,000,000 |
| Lift Station #1 Rehabilitation | 146,630 | 2,779,511 |
| Sewer Line Rehabilitation Phase 1-5 | 780,940 | 2,119,349 |
| Water Meter Replacement Program | 3,376,733 | 1,710,948 |
| Utility Collection Customer Information System | - | 1,700,000 |
| Waterline Rehabilitation Phase 1-5 | 1,699,496 | 1,405,513 |
| GRK ATP Solar Project | 6,073,650 | 1,072,280 |
| GRK Terminal Rehabilitation | - | 1,030,000 |
| I-14/Trimmer & WS Young Drainage Improvement | 46,846 | 904,479 |
| Move Irrigation Pumps @GC | 65,542 | 778,097 |
| GRK IGSA Airfield Maintenance | 733,307 | 739,194 |
| SWS-Chaparral Pump Station | 7,811,703 | 726,464 |
| Storm Drain/Inlets - Trimmer/10th Street | 30,477 | 667,190 |
| Fleet Replacement Solid Waste CIP FY 2024 | 2,987,104 | 630,334 |
| GRK-TxVEMP Grant - Equipment | - | 430,000 |
| Bunny Trail Improvement | 250,000 | 426,265 |
| Taxiway E Relocation | 7,629,974 | 417,888 |
| Chaparral Road Widening | 123,648 | 376,352 |
| NKR Area Sewer Rehab & Redev Incentive Program | 46,204 | 335,336 |
| Transfer Station Tunnel | 599,939 | 330,597 |
| Watercrest Reconstruction | 359,902 | 308,635 |
| Fleet Replacement Solid Waste CIP FY 2025 | 2,999,730 | 287,796 |
| Aircraft Hanger No. 2 | 6,399,322 | 259,353 |
| Redevelop Utility Extensions | 17,683 | 255,345 |
| Fleet Replacement Solid Waste CIP FY 2023 | 2,899,270 | 212,835 |
| Stream Gauge Installation - Emergency Management | - | 200,000 |
| Skylark Field AWOS Relocation | - | 185,250 |
| Transfer Station Pushwall Fire Repair | 4,202 | 185,151 |
| Airport Pump Station Rehabilitation | 1,449,474 | 168,194 |
| Gilmer Reconstruction | 749,508 | 151,580 |
| IT Fiber Network Connection | - | 149,000 |
| Pump Station #2 Rehabilitation | 2,445,943 | 148,800 |
| Stonetree Drive Drainage | 47,788 | 133,496 |
| Low Water Crossing Flood Mitigation- Phases 1 to 3 | - | 125,000 |
| GRK Rehab Runway/Taxiway | 94,070 | 100,000 |
| Total Business-type Activities | <u>\$ 52,011,365</u> | <u>\$ 71,434,037</u> |

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

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

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

The City, along with other participating entities, entered into an agreement with Bell County Water Control Improvement District No.1 ("WCID No.1") to enable WCID No.1 to build a \$50 million water treatment plant that will supplement the City's water needs through 2050. The treatment plant was completed on July 28, 2021. Going through the start-up steps with the treatment processes revealed the plant will work better than expected in both quality and quantity. We are seeking a 17 million gallon per day rating but were able to achieve 22 million gallons per day while maintaining excellent quality. WCID No.1 bills for water purchased at rates that are reviewed and adjusted periodically. The rates are determined by amounts necessary to retire WCID No. 1 debt and cover maintenance and operating expenses. During the fiscal year ended September 30, 2025, the City purchased 5.8 billion gallons of water (40 million used for City's facilities) for a total charge of \$5,029,745 from WCID No.1. In addition, it paid WCID No.1 \$3,677,580 for its share of debt service related to bonds issued for the treatment plant.

The City is contractually obligated to purchase water from WCID No.1, which includes rates for normal operation and maintenance and fixed costs to cover debt service obligation of WCID No. 1. The City's fixed costs to cover its proportional share of WCID No.1 debt service is based on the Maximum Daily Rate of Delivery (MDRD) of water. The agreements increased the City's total MDRD from 32 million gallons per day (MGD) by 10 MGD, for a total of 42 MGD. The City portion of the debt service based on the MDRD is 51.5%. The total fixed costs (WCID No. 1 debt service requirements) that the City is obligated to pay increased from \$49.1 million to \$59.5 million as of September 30, 2025. This increase is primarily attributable to additional bonds issued by WCID No. 1 to fund water system improvements, including transmission and treatment facility modifications.

WCID #1 was selected for Defense Economic Adjustment Assistance Grant (DEAAG) funding of \$5 million by the Texas Military Preparedness Commission. The project will construct backup power (10MW- natural gas generators) to provide energy resiliency for Water Control and Improvement District #1 (WCID-1)'s water treatment plant located on Belton Lake. This plant produces drinking water for Central Texas and is the sole source for Fort Hood. The matching portion of the project is being funded with a debt issue to be paid by the participating entities. The debt was issued in August 2022 and is included in the debt service requirements listed above.

G. Long-Term Liabilities

A summary of long-term debt transactions, including current portions, for the year ended September 30, 2025, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|-------------------|---------------|---------------|----------------|---------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 118,205,000 | \$ - | \$ 12,750,000 | \$ 105,455,000 | \$ 13,600,000 |
| Tax/revenue certificates of obligation | 50,705,000 | 34,465,000 | 1,635,000 | 83,535,000 | 1,586,368 |
| Unamortized bond premiums/(discounts) | 10,835,286 | 1,569,537 | 1,133,026 | 11,271,797 | - |
| Leases | 214,185 | 8,951 | 111,406 | 111,730 | 65,027 |
| Subscriptions | 2,381,841 | 14,639,846 | 3,233,341 | 13,788,346 | 2,381,320 |
| Total long-term debt | 182,341,312 | 50,683,334 | 18,862,773 | 214,161,873 | 17,632,715 |
| Compensated absences | 15,130,286 | 2,605,625 | - | 17,735,911 | 1,773,592 |
| Total long-term liabilities | \$ 197,471,598 | \$ 53,288,959 | \$ 18,862,773 | \$ 231,897,784 | \$ 19,406,307 |
| Business-type Activities | | | | | |
| Revenue bonds | \$ 35,430,000 | \$ 39,315,000 | \$ 3,860,000 | \$ 70,885,000 | \$ 4,030,000 |
| General obligation bonds | 4,730,000 | - | 1,125,000 | 3,605,000 | 1,140,000 |
| Tax/revenue certificates of obligation | - | 3,000,000 | - | 3,000,000 | 33,632 |
| Unamortized bond premiums/(discounts) | 3,050,995 | 1,909,437 | 228,141 | 4,732,291 | - |
| Leases | 52,135 | 118,515 | 58,267 | 112,383 | 46,530 |
| Total long-term debt | 43,263,130 | 44,342,952 | 5,271,408 | 82,334,674 | 5,250,162 |
| Compensated absences | 2,093,974 | 258,216 | - | 2,352,190 | 235,218 |
| Total long-term liabilities | \$ 45,357,104 | \$ 44,601,168 | \$ 5,271,408 | \$ 84,686,864 | \$ 5,485,380 |

The current year additions and reductions of the compensated absences liability are presented as a net change.

In April 2025, the City issued Combination Tax and Revenue Certificates of Obligation Series 2025 in the amount of \$37,465,000. The Certificates bear annual interest ranging from 4.00% to 5.00% and mature in August 2043. Proceeds from the Certificates will be used to fund capital improvement projects related to the City's streets, parks, and golf course and are secured by the City's ad valorem tax revenue.

In June 2025, the City issued Combination Lease and Airport Revenue Bonds Series 2025 in the amount of \$3,545,000. The Bonds bear annual interest of 7.62% and mature in February 2040. Proceeds from the Bonds will be used to construct an office building at the City's airport for lease to a private company and are secured by the City's airport revenue and future earnings from the lease agreement.

In July 2025, the City issued Waterworks and Sewer System Revenue Bonds Series 2025 in the amount of \$35,770,000. The Bonds bear annual interest ranging from 4.50% to 5.00% and mature in August 2045. Proceeds from the Bonds will be used to fund improvements to the City's utility system and are secured by the City's utility system revenue.

Long-term debt at September 30, 2025, is comprised of the following:

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|--|-----------------------|---------|----------------------|-----------------------|
| Governmental Activities | | | | |
| General Obligation Bonds: | | | | |
| 2015 Refunding | \$ 8,640,000 | 2034 | 3.00-4.00 | \$ 7,605,000 |
| 2016 Refunding | 34,715,000 | 2034 | 2.00-5.00 | 24,845,000 |
| 2016 Refunding HOT | 735,000 | 2031 | 4.00-5.00 | 570,000 |
| 2017 Refunding | 30,625,000 | 2036 | 2.00-5.00 | 23,755,000 |
| 2017 Refunding HOT | 2,830,000 | 2030 | 2.00-5.00 | 1,520,000 |
| 2020 Limited Tax Note | 4,910,000 | 2027 | 1.27-1.57 | 1,450,000 |
| 2020 Refunding | 8,145,000 | 2026 | 2.00-5.00 | 55,000 |
| 2020 Refunding Taxable | 56,680,000 | 2039 | 0.40-2.42 | 42,015,000 |
| 2020 Refunding HOT | 1,865,000 | 2030 | 2.00-5.00 | 670,000 |
| 2022 Limited Tax Note | <u>5,000,000</u> | 2029 | 3.00-4.00 | <u>2,970,000</u> |
| Total General Obligation Bonds | <u>154,145,000</u> | | | <u>105,455,000</u> |
| Tax/Revenue Certificates of Obligation: | | | | |
| 2022 Combination Tax & Revenue CO's | 21,630,000 | 2041 | 3.00-4.00 | 18,920,000 |
| 2023 Combination Tax & Revenue CO's | 30,450,000 | 2043 | 4.00-5.00 | 30,150,000 |
| 2025 Combination Tax & Revenue CO's | <u>34,465,000</u> | 2043 | 4.25-5.00 | <u>34,465,000</u> |
| Total Tax/Revenue Certificates of Obligation | <u>86,545,000</u> | | | <u>83,535,000</u> |
| Total Governmental Activities | <u>\$ 240,690,000</u> | | | <u>\$ 188,990,000</u> |
| Business- type Activities | | | | |
| Revenue Bonds: | | | | |
| 2019 Refunding | \$ 7,663,441 | 2013 | 2.00-5.00 | \$ 1,785,000 |
| 2020 Refunding and Improvement | 22,775,000 | 2020 | 2.00-5.00 | 17,365,000 |
| 2020A Refunding | 20,030,000 | 2020 | 0.35-2.17 | 12,420,000 |
| 2025 Combination Tax & Revenue CO's | 35,770,000 | 2043 | 4.50-5.00 | 35,770,000 |
| 2025 Combination Lese & Airport Revenue | <u>3,545,000</u> | 2040 | 7.62 | <u>3,545,000</u> |
| Total Revenue Bonds | <u>89,783,441</u> | | | <u>70,885,000</u> |
| General Obligation Bonds: | | | | |
| 2015 Refunding | 300,000 | 2015 | 3.00-4.00 | 175,000 |
| 2016 Refunding | 845,000 | 2017 | 3.00-5.00 | 350,000 |
| 2020A Refunding | <u>5,385,000</u> | 2020 | 0.40-2.42 | <u>3,080,000</u> |
| Total General Obligation Bonds | <u>6,530,000</u> | | | <u>3,605,000</u> |
| Tax/Revenue Certificates of Obligation: | | | | |
| 2025 Combination Tax & Revenue CO's | <u>3,000,000</u> | 2043 | 4.25-5.00 | <u>3,000,000</u> |
| Total Tax/Revenue Certificates of Obligation | <u>3,000,000</u> | | | <u>3,000,000</u> |
| Total Business-type Activities | <u>\$ 99,313,441</u> | | | <u>\$ 77,490,000</u> |

General Obligation Bonds

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

| Year Ending September 30, | Governmental Activities | | Business- type Activities | |
|------------------------------|-------------------------|----------------------|---------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 13,600,000 | \$ 3,294,657 | \$ 1,140,000 | \$ 64,489 |
| 2027 | 12,945,000 | 2,916,692 | 630,000 | 47,705 |
| 2028 | 12,590,000 | 2,542,664 | 650,000 | 35,435 |
| 2029 | 12,960,000 | 2,178,231 | 660,000 | 22,625 |
| 2030 | 10,640,000 | 1,788,210 | 525,000 | 8,710 |
| 2031-2035 | 38,625,000 | 4,316,888 | - | - |
| 2036-2040 | 4,095,000 | 204,401 | - | - |
| Total | <u>\$ 105,455,000</u> | <u>\$ 17,241,743</u> | <u>\$ 3,605,000</u> | <u>\$ 178,964</u> |

Revenue Bonds

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. These revenue bonds constitute special obligations of the City solely secured by a lien and a pledge of the net revenues of the water and sewer system established by the bond ordinances and covenants. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amount and certain financial ratios are met. Management of the City believes that it is in compliance with all significant requirements as of September 30, 2025. Revenue bond debt service requirements to maturity are as follows:

| Year Ending September 30, | Business- type Activities | |
|------------------------------|---------------------------|----------------------|
| | Principal | Interest |
| 2026 | \$ 4,030,000 | \$ 3,132,006 |
| 2027 | 4,395,000 | 2,854,758 |
| 2028 | 3,635,000 | 2,711,172 |
| 2029 | 3,775,000 | 2,567,937 |
| 2030 | 3,930,000 | 2,416,314 |
| 2031-2035 | 19,145,000 | 9,698,738 |
| 2036-2040 | 18,865,000 | 5,654,246 |
| 2041-2045 | <u>13,110,000</u> | <u>1,879,105</u> |
| Total | <u>\$ 70,885,000</u> | <u>\$ 30,914,276</u> |

The revenue bonds are collateralized by the revenue of the combined utility system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used, first, to pay operating and maintenance expenses of the system and, second, to establish and maintain the revenue bond funds. Should the City default on its outstanding bonds, any registered owner of the certificates is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring specific performance from the City.

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 |
| 2026 | \$ 1,586,368 | \$ 4,064,657 | \$ 33,632 | \$ 177,681 |
| 2027 | 2,936,331 | 3,553,918 | 73,669 | 137,676 |
| 2028 | 3,228,715 | 3,416,301 | 91,285 | 133,993 |
| 2029 | 3,375,512 | 3,264,416 | 94,488 | 129,428 |
| 2030 | 3,723,491 | 3,105,640 | 116,509 | 124,704 |
| 2031-2035 | 21,306,180 | 12,725,815 | 663,820 | 531,754 |
| 2036-2040 | 26,620,799 | 7,517,248 | 859,201 | 346,721 |
| 2041-2045 | <u>20,757,604</u> | <u>2,207,130</u> | <u>1,067,396</u> | <u>138,783</u> |
| Total | <u>\$ 83,535,000</u> | <u>\$ 39,855,125</u> | <u>\$ 3,000,000</u> | <u>\$ 1,720,740</u> |

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

The bond indentures 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.

Leases

As of September 30, 2025, the City had 55 active equipment leases. The leases have payments that range from \$480 to \$28,368 and interest rates that range from 3.0250% to 15.5712%.

Debt service requirements to maturity for the leases are as follows:

| Year Ending September 30, | Governmental Activities | | Business- type Activities | |
|------------------------------|-------------------------|-----------|---------------------------|-----------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 65,027 | \$ 8,764 | \$ 46,530 | \$ 6,138 |
| 2027 | 25,828 | 2,749 | 25,284 | 2,659 |
| 2028 | 12,252 | 1,234 | 20,500 | 1,702 |
| 2029 | 3,620 | 97 | 21,392 | 810 |
| 2030 | - | - | 5,492 | 59 |
| Total principal payment | 106,727 | \$ 12,844 | 119,198 | \$ 11,368 |
| Cumulative variance | 5,003 | | (6,815) | |
| Total remaining liability | \$ 111,730 | | \$ 112,383 | |

Subscriptions-Based Information Technology Arrangements

As of September 30, 2025, the City had 13 active subscriptions. The subscriptions have payments that range from \$0 to \$1,722,723 and interest rates that range from 2.5030% to 3.3050%.

Debt service requirements to maturity for the Subscriptions are as follows:

| Year Ending September 30, | Governmental Activities | |
|------------------------------|-------------------------|--------------|
| | Principal | Interest |
| 2026 | \$ 2,381,320 | \$ 312,767 |
| 2027 | 2,298,590 | 304,000 |
| 2028 | 2,233,890 | 240,557 |
| 2029 | 1,632,384 | 179,175 |
| 2030 | 1,674,868 | 136,690 |
| 2031-2033 | 3,567,294 | 143,961 |
| Total | \$ 13,788,346 | \$ 1,317,150 |

H. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2025, is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------|------------|
| General Fund | Nonmajor Governmental | \$ 542,685 |

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

Interfund transfers during the year ended September 30, 2025, were as follows:

| Transfer Out | Transfers In | | | | | Total Funds |
|--------------------------|----------------------|----------------------|---------------------|-------------------|-----------------|----------------------|
| | General | Capital Improvements | Internal Service | Water and Sewer | Drainage | |
| General Fund | \$ - | \$ 9,240,954 | \$ 1,261,683 | \$ 64,978 | \$ - | \$ 10,567,615 |
| Capital Improvements | - | - | 133,429 | - | - | 133,429 |
| Other Governmental Funds | 240,604 | - | - | - | 7,000 | 247,604 |
| Solid Waste Fund | 3,533,527 | - | - | 119,978 | - | 3,653,505 |
| Water and Sewer Fund | 6,794,346 | - | - | - | - | 6,794,346 |
| Drainage Fund | 755,883 | - | - | 129,957 | - | 885,840 |
| Total Transfers | <u>\$ 11,324,360</u> | <u>\$ 9,240,954</u> | <u>\$ 1,395,112</u> | <u>\$ 314,913</u> | <u>\$ 7,000</u> | <u>\$ 22,282,339</u> |

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

Further, during the year ended September 30, 2025, the City made the following one-time transfers:

- \$9,240,954 from the General Fund to the Governmental CIP Fund for capital projects and fleet acquisitions
- \$1,395,112 from the General Fund and Governmental CIP Fund to the Information Technology Internal Service Fund for software subscriptions
- \$314,913 from the Drainage, General, and Solid Waste Funds to the Water & Sewer Fund for proportionate Engineering Services Department costs and transfer of a backhoe at market value between the Solid Waste CIP Fund and the Water & Sewer CIP Fund
- \$240,604 from the Central Texas Veterans Cemetery Fund to the General Fund for general allocation
- \$7,000 from the Hotel Occupancy Tax Fund to the Drainage Fund for transfer of a tractor at market value.

I. **Defined Benefit Pension Plans**

1. **Texas Municipal Retirement System (TMRS)**

Plan Description

The City participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

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

At retirement, the Member’s benefit is calculated based on the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Plan provisions for the City are as follows:

| | |
|-----------------------------------|--|
| Plan Year | December 31, 2024 |
| Employee deposit rate | 7% |
| Matching ratio (City to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement eligibility | 20 years at any age, 5 years at age 60 and above |
| Updated Service Credit | 100% Repeating, Transfers |
| Annuity Increase (to retirees) | 0% of CPI Repeating |
| Supplement death benefit: | |
| Active employees | Yes |
| Retirees | Yes |

Employees covered by benefit terms

At the December 31, 2024, measurement date, the following employees were covered by TMRS benefits:

| | |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 730 |
| Inactive employees entitled to but not yet receiving benefits | 778 |
| Active employees | <u>1,034</u> |
| Total | <u>2,542</u> |

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 14.25% and 14.41% in calendar years 2024 and 2025, respectively. The City’s contributions to TMRS for the year ended September 30, 2025, were \$9,529,065, and were equal to the required contributions.

The City’s Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.50% per year |
| Overall payroll growth | 2.75% per year |
| Investment rate of return | 6.75% net of pension plan investment expense, including inflation |

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013, valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|--------------------------------|-------------------|---|
| Core fixed income | 6.00% | 5.00% |
| Non-Core Fixed Income | 6.00% | 6.80% |
| Global Public Equity | 35.00% | 7.10% |
| Real Estate | 12.00% | 6.70% |
| Infrastructure | 6.00% | 6.00% |
| Other public & private markets | 4.00% | 7.30% |
| Hedge funds | 5.00% | 6.40% |
| Private Equity | 13.00% | 8.50% |
| Private Debt | 13.00% | 8.20% |
| Total | 100.0% | |

Discount Rate

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

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2024:

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance at 12/31/2023 | \$ 258,444,998 | \$ 221,964,918 | \$ 36,480,080 |
| Changes for the year: | | | |
| Service cost | 9,251,413 | - | 9,251,413 |
| Interest | 17,279,234 | - | 17,279,234 |
| Difference between expected and actual experience | 2,122,830 | - | 2,122,830 |
| Contributions - employer | - | 8,956,455 | (8,956,455) |
| Contributions - employee | - | 4,399,664 | (4,399,664) |
| Net investment income | - | 23,026,742 | (23,026,742) |
| Benefit payments, including refunds of employee contributions | (14,164,120) | (14,164,120) | - |
| Administrative expense | - | (147,913) | 147,913 |
| Other changes | - | (3,459) | 3,459 |
| Net changes | <u>14,489,357</u> | <u>22,067,369</u> | <u>(7,578,012)</u> |
| Balance at 12/31/2024 | <u>\$ 272,934,355</u> | <u>\$ 244,032,287</u> | <u>\$ 28,902,068</u> |

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|-----------------------|--|--------------------------|--|
| Net pension liability | \$ 64,762,238 | \$ 28,902,068 | \$ (768,210) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the year ended September 30, 2025, the City recognized pension expense of \$8,400,999. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 2,391,557 | \$ - |
| Changes of assumptions | - | 479,365 |
| Net difference between projected and actual investment earnings | - | 2,418,262 |
| Contributions subsequent to the measurement date | <u>7,373,749</u> | <u>-</u> |
| Total | <u>\$ 9,765,306</u> | <u>\$ 2,897,627</u> |

\$7,373,749 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year Ended September 30, | |
|-------------------------------------|--------------|
| 2026 | \$ 1,139,724 |
| 2027 | 3,306,701 |
| 2028 | (3,343,673) |
| 2029 | (1,608,822) |

The City allocates pension items between governmental activities and business type activities on the basis of covered payroll of the respective activities.

2. Deferred Compensation Fund

Plan Description

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

The Plans, available to all permanent City employees, permit participants to defer up to 100% of annual gross earnings, not to exceed \$23,500 for 2025. Employees aged 50 or older may contribute an additional \$7,500 under the Age 50+ catch-up provision, bringing their total allowable contribution to \$31,000. Additionally, pursuant to SECURE 2.0, employees ages 60 through 63 may be eligible for an enhanced catch-up contribution of \$3,750, allowing for a total contribution of up to \$34,750, subject to eligibility requirements. Employees who are within three years of normal retirement age may also be eligible for a Special 3-Year Catch-Up provision, which allows contributions of up to \$47,000 in 2025, depending on prior unused contribution capacity. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

3. Firefighter's Relief and Retirement Fund

Plan Description

The City contributes to the retirement plan for firefighters in the Killeen Fire Department known as the Killeen Firefighter's Relief and Retirement Fund (the "Fund"). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The Fund is administered by the Board of Trustees of the Killeen Firefighter's Relief and Retirement Fund. The City does not have access to, nor can it utilize, assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB 67, which may be obtained by writing the Killeen Firefighter's Relief and Retirement Fund at 10766 GFM 1097 West, Willis, Texas 77318. See that report for all information about the plan fiduciary net position.

Benefits Provided

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

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

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

Members Covered by the Fund

In the September 30, 2024, actuarial valuation, the following numbers of members were covered by the Fund:

| | |
|---|------------|
| Retirees and beneficiaries currently receiving benefits | 86 |
| Inactive plan members entitled to but not yet receiving benef | 18 |
| Active plan members | <u>240</u> |
| Total | <u>344</u> |

Funding Policy

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

The funding policy of the Fund requires contributions equal to 12% of pay by the firefighters, the rate effective October 1, 2023, as elected by the firefighters according to TLFFRA. Before that the firefighters contributed 11% of pay. The city has contributed 15% of pay for each active firefighter since October 1, 2020. The September 30, 2024, actuarial valuation includes the assumption that the city contribution rate of 15% and the firefighter contribution rate of 12% will continue into the future. The costs of administering the plan are paid from the Fund assets. Ultimately, the funding policy also depends upon the total return of the Fund’s assets, which varies from year to year. Investment policy decisions are established and maintained by the Board of Trustees (the “Board”). The Board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending September 30, 2024, the money-weighted rate of return was 19.11%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

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

Net Pension Liability

The City NPL was measured at September 30, 2024, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

| | |
|---|----------------------|
| Total Pension Liability | \$ 108,048,515 |
| Plan Fiduciary Net Pension | <u>(74,663,916)</u> |
| Sponsor's Net Pension Liability | <u>\$ 33,384,599</u> |
| Plan Fiduciary Net Pension as a percentage of Total Pension Liability | 69.10% |

Actuarial Assumptions

The TPL in the September 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.75% |
| Salary Increases | 2.75%, plus promotion, step and longevity increases that vary by service |
| Discount Rate | 7.25% |
| Investment Rate of Return | 7.25% |

Mortality rates were based on the PubS-2016 (public safety) below-median income mortality tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using projection scale MP-2021.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.49%) and by adding expected inflation (2.75%). In addition, the final 7.25% assumption was selected by rounding up.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Equities | | |
| Large cap domestic | 30.0% | 6.18% |
| Small/mid cap domestic | 8.0% | 6.78% |
| International developed | 15.0% | 6.42% |
| Fixed Income | | |
| Domestic core | 18.5% | 1.95% |
| Direct lending | 2.5% | 1.53% |
| Global | 5.0% | 1.63% |
| Bank loan | 3.0% | 2.16% |
| Alternatives | | |
| Tactical strategies | 2.5% | 3.63% |
| Real estate | 7.5% | 3.74% |
| Multi-asset fund | 6.0% | 3.35% |
| Cash | <u>2.0%</u> | 0.00% |
| Total | 100.0% | |
| Weighted Average | | 4.49% |

Discount Rate

The discount rate used to measure the TPL was 7.25%. No projection of cash flows was used to determine the discount rate because the September 30, 2024, actuarial valuation showed that expected contributions would pay the normal cost and amortize the UAAL in 29 years. Because of the 29-year amortization period of the UAAL, the Fund's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on Fund investments of 7.25% was applied to all periods of projected benefit payments as the discount rate to determine the TPL.

Sensitivity of the NPL ability to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 7.25%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current: Discount Rate (7.25%) | 1% Increase (8.25%) |
|------------------------------|------------------------|--------------------------------------|------------------------|
| City's net pension liability | \$ 50,361,599 | \$ 33,834,599 | \$ 19,531,579 |

Fund Fiduciary Net Position

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

Changes in NPL

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance at 9/30/2024 | \$ 92,314,906 | \$ 61,057,724 | \$ 31,257,182 |
| Changes for the year: | | | |
| Service cost | 3,091,832 | - | 3,091,832 |
| Interest | 6,782,813 | - | 6,782,813 |
| Difference between expected and actual experience | 2,619,332 | - | 2,619,332 |
| Change in assumptions | 6,941,029 | - | 6,941,029 |
| Contributions - employer | - | 3,122,109 | (3,122,109) |
| Contributions - employee | - | 2,488,245 | (2,488,245) |
| Net investment income | - | 11,839,459 | (11,839,459) |
| Benefit payments, including refunds of employee contributions | (3,701,397) | (3,701,397) | - |
| Administrative expense | - | (142,224) | 142,224 |
| Balance at 9/30/2025 | <u>\$ 108,048,515</u> | <u>\$ 74,663,916</u> | <u>\$ 33,384,599</u> |

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

For the year ended September 30, 2025, the City recognized pension expense of \$4,469,363. As of September 30, 2025, the City reported deferred inflows and outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 6,174,760 | \$ 912,161 |
| Changes in actuarial assumptions | 9,073,662 | 48,585 |
| Net difference between projected and actual investment earnings | - | 2,776,271 |
| Contributions subsequent to the measurement date | <u>3,348,270</u> | <u>-</u> |
| Total | <u>\$ 18,596,692</u> | <u>\$ 3,737,017</u> |

\$3,348,270 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the year ending September 30, 2026. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year Ended September 30, | |
|-------------------------------------|--------------|
| 2026 | \$ 1,616,411 |
| 2027 | 2,812,313 |
| 2028 | 194,077 |
| 2029 | 707,480 |
| 2030 | 2,048,075 |
| Thereafter | 4,133,049 |

J. Postemployment Benefits Other Than Pensions

1. Supplemental Death Benefits Fund

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

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). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2024, is summarized below:

| | |
|--|-------------|
| Inactive employees or beneficiaries currently receiving benefits | 620 |
| Inactive employees entitled to, but not yet receiving, benefits | 225 |
| Active employees | <u>1034</u> |
| Total | <u>1879</u> |

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Inflation: | 2.50% |
| Salary increases: | 3.60% to 11.85% including inflation |
| Discount rate: | 4.08% |
| Retirees' share of benefit-related costs | Zero |
| Administrative expenses | All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68. |
| Mortality rates-service retirees | 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| Mortality rates-disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. |

*The discount rate is based on the Bond Buyer "20-Bond GO Index" rate as of December 31, 2024.

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability

| | <u>Increase (Decrease)</u> |
|--|--------------------------------|
| | Total OPEB Liability (a) |
| Balance at 12/31/2023 | \$ 3,267,835 |
| Changes for the year: | |
| Service cost | 131,894 |
| Interest | 124,026 |
| Difference between expected and actual experience | (51,776) |
| Change in assumptions | (183,276) |
| Benefit payments | (87,929) |
| Net changes | <u>(67,061)</u> |
| Balance at 12/31/2024 | <u>\$ 3,200,774</u> |

Benefit payments are treated as being equal to the employer’s yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

| | 1% Decrease | Current: Discount Rate | 1% Increase |
|-----------------------------|--------------|---------------------------|--------------|
| | <u>3.08%</u> | <u>4.08%</u> | <u>5.08%</u> |
| City's Total OPEB Liability | \$ 3,848,295 | \$ 3,200,774 | \$ 2,698,051 |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$58,356. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes in actuarial assumptions | \$ 3,522 | \$ 79,289 |
| Differences between expected and actual experience | 155,935 | 783,658 |
| Contributions subsequent to the measurement date | <u>76,754</u> | <u>-</u> |
| Total | <u>\$ 236,211</u> | <u>\$ 862,947</u> |

\$76,754 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>For the Year Ended September 30,</u> | |
|---|--------------|
| 2026 | \$ (321,027) |
| 2027 | (328,227) |
| 2028 | (30,467) |
| 2029 | (23,769) |

2. **Postemployment Healthcare Plan**

Plan Description

The City makes available health care benefits to all employees who retire from the City and who are receiving benefits from a City-sponsored retirement program, TMRS or the Fund through a single-employer defined benefit healthcare plan (the "Healthcare Plan"). This Healthcare Plan provides lifetime insurance, or until age 65 if eligible for Medicare, to eligible retirees, their spouses, and dependents through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established by management.

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

Participation in the Plan as of October 1, 2023, is summarized below:

| | |
|---------------------|--------------|
| Actives | 980 |
| Retirees | 61 |
| Spouses of Retirees | <u>32</u> |
| Total | <u>1,073</u> |

Funding Policy

The City has elected to subsidize premiums for the Plan and funding is provided on a pay-as-you-go basis. There are no assets accumulated in a trust.

Total OPEB liability

The City's total OPEB liability of \$9,384,453 was measured as of September 30, 2025, and was determined by an actuarial valuation as of October 1, 2023.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the October 1, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------|--|
| Inflation: | 2.30% |
| Salary increases: | 3.00% |
| Discount rate: | 4.90% |
| Actuarial cost method: | Entry Age Normal |
| Mortality | TMRS Retirees: Pub-2010 Safety Male and General Female Table projected using Scale MP-2021. Firefighter Retirees: Pub-2010 Safety Below Median Table projected using Scale MP-2021. |
| Healthcare trend rates | The trend assumptions have changed from the prior valuation due to updates in the trend model. The "Getzen Model" is based on the Society of Actuaries' (SOA) published report on long-term medical trend. |
| Participation rates | 20% of TMRS members and 50% of Firefighter members are assumed to elect retiree medical coverage upon retirement. For future retirees it is assumed that husbands are three years older than their wives and that 15% of TMRS members and 30% of Firefighter members making it to retirement are assumed to be married and elect spouse coverage. |

*The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

The Healthcare plan has not had a formal actuarial experience study performed.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|-----------------------|---------------------------------|
| Balance at 9/30/2024 | \$ 9,884,331 |
| Changes for the year: | |
| Service cost | 589,906 |
| Interest | 393,905 |
| Change in assumptions | (1,210,121) |
| Benefit payments | (273,568) |
| Net changes | <u>(499,878)</u> |
| Balance at 9/30/2025 | <u>\$ 9,384,453</u> |

Changes of assumptions reflect a change in the discount rate from 3.81% as of September 30, 2024, to 4.90% as of September 30, 2025.

There were no changes in benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the Healthcare Plan’s total OPEB liability, calculated using a discount rate of 3.81%, as well as what the Healthcare Plan’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

| | 1% Decrease | Current: Discount Rate | 1% Increase |
|-----------------------------|---------------|---------------------------|--------------|
| | <u>3.90%</u> | <u>4.90%</u> | <u>5.90%</u> |
| City's Total OPEB Liability | \$ 10,488,804 | \$ 9,384,453 | \$ 8,403,393 |

Sensitivity of Total OPEB liability to the Healthcare Costs Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the Healthcare Plan’s total OPEB liability, calculated using the assumed trend rates, as well as what the Healthcare Plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

| | 1% Decrease | Current: Healthcare Trend Rate | 1% Increase |
|-----------------------------|--------------|--------------------------------------|---------------|
| | <u>7.9%</u> | <u>9.0%</u> | <u>10.1%</u> |
| City's Total OPEB Liability | \$ 7,993,141 | \$ 9,384,453 | \$ 11,075,028 |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$493,939. At September 30, 2025, the City reported deferred outflows and inflows of resources from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes in actuarial assumptions | \$ 1,111,180 | \$ 2,479,217 |
| Differences between expected and actual experience | <u>556,988</u> | <u>2,146,263</u> |
| Total | <u>\$ 1,668,168</u> | <u>\$ 4,625,480</u> |

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| For the Year Ended September 30, | | |
|-------------------------------------|----|-----------|
| 2026 | \$ | (489,872) |
| 2027 | | (342,982) |
| 2028 | | (452,415) |
| 2029 | | (510,798) |
| 2030 | | (406,170) |
| Thereafter | | (755,075) |

K. Risk Management/Insurance Funds

The City has insurable risks in various areas, including property, casualty, automobile, airport, surety bonding, comprehensive liability, and workers’ compensation. The City has obtained insurance against risks through commercial carriers for airport liability and surety bonding. There were no related settlements in excess of insurance coverage during the past three fiscal years. All other insurance against risk is through the Texas Municipal League (TML) Intergovernmental Risk Pool (the “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 Pool for various risk areas, wherein member cities pool risks and funds and share in the costs of losses. Claims against the City in each respective are expected to be paid by the Pool. However, in the event the Pool becomes insolvent, or otherwise is unable to pay claims, the City may have to pay the claims.

L. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City’s management that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. With the exception of medical and workers’ compensation claims, no other claim liabilities are reported at year end.

M. Discretely Presented Component Unit

Capital asset activity for the KEDC for the year ended September 30, 2025, was as follows:

| | Balance 9/30/2024 | Additions | Deletions | Balance 9/30/2025 |
|---|----------------------|---------------------|-------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | | | | |
| KEDC - owned | \$ 44,956 | \$ - | \$ - | \$ 44,956 |
| Industrial Park | 456,016 | - | - | 456,016 |
| Convergys | 110,750 | - | - | 110,750 |
| First National Bank | 90,303 | - | - | 90,303 |
| Highway 195 | 5,029,438 | - | - | 5,029,438 |
| Total capital assets not being depreciated | <u>5,731,463</u> | <u>-</u> | <u>-</u> | <u>5,731,463</u> |
| Capital assets being depreciated: | | | | |
| Buildings | | | | |
| Presidium | 3,870,616 | - | - | 3,870,616 |
| First National Bank/Raytheon | 2,006,265 | 23,896 | - | 2,030,161 |
| Enterprise Cul-de-sac | 100,000 | - | - | 100,000 |
| Entrance Sign | 31,382 | - | - | 31,382 |
| Total capital assets being depreciated | <u>6,008,263</u> | <u>23,896</u> | <u>-</u> | <u>6,032,159</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | <u>(4,077,571)</u> | <u>(166,481)</u> | <u>-</u> | <u>(4,244,052)</u> |
| Total accumulated depreciation | <u>(4,077,571)</u> | <u>(166,481)</u> | <u>-</u> | <u>(4,244,052)</u> |
| Total capital assets being depreciated, net | <u>1,930,692</u> | <u>(142,585)</u> | <u>-</u> | <u>1,788,107</u> |
| KEDC capital assets, net | <u>\$ 7,662,155</u> | <u>\$ (142,585)</u> | <u>\$ -</u> | <u>\$ 7,519,570</u> |

N. Tax Abatements

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

On April 28, 2020, the City Council approved an application for tax abatement for First National Bank Texas (FNBT), located at 2201 Trimmier Road, Killeen, TX 76541. The project includes the construction of a five-story, 47,653 square-foot, commercial office building that will house 130 full-time jobs. A full-service bank will be located on the first floor and floors two through five will house various executive level and professional support departments. The project is located within the Interstate-14 and Trimmier Road Reinvestment Zone. The project will retain 130 full-time jobs and make an estimated capital investment of \$12,852,474. The applicant was granted a 100% abatement on the increased assessed value of the property for a ten-year period. The base value of the property is \$1,399,833, which is the 2019 assessed property value provided by the Tax Appraisal District of Bell County. Based on the estimated investment, the amount of property value to be abated is \$11,452,591. Using this property value, the annual abatement would be \$85,871 and total approximately \$858,715 over the ten-year period.

O. Subsequent Event

In December 2025, the City issued Limited Tax Notes Series 2025 in the amount of \$3,300,000. The Notes bear annual interest of 5.00% and mature in August 2032. Proceeds from the Notes will be used to fund facility and equipment upgrades for the City's fire department and are secured by the City's ad valorem tax revenue.

P. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF KILLEEN, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
TMRS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Measurement Year December 31, | | | |
|---|-------------------------------|-----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2017 | 2018 |
| Total Pension Liability | | | | |
| Service Cost | \$ 7,756,102 | \$ 6,829,331 | \$ 6,507,586 | \$ 7,395,445 |
| Interest (on the Total Pension Liability) | 13,747,572 | 11,923,879 | 11,862,841 | 15,374,857 |
| Changes of benefit terms | - | (31,349,348) | (8,113,387) | 44,788,665 |
| Difference between expected and actual experience | (1,223,578) | (1,945,285) | - | (2,828,831) |
| Change of assumptions | (39,423) | - | (1,764,142) | - |
| Benefit payments, including refunds of employee contributions | <u>(7,570,788)</u> | <u>(8,772,730)</u> | <u>(10,103,133)</u> | <u>(9,514,886)</u> |
| Net Change in Total Pension Liability | 12,669,885 | (23,314,153) | (1,610,235) | 55,215,250 |
| Total Pension Liability - Beginning | 196,301,225 | 208,971,110 | 185,656,957 | 184,046,722 |
| Total Pension Liability - Ending (a) | <u>\$ 208,971,110</u> | <u>\$ 185,656,957</u> | <u>\$ 184,046,722</u> | <u>\$ 239,261,972</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ 3,878,184 | \$ 3,850,502 | \$ 4,264,503 | \$ 4,252,052 |
| Contributions - Employee | 3,296,020 | 3,262,703 | 3,104,872 | 3,043,393 |
| Net Investment Income | 211,180 | 9,649,863 | 20,878,508 | (5,051,116) |
| Benefit payments, including refunds of employee contributions | (7,570,788) | (8,772,730) | (10,103,133) | (9,514,886) |
| Administrative Expense | (128,630) | (108,991) | (108,224) | (97,668) |
| Other | <u>(6,353)</u> | <u>(5,872)</u> | <u>(5,485)</u> | <u>(5,103)</u> |
| Net Change in Plan Fiduciary Net Position | (320,387) | 7,875,475 | 18,031,041 | (7,373,328) |
| Plan Fiduciary Net Position - Beginning | 143,118,764 | 142,798,377 | 150,673,852 | 168,704,893 |
| Plan Fiduciary Net Position - Ending (b) | <u>142,798,377</u> | <u>150,673,852</u> | <u>168,704,893</u> | <u>161,331,565</u> |
| City's Net Pension Liability - Ending (a) - (b) | <u>\$ 66,172,733</u> | <u>\$ 34,983,105</u> | <u>\$ 15,341,829</u> | <u>\$ 77,930,407</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 68.33% | 81.16% | 91.66% | 67.43% |
| Covered Payroll | \$ 47,063,726 | \$ 46,584,793 | \$ 44,329,602 | \$ 43,477,044 |
| City's Net Pension Liability as a Percentage of Covered Payroll | 140.60% | 75.10% | 34.61% | 179.24% |

Information presented in this schedule has been determined as of the City's measurement date (December 31) of the net pension liability in accordance with GASB 68.

| Measurement Year December 31, | | | | | |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| \$ 7,920,676 | \$ 8,100,309 | \$ 7,341,250 | \$ 7,940,231 | \$ 8,354,587 | \$ 9,251,413 |
| 16,036,469 | 16,921,640 | 15,041,103 | 15,756,211 | 16,509,148 | 17,279,234 |
| - | (376,680) | (41,259,695) | - | - | - |
| (520,094) | 705,380 | 752,579 | - | 1,510,206 | 2,122,830 |
| 1,383,976 | - | - | 1,186,492 | (1,063,957) | - |
| <u>(11,289,976)</u> | <u>(11,551,062)</u> | <u>(12,344,780)</u> | <u>(13,335,667)</u> | <u>(14,535,320)</u> | <u>(14,164,120)</u> |
| 13,531,051 | 13,799,587 | (30,469,543) | 11,547,267 | 10,774,664 | 14,489,357 |
| 239,261,972 | 252,793,023 | 266,592,610 | 236,123,067 | 247,670,334 | 258,444,998 |
| <u>\$ 252,793,023</u> | <u>\$ 266,592,610</u> | <u>\$ 236,123,067</u> | <u>\$ 247,670,334</u> | <u>\$ 258,444,998</u> | <u>\$ 272,934,355</u> |
| | | | | | |
| \$ 5,103,810 | \$ 5,659,874 | \$ 7,341,292 | \$ 8,126,202 | \$ 8,340,278 | \$ 8,956,455 |
| 3,253,799 | 3,406,632 | 3,548,947 | 3,851,810 | 4,062,769 | 4,399,664 |
| 24,924,587 | 13,893,779 | 25,332,145 | (15,914,704) | 23,236,487 | 23,026,742 |
| (11,289,976) | (11,551,062) | (12,344,780) | (13,335,667) | (14,535,320) | (14,164,120) |
| (140,931) | (89,972) | (117,317) | (137,865) | (148,004) | (147,913) |
| <u>(4,233)</u> | <u>(3,510)</u> | <u>803</u> | <u>164,514</u> | <u>(1,034)</u> | <u>(3,459)</u> |
| 21,847,056 | 11,315,741 | 23,761,090 | (17,245,710) | 20,955,176 | 22,067,369 |
| 161,331,565 | 183,178,621 | 194,494,362 | 218,255,452 | 201,009,742 | 221,964,918 |
| <u>183,178,621</u> | <u>194,494,362</u> | <u>218,255,452</u> | <u>201,009,742</u> | <u>221,964,918</u> | <u>244,032,287</u> |
| <u>\$ 69,614,402</u> | <u>\$ 72,098,248</u> | <u>\$ 17,867,615</u> | <u>\$ 46,660,592</u> | <u>\$ 36,480,080</u> | <u>\$ 28,902,068</u> |
| | | | | | |
| 72.46% | 72.96% | 92.43% | 81.16% | 85.88% | 89.41% |
| | | | | | |
| \$ 46,482,842 | \$ 48,592,138 | \$ 50,699,243 | \$ 55,025,854 | \$ 57,977,705 | \$ 62,806,604 |
| | | | | | |
| 149.76% | 148.37% | 35.24% | 84.80% | 62.92% | 46.02% |



CITY OF KILLEEN



CITY OF KILLEEN, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
TMRS

SEPTEMBER 30, 2025

| Year Ending September 30, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll (1) | Contributions as a % of Covered Payroll |
|---------------------------|-------------------------------------|--|----------------------------------|---------------------|---|
| 2016 | \$ 3,948,703 | \$ 3,948,703 | \$ - | \$ 46,584,793 | 8.48% |
| 2017 | 4,155,119 | 4,155,119 | - | 44,329,602 | 9.37% |
| 2018 | 4,177,982 | 4,177,982 | - | 43,025,537 | 9.71% |
| 2019 | 4,857,746 | 4,857,746 | - | 45,677,802 | 10.63% |
| 2020 | 5,512,046 | 5,512,046 | - | 48,218,131 | 11.43% |
| 2021 | 6,848,695 | 6,848,695 | - | 49,939,829 | 13.71% |
| 2022 | 8,251,329 | 8,251,329 | - | 56,143,881 | 14.70% |
| 2023 | 8,288,136 | 8,288,136 | - | 57,313,022 | 14.46% |
| 2024 | 8,768,480 | 8,768,480 | - | 61,417,068 | 14.28% |
| 2025 | 9,529,065 | 9,529,065 | - | 66,296,080 | 14.37% |

Notes to Schedule:

(1) Payroll is calculated based on contributions as reported to TMRS

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 20 Years |
| Asset Valuation Method | 10 Year Smoothed Fair Value; 12% Soft Corridor |
| Inflation | 2.50% |
| Salary Increases | 3.60% to 11.85% Including Inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experienced-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |

Other Information:

Notes: There were no benefit changes during the year

Information presented in this schedule has been determined as of the City's most recent fiscal year end (September 30) in accordance with GASB 68.

CITY OF KILLEEN, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTER'S RELIEF AND RETIREMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | 2016 | 2017 | 2018 | 2019 |
|---|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 1,827,057 | \$ 1,891,004 | \$ 2,047,015 | \$ 2,113,543 |
| Interest (on the Total Pension Liability) | 3,854,103 | 4,132,431 | 4,185,617 | 4,434,845 |
| Changes of benefit terms | - | - | - | - |
| Difference between expected and actual experience | - | (2,575,843) | - | (527,995) |
| Change of assumptions | - | (224,913) | - | 2,222,160 |
| Benefit payments, including refunds of employee contributions | <u>(2,306,409)</u> | <u>(2,001,167)</u> | <u>(3,383,661)</u> | <u>(2,782,964)</u> |
| Net Change in Total Pension Liability | 3,374,751 | 1,221,512 | 2,848,971 | 5,459,589 |
| Total Pension Liability - Beginning | <u>49,056,514</u> | <u>52,431,265</u> | <u>53,652,777</u> | <u>56,501,748</u> |
| Total Pension Liability - Ending (a) | <u>\$ 52,431,265</u> | <u>\$ 53,652,777</u> | <u>\$ 56,501,748</u> | <u>\$ 61,961,337</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ 1,696,664 | \$ 1,770,872 | \$ 1,873,368 | \$ 1,817,845 |
| Contributions - Employee | 1,419,132 | 1,483,972 | 1,585,161 | 1,538,179 |
| Net Investment Income | (1,444,977) | 3,110,934 | 4,603,775 | 3,585,949 |
| Benefit payments, including refunds of employee contributions | (2,306,409) | (2,001,167) | (3,383,661) | (2,782,964) |
| Administrative Expense | <u>(135,909)</u> | <u>(94,483)</u> | <u>(136,910)</u> | <u>(96,351)</u> |
| Net Change in Plan Fiduciary Net Position | (771,499) | 4,270,128 | 4,541,733 | 4,062,658 |
| Plan Fiduciary Net Position - Beginning | <u>31,844,201</u> | <u>31,072,702</u> | <u>35,342,830</u> | <u>39,884,563</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>31,072,702</u> | <u>35,342,830</u> | <u>39,884,563</u> | <u>43,947,221</u> |
| City's Net Pension Liability - Ending (a) - (b) | <u>\$ 21,358,563</u> | <u>\$ 18,309,947</u> | <u>\$ 16,617,185</u> | <u>\$ 18,014,116</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 59.26% | 65.87% | 70.59% | 70.93% |
| City's Covered Payroll | \$ 12,901,200 | \$ 13,490,655 | \$ 14,410,555 | \$ 13,983,445 |
| Net Pension Liability as a Percentage of Covered Payroll | 165.55% | 135.72% | 115.31% | 128.82% |

Notes to Schedule:

Information presented in this schedule has been determined as of the City's measurement date (December 31) of the net pension liability in accordance with GASB 68.

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|----|--------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$ | 2,251,815 | \$ 2,319,369 | \$ 2,468,510 | \$ 2,536,394 | \$ 3,009,082 | \$ 3,091,832 |
| | 4,710,130 | 5,008,777 | 5,271,546 | 5,607,259 | 6,365,285 | 6,782,813 |
| | - | - | - | (1,770,164) | - | - |
| | - | (301,589) | - | 5,456,813 | - | 2,619,332 |
| | - | 2,014,756 | - | 1,550,316 | - | 6,941,029 |
| | <u>(2,822,833)</u> | <u>(3,272,253)</u> | <u>(3,254,092)</u> | <u>(3,100,716)</u> | <u>(3,694,836)</u> | <u>(3,701,397)</u> |
| | 4,139,112 | 5,769,060 | 4,485,964 | 10,279,902 | 5,679,531 | 15,733,609 |
| | <u>61,961,337</u> | <u>66,100,449</u> | <u>71,869,509</u> | <u>76,355,473</u> | <u>86,635,375</u> | <u>92,314,906</u> |
| \$ | <u>66,100,449</u> | <u>\$ 71,869,509</u> | <u>\$ 76,355,473</u> | <u>\$ 86,635,375</u> | <u>\$ 92,314,906</u> | <u>\$ 108,048,515</u> |
| \$ | 1,919,225 | \$ 2,013,825 | \$ 2,440,295 | \$ 2,800,619 | \$ 2,916,053 | \$ 3,122,109 |
| | 1,623,962 | 1,699,605 | 1,788,846 | 2,053,786 | 2,142,691 | 2,488,245 |
| | 1,315,715 | 4,716,637 | 9,715,290 | (9,208,892) | 5,933,640 | 11,839,459 |
| | (2,822,833) | (3,272,253) | (3,254,092) | (3,100,716) | (3,694,836) | (3,701,397) |
| | <u>(121,394)</u> | <u>(107,111)</u> | <u>(114,381)</u> | <u>(133,671)</u> | <u>(139,507)</u> | <u>(142,224)</u> |
| | 1,914,675 | 5,050,703 | 10,575,958 | (7,588,874) | 7,158,041 | 13,606,192 |
| | <u>43,947,221</u> | <u>45,861,896</u> | <u>50,912,599</u> | <u>61,488,557</u> | <u>53,899,683</u> | <u>61,057,724</u> |
| | <u>45,861,896</u> | <u>50,912,599</u> | <u>61,488,557</u> | <u>53,899,683</u> | <u>61,057,724</u> | <u>74,663,916</u> |
| \$ | <u>20,238,553</u> | <u>\$ 20,956,910</u> | <u>\$ 14,866,916</u> | <u>\$ 32,735,692</u> | <u>\$ 31,257,182</u> | <u>\$ 33,384,599</u> |
| | 69.38% | 70.84% | 80.53% | 62.21% | 66.14% | 69.10% |
| \$ | 14,763,291 | \$ 15,450,955 | \$ 16,262,236 | \$ 18,670,782 | \$ 19,479,009 | \$ 20,735,375 |
| | 137.09% | 135.64% | 91.42% | 175.33% | 160.47% | 161.00% |

CITY OF KILLEEN, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
 AND RELATED RATIOS
 SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Measurement Year December 31, | | |
|---|-------------------------------|---------------------|---------------------|
| | 2017 | 2018 | 2019 |
| Total OPEB Liability | | | |
| Service Cost | \$ 115,257 | \$ 130,431 | \$ 120,855 |
| Interest (on the Total OPEB Liability) | 85,013 | 88,180 | 101,373 |
| Difference between expected and actual experience | - | 74,528 | (145,777) |
| Change of assumptions | 222,509 | (201,998) | 579,092 |
| Benefit payments | <u>(13,299)</u> | <u>(17,391)</u> | <u>(18,593)</u> |
| Net Change in Total OPEB Liability | 409,480 | 73,750 | 636,950 |
| Total OPEB Liability - Beginning | <u>2,198,055</u> | <u>2,607,535</u> | <u>2,681,285</u> |
| Total OPEB Liability - Ending (a) | <u>\$ 2,607,535</u> | <u>\$ 2,681,285</u> | <u>\$ 3,318,235</u> |
| Covered-Employee Payroll | \$44,329,602 | \$ 43,477,044 | \$ 46,482,842 |
| City's Net OPEB Liability as a Percentage of Covered Payroll | 5.88% | 6.17% | 7.14% |

Only eight years of information is currently available. The City will build this schedule over the next ten-year period. There were no changes in benefit terms that affected measurement of the total OPEB liability during the measurement period. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Account and Financial Reporting for Postemployment Benefits Other Than Pensions.

Measurement Year December 31,

| 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 170,072 | \$ 207,867 | \$ 225,606 | \$ 115,955 | \$ 131,894 |
| 93,323 | 82,824 | 81,971 | 121,352 | 124,026 |
| (79,887) | (64,279) | 9,027 | (36,602) | (51,776) |
| 587,910 | 147,181 | (1,644,018) | 169,347 | (183,276) |
| <u>(19,437)</u> | <u>(65,909)</u> | <u>(71,534)</u> | <u>(81,169)</u> | <u>(87,929)</u> |
| 751,981 | 307,684 | (1,398,948) | 288,883 | (67,061) |
| <u>3,318,235</u> | <u>4,070,216</u> | <u>4,377,900</u> | <u>2,978,952</u> | <u>3,267,835</u> |
| <u>\$ 4,070,216</u> | <u>\$ 4,377,900</u> | <u>\$ 2,978,952</u> | <u>\$ 3,267,835</u> | <u>\$ 3,200,774</u> |
| | | | | |
| \$ 48,592,138 | \$ 50,699,243 | \$ 55,025,854 | \$ 57,977,705 | \$ 62,806,604 |
| 8.38% | 8.64% | 5.41% | 5.64% | 5.10% |

CITY OF KILLEEN, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
 AND RELATED RATIOS
 POSTEMPLOYMENT HEALTHCARE PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | 2018 | 2019 | 2020 |
|---|---------------------|----------------------|----------------------|
| Total OPEB Liability | | | |
| Service Cost | \$ 614,080 | \$ 517,001 | \$ 677,638 |
| Interest (on the Total OPEB Liability) | 351,597 | 349,208 | 279,949 |
| Difference between expected and actual experience | (624,879) | - | 582,533 |
| Change of assumptions | (1,064,361) | 1,610,530 | (313,743) |
| Benefit payments | <u>(502,978)</u> | <u>(466,036)</u> | <u>(466,671)</u> |
| Net Change in Total OPEB Liability | (1,226,541) | 2,010,703 | 759,706 |
| Total OPEB Liability - Beginning | <u>9,294,405</u> | <u>8,067,864</u> | <u>10,078,567</u> |
| Total OPEB Liability - Ending (a) | \$ <u>8,067,864</u> | \$ <u>10,078,567</u> | \$ <u>10,838,273</u> |
| Covered-Employee Payroll | \$ 57,536,268 | \$ 59,574,244 | \$ 63,990,120 |
| City's Net OPEB Liability as a Percentage of Covered Payroll | 14.02% | 16.92% | 16.94% |

Only eight years of information is currently available. The City will build this schedule over the next ten-year period. There were no changes in benefit terms that affected measurement of the total OPEB liability during the measurement period. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Account and Financial Reporting for Postemployment Benefits Other Than Pensions.

| 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------|-------------------|-------------------|-------------------|------------------|
| \$ 759,863 | \$ 710,775 | \$ 508,067 | \$ 508,287 | \$ 589,906 |
| 250,980 | 266,512 | 433,202 | 462,446 | 393,905 |
| - | 710,261 | - | (2,667,610) | - |
| (46,727) | (2,090,920) | (82,408) | 938,042 | (1,210,121) |
| <u>(485,795)</u> | <u>(472,260)</u> | <u>(349,174)</u> | <u>(307,483)</u> | <u>(273,568)</u> |
| 478,321 | (875,632) | 509,687 | (1,066,318) | (499,878) |
| <u>10,838,273</u> | <u>11,316,594</u> | <u>10,440,962</u> | <u>10,950,649</u> | <u>9,884,331</u> |
| \$ 11,316,594 | \$ 10,440,962 | \$ 10,950,649 | \$ 9,884,331 | \$ 9,384,453 |
| \$ 66,960,732 | \$ 76,542,923 | \$ 78,181,883 | \$ 83,787,392 | \$ 90,167,177 |
| 16.90% | 13.64% | 14.01% | 11.80% | 10.41% |

CITY OF KILLEEN, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGETARY BASIS (NON-GAAP) - BUDGET AND ACTUAL
 GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget - Over (Under) |
|---------------------------|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 97,520,733 | \$ 97,520,733 | \$ 96,178,072 | \$ (1,342,661) |
| Licenses and permits | 2,280,904 | 2,280,904 | 2,755,673 | 474,769 |
| Intergovernmental | 3,197,528 | 3,472,059 | 4,558,237 | 1,086,178 |
| Charges for services | 6,889,672 | 6,889,672 | 8,267,572 | 1,377,900 |
| Fines | 2,897,356 | 2,897,356 | 3,580,140 | 682,784 |
| Investment earnings | 1,339,868 | 1,339,868 | 2,291,027 | 951,159 |
| Contributions | - | - | 1,000 | 1,000 |
| Miscellaneous | 83,279 | 83,279 | 298,170 | 214,891 |
| Total revenues | <u>114,209,340</u> | <u>114,483,871</u> | <u>117,929,891</u> | <u>3,446,020</u> |
| EXPENDITURES | | | | |
| General Government: | | | | |
| City council | 254,001 | 254,001 | 154,457 | 99,544 |
| City manager | 794,608 | 794,608 | 782,278 | 12,330 |
| City auditor | 169,538 | 174,538 | 172,741 | 1,797 |
| Communications | 906,161 | 906,161 | 726,624 | 179,537 |
| City attorney | 1,511,695 | 1,511,695 | 1,473,368 | 38,327 |
| Financial services | 2,505,767 | 2,505,767 | 2,301,637 | 204,130 |
| Human resources | 1,463,224 | 1,463,224 | 1,370,640 | 92,584 |
| Planning and development | 1,402,084 | 1,396,984 | 1,126,922 | 270,062 |
| Nondepartmental | <u>8,955,578</u> | <u>9,590,625</u> | <u>9,189,017</u> | <u>401,608</u> |
| Total general government | <u>17,962,656</u> | <u>18,597,603</u> | <u>17,297,684</u> | <u>1,299,919</u> |
| Public Safety: | | | | |
| Municipal court | 1,592,834 | 1,592,834 | 1,420,873 | 171,961 |
| Building inspections | 1,412,063 | 1,415,563 | 1,158,676 | 256,887 |
| Code enforcement | 1,522,198 | 1,523,798 | 1,387,746 | 136,052 |
| Animal control | 2,132,103 | 2,173,828 | 1,856,563 | 317,265 |
| Police | 42,922,657 | 42,498,226 | 42,276,949 | 221,277 |
| Fire | <u>33,352,969</u> | <u>35,469,558</u> | <u>35,466,988</u> | <u>2,570</u> |
| Total public safety | <u>82,934,824</u> | <u>84,673,807</u> | <u>83,567,795</u> | <u>1,106,012</u> |
| Public Works: | | | | |
| Administration | 290,996 | 290,996 | 288,118 | 2,878 |
| Mowing | 1,077,916 | 1,077,916 | 986,980 | 90,936 |
| Transportation | <u>4,806,034</u> | <u>4,784,524</u> | <u>4,142,636</u> | <u>641,888</u> |
| Total Public Works | <u>6,174,946</u> | <u>6,153,436</u> | <u>5,417,734</u> | <u>735,702</u> |
| Recreation Services: | | | | |
| Administration | 434,239 | 434,239 | 421,228 | 13,011 |
| Parks | 2,884,872 | 2,878,664 | 2,809,337 | 69,327 |
| Operations | 1,434,926 | 1,434,926 | 1,066,094 | 368,832 |
| Family aquatics center | 789,882 | 776,718 | 864,489 | (87,771) |
| Athletics | 490,940 | 490,940 | 465,067 | 25,873 |
| Senior citizens | <u>477,330</u> | <u>477,330</u> | <u>345,037</u> | <u>132,293</u> |
| Total recreation services | <u>6,512,189</u> | <u>6,492,817</u> | <u>5,971,252</u> | <u>521,565</u> |

CITY OF KILLEEN, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGETARY BASIS (NON-GAAP) - BUDGET AND ACTUAL
 GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget - Over (Under) |
|--|----------------------|----------------------|----------------------|--|
| | Original | Final | | |
| Community Development: | | | | |
| Library | \$ 1,872,259 | \$ 1,826,259 | \$ 1,760,631 | \$ 65,628 |
| Killeen arts and activities center | 506,741 | 506,741 | 460,047 | 46,694 |
| Community Development: | 399,301 | 439,301 | 331,481 | 107,820 |
| Building services | 1,070,648 | 1,070,648 | 1,096,414 | (25,766) |
| Custodial services | 966,933 | 966,933 | 871,113 | 95,820 |
| Total community development | <u>4,815,882</u> | <u>4,809,882</u> | <u>4,519,686</u> | <u>290,196</u> |
| Capital Outlay | 1,439,477 | 1,398,498 | 1,117,474 | 281,024 |
| Debt Service: | | | | |
| Principal | 166,904 | 166,904 | 108,442 | 58,462 |
| Interest and fiscal charges | 24,943 | 24,943 | 16,555 | 8,388 |
| Total debt service | <u>191,847</u> | <u>191,847</u> | <u>124,997</u> | <u>66,850</u> |
| Total expenditures | <u>120,031,821</u> | <u>122,317,890</u> | <u>118,016,622</u> | <u>4,301,268</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(5,822,481)</u> | <u>(7,834,019)</u> | <u>(86,731)</u> | <u>(855,248)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance recoveries | 150,000 | - | - | - |
| Sale of capital assets | 135,785 | 135,785 | 176,560 | 40,775 |
| Transfers in | 11,187,959 | 11,187,959 | 11,324,360 | 136,401 |
| Transfers (out) | (5,651,263) | (10,567,615) | (10,567,615) | - |
| Total other financing sources (uses) | <u>5,822,481</u> | <u>756,129</u> | <u>933,305</u> | <u>177,176</u> |
| NET CHANGE IN FUND BALANCES | - | (7,077,890) | 846,574 | 7,924,464 |
| FUND BALANCES, BEGINNING OF YEAR | <u>34,569,419</u> | <u>34,569,419</u> | <u>34,569,419</u> | <u>-</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 34,569,419</u> | <u>\$ 27,491,529</u> | <u>\$ 35,415,993</u> | <u>\$ 7,924,464</u> |



CITY OF KILLEEN



APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.]

**CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$26,195,000***

AS BOND COUNSEL FOR THE CITY OF KILLEEN, TEXAS (the "City") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and in the ordinance of the City adopted on April 7, 2026, authorizing the issuance of the Bonds and the Pricing Certificate, as defined in and authorized by the ordinance (collectively, the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including the executed Bond (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and delivered in accordance with law; and that except as the enforceability may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar matters now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the City payable from the levy of a direct and continuing ad valorem tax, within the limits prescribed by law, against all taxable property in the City, all as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the City with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. In expressing the aforementioned opinions, we have relied on a Verification Report from Public Finance Partners LLC, and assume compliance by the City with, certain representations and covenants regarding

* Preliminary, subject to change.



the use and investment of the proceeds of the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the assessed



valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,