NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON

$37,500,000*
CITY OF KILLEEN, TEXAS
(A political subdivision of the State of Texas located in Bell County)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2025

Bids Due Tuesday, June 17, 2025 at 10:30 AM, CDT

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Killeen, Texas (the "City"), is offering for sale its $37,500,000* Waterworks and Sewer System Revenue Bonds, Series 2025 (the "Bonds"). Bids may be submitted by either of three alternative procedures: (i) written bids; (ii) electronic bids; or (iii) telephone or facsimile bids. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the City nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

The City and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of electronic, telephone or facsimile bids.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Official Notice of Sale, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System ("PARITY").

WRITTEN BIDS DELIVERED IN PERSON . . . Signed bids, plainly marked "Bid for Bonds," should be addressed to "Mayor and City Council, City of Killeen, Texas," and delivered to the City's Financial Advisor, Specialized Public Finance Inc. at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746 by 10:30 AM, CDT on June 17, 2025 (the "date of the bid opening"). All bids must be submitted on the Official Bid Form, without alteration or interlineation.

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid through PARITY. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale, and shall be binding upon the bidder as if made by a signed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and the Official Bid Form.

BIDS BY TELEPHONE OR FACSIMILE . . . Bidders must submit SIGNED Official Bid Forms to Dan Wegmiller, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, and submit their bid by telephone or facsimile (fax) on the date of the bid opening.

Telephone bids will be accepted at (512) 275-7300, between 10:00 AM and 10:30 AM, CDT on the date of the bid opening.

Fax bids must be received between 10:00 AM and 10:30 AM, CDT, on the date of the bid opening at (512) 275-7305, attention Dan Wegmiller.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the above deadlines.

Specialized Public Finance Inc. assumes no responsibility or liability with respect to any irregularities associated with the submission of bids if telephone or fax options are exercised.

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*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

Signed Official Bid Form . . . The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately and must submit via email a Signed Official Bid Form in connection with the sale, by 11:00 AM CDT on the date of the sale to Monica Melvin, Specialized Public Finance Inc. at monica@spfmuni.com.

Place and Time of Bid Opening . . . The bids for the Bonds will be publicly opened and read in the office of the Financial Advisor at 10:30 AM, CDT, Tuesday, June 17, 2025.

Award of the Bonds . . . The City Council will take action to award the Bonds (or reject all bids) at a meeting scheduled to convene at 3:00 PM, CDT on the date of the bid opening at City Hall Council Chambers, 101 North College Street, Killeen, Texas 76541. Upon awarding the Bonds, the City will also adopt the ordinance authorizing the Bonds (the "Ordinance") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement (such Preliminary Official Statement is attached to this Notice of Sale, and together with the Official Statement, referred to herein, collective, as the "Official Statement"). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Ordinance to which ordinance reference is hereby made for all purposes. The City reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.

Withdrawal of the Bids . . . Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for twelve hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

Extension of Sale Date . . . The City reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, CDT on Monday, June 16, 2025 of the new date and time of receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

THE BONDS

Description . . . The Bonds will be dated July 10, 2025 (the "Dated Date"). Interest will accrue from the date of initial delivery of the Bonds and will be due on February 15, 2026, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity. The Bonds will mature on August 15 in each year as follows:

MATURITY SCHEDULE*

Maturity (August 15)	Principal Amount	Maturity (August 15)	Principal Amount
2027	$ 325,000	2037	$ 2,050,000
2028	1,320,000	2038	2,155,000
2029	1,390,000	2039	2,260,000
2030	1,455,000	2040	2,375,000
2031	1,530,000	2041	2,490,000
2032	1,605,000	2042	2,615,000
2033	1,685,000	2043	2,745,000
2034	1,770,000	2044	2,885,000
2035	1,860,000	2045	3,030,000
2036	1,955,000		

*See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts." Preliminary, subject to change.

Optional Redemption . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2035, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

Serial Bonds and/or Term Bonds . . . Bidders may provide that all of the Bonds be issued as serial Bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term Bonds.

Book-Entry-Only System . . . The City intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"). See "THE BONDS – Book-Entry-Only System" in the Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (see "THE BONDS – PAYING AGENT/REGISTRAR" in the Official Statement).

SOURCE OF PAYMENT . . . The Bonds, together with the outstanding Parity Obligations (defined herein) and Additional Parity Obligations (defined herein) from time to time hereafter issued are secured by and payable from a first and prior lien on and pledge of the Net Revenues of the City's Waterworks and sewer system (the "System").

Further details regarding the Bonds are set forth in the Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . **The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than 101% of their par value and not more than 110% of their par value.** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2.5% in rate. The maximum coupon rate shall not exceed 5.00%. For Bonds having stated maturities on and after August 15, 2035, no reoffering yield producing a dollar price less than 97.5% for any individual maturities will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered. In the event of mathematical discrepancies between the interest rates and the interest cost determined therefrom, as both appear on the "Official Bid Form," the bid will be determined solely from the interest rates shown on the "Official Bid Form."

POST BID MODIFICATION OF PRINCIPAL AMOUNTS . . . After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in $5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Bonds by more than 15% from the amount set forth herein. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. The Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the City or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS FOR AWARD" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Bonds will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the "Purchaser") making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the date of initial delivery of all debt service payments on the Bonds on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Bonds plus any premium bid. In the event of a bidder's error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the City with a breakdown of its "underwriting spread," which, at minimum, includes the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHING THE ISSUE PRICE FOR THE BONDS . . . The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which require, among other things, that the City receives bids from **at least three underwriters** of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds **(the "Competitive Sale Requirement")**.

In the event that the bidding process does not satisfy the Competitive Sale Requirement, Bids will **not** be subject to cancellation and the winning bidder (i) agrees to promptly report to the City the first prices at which at least 10% of each maturity of the Bonds **(the "First Price Maturity")** have been sold to the Public on the Sale Date **(the "10% Test")** (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the-offering-price of each maturity of the Bonds that does not satisfy the 10% Test **("Hold-the-Price Maturity")**, as described below.

In order to provide the City with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the City or to the City's municipal advisor, Specialized Public Finance Inc. (the "City's Financial Advisor") the appropriate certification as to the Bonds' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions, at least 5 business days before the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale and Bidding Instructions:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Bonds are awarded by the City to the winning bidder.

All actions to be taken by the City under this Notice of Sale and Bidding Instructions to establish the issue price of the Bonds may be taken on behalf of the City by the City's Financial Advisor, and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

The City will consider any bid submitted pursuant to this Notice of Sale and Bidding Instructions to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity. Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale and Bidding Instruction.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Purchaser have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the City when the Purchaser have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

PROVISION OF TEXAS ETHICS COMMISSION FORM 1295 ("TEC FORM 1295") . . . In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Bonds to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the "TEC Form 1295") to the City as prescribed by the

Texas Ethics Commission ("TEC"), or

(ii) certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder's bid for the Bonds is the best bid received, the City, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the City to complete the award. The City reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*City of Killeen, Texas*) and box 3 is the identification number assigned to this contract by the City (*Killeen WW&SS Bonds, Series 2025*) and description of the goods or services (*Purchase of the City of Killeen Waterworks and Sewer System Revenue Bonds, Series 2025*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the City to complete the TEC Form 1295 electronically at https://www.ethics.state.tx.us/main/file.htm, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC's "electronic portal" to the City. The completed and signed TEC Form 1295 must be sent by email, to the City's financial advisor at dan@spfmuni.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: jbfowler@mphlegal.com.

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the City, the Interested Party Disclosure Act and the TEC 1295 provide that such declaration is made "under oath and under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Bonds until a completed TEC Form 1295 is received. The City reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein. Neither the City nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS . . . The City will not award the Bonds to a bidder unless the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the "Government Code"), are included in the bid. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification through the delivery date of the Bonds shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or Official Notice of Sale, notwithstanding anything in the Official Bid Form or Official Notice of Sale to the contrary.

(i) No Boycott of Israel (Texas Government Code Chapter 2271): A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(ii) Not a Sanctioned Company (Texas Government Code Chapter 2252): A bidder must represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code Chapter 2274): A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association the term of this agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

(iv) No Boycott of Energy Companies (Texas Government Code Chapter 2276): A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies the term of this agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

<u>Further State Law Compliance and Standing Letter Requirement</u> . . . Each prospective bidder must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting a bid, a bidder represents to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The City will not accept a bid from a bidder (including each syndicate member listed on the Official Bid Form) that does not have such standing letter on file as of the deadline for bids for the Bonds. If requested by the City, the Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications (defined below), as of the Delivery Date or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

THE CITY RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT THE BID OF ANY BIDDER WHO IS, OR WHOSE PARENT COMPANY, SUBSIDIARIES OR AFFILIATES ARE, ON A LIST MAINTAINED BY THE TEXAS COMPTROLLER OR THE TEXAS ATTORNEY GENERAL OF FINANCIAL COMPANIES BOYCOTTING ENERGY COMPANIES OR DISCRIMINATING AGAINST FIREARM ENTITIES.

BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE CITY AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW.

To the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit").

THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH CHAPTERS 2252, 2271, 2274, AND 2276, TEXAS GOVERNMENT CODE, AS AMENDED (COLLECTIVELY, THE "COVERED VERIFICATIONS") SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THIS OFFICIAL NOTICE OF SALE OR THE OFFICIAL BID FORM. ADDITIONALLY, THE CITY RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.

<u>Impact of Bidding Syndicate on Award</u> . . . For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

<u>Good Faith Deposit</u> . . . The winning bidder will be required to provide a deposit in the amount of $750,000 to the City as bid security by 3:00 p.m. CDT on June 17, 2025. The bid security may be provided to the City (i) via wire transfer (the City or its financial advisor, Specialized Public Finance Inc., will provide wire instructions to the winning bidder), or (ii) in the form of a certified or cashier's check made payable to the order of City in the amount of the deposit set forth above. The wire option will be retained by the City and: (a) will be applied, without allowance for interest, against the purchase price when the Bonds are delivered to and paid for by such winning bidder or (b) will be retained by the City as liquidated damages if the winning bidder defaults with respect to the terms of its bid or (c) will be returned to the winning bidder if the Bonds are not issued by the City for any reason which does not constitute a default by the winning bidder. If the check option is utilized, the check will be (a) returned uncashed to the winning bidder when the Bonds are delivered to and paid for by such winning bidder, (b) cashed by the City as liquidated damages if the winning bidder defaults with respect to the terms of its bid or (c) returned uncashed to the winning bidder if the Bonds are not issued by the City for any reason which does not constitute a default by the winning bidder.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

<u>CUSIP Numbers</u> . . . It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Bonds shall be paid by the City.

<u>DELIVERY OF BONDS</u> . . . Delivery will be accomplished by the issuance of one Initial Certificate (also called the "Certificate" or "Certificates"), either in typed or printed form, in the aggregate principal amount of $37,500,000*, payable in stated installments to the Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's book-entry-only system. Delivery will be at a principal office of the Paying Agent/Registrar. Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Bonds can be made on or about July 10, 2025, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Bonds by 10:00 AM, CDT, on July 10, 2025, or thereafter on the date the Bond is tendered for delivery, up to and including July 24, 2025. If for any reason the City is unable to make delivery on or before July 24, 2025, the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the City's reasonable control.

<u>CONDITIONS TO DELIVERY</u> . . . The obligation of the Purchaser to take up and pay for the Bonds is subject to the Purchaser's receipt of (a) the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (no later than the close of business on the business day following the award of the bid) a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions. In the event the successful bidder will not reoffer the Bonds for sale, such certificate may be modified in a manner approved by the City. In no event will the City fail to deliver the Bonds as a result of the Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the City. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

<u>LEGAL OPINION</u> . . . The Bonds are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Bonds is subject to the receipt by the Purchaser of opinions of Bond Counsel, to the effect that the Bonds are valid and binding obligations of the City (except as the enforceability may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion) and that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

<u>NO MATERIAL ADVERSE CHANGE</u> . . . The obligations of the City to deliver the Bonds and of the Purchaser to accept delivery of and pay for the Bonds are subject to the condition that at the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition of the City from those set forth in or contemplated by the "Preliminary Official Statement" as it may have been supplemented or amended through the date of sale.

<u>NO-LITIGATION CERTIFICATE</u> . . . On the date of delivery of the Bonds to the Purchaser, the City will deliver to the Purchaser a certificate, as of the same date, to the effect that to the best of the City's knowledge no litigation of any nature is pending or, to the best of the certifying officials' knowledge or belief, threatened against the City, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision 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 or the title of the present officials of the City.

GENERAL

<u>FINANCIAL ADVISOR</u> . . . 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, 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.

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*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

Blue Sky Laws . . . By submission of its bid, the Purchaser represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Bonds in accordance with the securities law of the states in which the Bonds are offered or sold. The City agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering the Bonds or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to execute a general or special consent to service of process in any such jurisdiction.

Not an Offer to Sell . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Bonds, but is merely notice of the sale of the Bonds. The offer to sell the Bonds is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Bonds.

Issuance of Additional Debt . . . The City does not anticipate the issuance of additional water and sewer system supported debt within the next twelve months.

Municipal Bond Rating . . . The Bonds and the outstanding revenue bond debt of the City have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement.

The Official Statement and Compliance with SEC Rule 15C2-12 . . . The City has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The City will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Bonds. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser. The Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the subject securities.

Continuing Disclosure Agreement . . . The City will agree in the Ordinance to provide certain periodic information and notices of specified events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

The City has approved the form and content of the Notice of Sale and Bidding Instructions, the Official Bid Form and Official Statement, and authorized the use thereof in its initial offering of the Bonds. On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Bonds, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Purchaser.

/s/ DEBBIE NASH-KING
Mayor
City of Killeen, Texas

ATTEST:

/s/ LAURA CALCOTE
City Secretary
City of Killeen, Texas

June 9, 2025

OFFICIAL BID FORM

Honorable Mayor and City Council
City of Killeen, Texas
101 North College Street
Killeen, Texas 76541

June 17, 2025

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated June 9, 2025, of $37,500,000* CITY OF KILLEEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2025, both of which constitute a part hereof.

For your legally issued Bonds, in the aggregate principal amount of $37,500,000*, we will pay you a price of $______________________, representing approximately ________% of the par value. Such Bonds mature August 15, in each of the years and in the amounts and interest rates shown below:

Maturity (August 15)	Principal Amount*	Interest Rate	Maturity (August 15)	Principal Amount*	Interest Rate
2027	$ 325,000	%	2037	$ 2,050,000	%
2028	1,320,000	%	2038	2,155,000	%
2029	1,390,000	%	2039	2,260,000	%
2030	1,455,000	%	2040	2,375,000	%
2031	1,530,000	%	2041	2,490,000	%
2032	1,605,000	%	2042	2,615,000	%
2033	1,685,000	%	2043	2,745,000	%
2034	1,770,000	%	2044	2,885,000	%
2035	1,860,000	%	2045	3,030,000	%
2036	1,955,000	%			

Of the principal maturities set forth in the table above, term bonds have been created as indicated in the following table (which may include multiple term bonds, one term bond or no term bond if none is indicated). For those years which have been combined into term bonds, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date shall mature in such year. The term bonds created are as follows:

Term Bonds Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%
		$	%
		$	%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST ______________________%

The Initial Certificate shall be registered in the name of _____________________, which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

A wire transfer or a cashiers or certified check to the City in the amount of $750,000 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

We agree to accept delivery of the Bonds utilizing the book-entry-only system through DTC and make payment for the Initial Certificate in immediately available funds in the Corporate Trust Division, The Bank of New York Mellon Trust Company, Dallas, Texas, not later than 10:00 AM, CDT, on July 10, 2025, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

Upon notification of conditional verbal acceptance, the undersigned will either (1) complete an electronic form of the Bond of Interested Parties Form 1295 (the "Form 1295") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Form 1295 that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the City's Bond Counsel at jbfowler@mphlegal.com or (2) provide written confirmation of its exemption from such requirement to complete a Form 1295. The undersigned understands that, unless exempt, the failure to provide the certified Form 1295 will prohibit the City from awarding the enclosed bid.

The bidder makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"), in entering into this Official Bid Form. As used in the following verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification through the delivery date of the Bonds shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Notice of Sale, notwithstanding anything in this Official Bid Form or the Notice of Sale to the contrary.

(i) No Boycott of Israel Verification (Texas Government Code Chapter 2271). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(ii) Not a Sanctioned Company (Texas Government Code Chapter 2252). The Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) No Boycott of Energy Companies (Texas Government Code Chapter 2276). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this agreement.

As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code, (iv) No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code Chapter 2274). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

By submitting this bid, the Purchaser understands and agrees that if the Purchaser should fail or refuse to take up and pay for the Bonds in accordance with this bid, or it is determined that after the acceptance of this bid by the City that the Purchaser was found not to satisfy the requirements described in the Official Notice of Sale under the heading "CONDITIONS OF THE SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then the check submitted herewith as the Purchaser's Good Faith Deposit shall be cashed and accepted by the City. IF THE CITY CASHES THE PURCHASER'S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE PURCHASER'S BREACH OF ANY OF THE COVERED VERIFICATIONS.

By submitting this bid, the Purchaser understands and agrees that the liability of the Purchaser for breach of any of the verifications made in connection with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended and as described above (collectively, the "Covered Verifications") shall survive until barred by the statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Official Notice of Sale. Additionally, the Purchaser acknowledges and agrees that the City reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

By submitting this bid, the Purchaser understands and agrees that it must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the

Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting this bid, the Purchaser represents to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. The Purchaser hereby further agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the delivery date of the Bonds or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

The Purchaser acknowledges that the City, in its sole discretion, has reserved the right to reject the bid of any bidder who is, or whose parent company, subsidiaries or affiliates are, on a list maintained by the Texas Comptroller or the Texas Attorney General of financial companies boycotting energy companies or discriminating against firearm entities.

The Purchaser understands and agrees that to the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit" in the Official Notice of Sale).

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE REPRESENTATIONS AND COVENANTS CONTAINED IN THIS OFFICIAL BID FORM SHALL SURVIVE TERMINATION OF THIS OFFICIAL BID FORM OF THE PURCHASER TO PURCHASE THE BONDS UNTIL THE STATUTE OF LIMITATIONS HAS RUN.

By submitting this bid, the Purchaser understands and agrees that if Purchaser should fail or refuse to take up and pay for the Bonds in accordance with this bid, or it is determined that after the acceptance of this bid by the City that the Purchaser was found not to satisfy the requirements described in the Notice of Sale and Bidding Instructions under the heading "CONDITIONS OF SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then the check submitted herewith as Purchaser's Good Faith Deposit shall be cashed and accepted by the City as full and complete liquidated damages.

At the request of the City, the undersigned agrees to execute further written certification as may be necessary or convenient for the City to establish compliance with these laws.

The undersigned agrees to complete, execute, and deliver to the City, at least five business days prior to delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City and Bond Counsel.

The undersigned certifies that the Purchaser [is]/[is not] exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

____
Name of Purchaser or Manager

____
Authorized Representative

____
Phone Number

____
Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Killeen, Texas, this the 17th day of June, 2025.

______________________________	______________________________
City Secretary City of Killeen, Texas	Mayor City of Killeen, Texas

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CERTIFICATE OF PURCHASER

(sales where 3 bids are received)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Waterworks and Sewer System Revenue Bonds, Series 2025 issued by the City of Killeen, Texas ("Issuer") in the principal amount of $37,500,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Bond as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

(b) The Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

(d) The Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from ________________________________ (the "Insurer") for a fee of $_______ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _______________, 2025.

[NAME OF PURCHASER], as Purchaser

By:_____________________________________

Name:___________________________________

____

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

CERTIFICATE OF PURCHASER

(sales where 3 bids are not received)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Waterworks and Sewer System Revenue Bonds, Series 2025 issued by the City of Killeen, Texas ("Issuer") in the principal amount of $37,500,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Bonds maturing in ____________ ("Hold-the-Price Maturities"), the][The] first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Bond as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Bonds ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.

(d) The Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from ________________________________ (the "Insurer") for a fee of $_______ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _______________, 2025.

[NAME OF PURCHASER], as Purchaser

By:_____________________________________

Name:___________________________________

____

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

PRELIMINARY OFFICIAL STATEMENT

Dated June 9, 2025

Rating:
S&P: "AA"
(See "OTHER INFORMATION – RATING")

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds (defined below) 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.

$37,500,000*
CITY OF KILLEEN, TEXAS
(A political subdivision of the State of Texas located in Bell County)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2025

Dated Date: July 10, 2025 **Due: August 15, as shown on page 2**
Interest Accrues from Date of Initial Delivery

PAYMENT TERMS . . . Interest on the $37,500,000* City of Killeen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025 (the "Bonds") will accrue from the date of initial delivery, will be payable on February 15 and August 15 of each year commencing February 15, 2026, 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, New York, New York ("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 Subchapter B of Chapter 1502, Texas Government Code, as amended, an ordinance authorizing the issuance of the Bonds to be adopted by the City Council of the City of Killeen, Texas (the "City") on June 17, 2025 (the "Ordinance"). The Bonds, together with the outstanding Parity Obligations (defined herein) and Additional Parity Obligations (defined herein) from time to time hereafter issued are secured by and payable from a first and prior lien on and pledge of the Net Revenues of the City's waterworks and sewer system (the "System"). As additional security, there has been established a Reserve Fund for the Bonds which shall be funded (but beginning only after Net Revenues for any fiscal year are less than 1.35 times the combined average Annual Debt Service Requirements on the Parity Obligations) in an amount at least equal to the average Annual Debt Service Requirements on the outstanding Parity Obligations. Due to the coverage currently maintained by the City, at the time of delivery of the Bonds, it is not anticipated that the Reserve Fund will be funded. The amount required to be on deposit in the Reserve Fund can, at the option of the City, be satisfied by the deposit of a surety bond or insurance policy. The City has reserved the right to issue additional obligations ("Parity Obligations") secured by a lien on such Net Revenues on parity with the Bonds. **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS – SECURITY FOR THE BONDS").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping the System, and (ii) paying the costs of issuance related thereto.

CUSIP PREFIX: 494224
MATURITY SCHEDULE
See Page 2 Hereof

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION").

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through the facilities of DTC on July 10, 2025.

BIDS DUE ON TUESDAY, JUNE 17, 2025, BY 10:30 AM, CDT

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

MATURITY SCHEDULE*

Maturity (August 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers(1)
2027	$ 325,000			
2028	1,320,000			
2029	1,390,000			
2030	1,455,000			
2031	1,530,000			
2032	1,605,000			
2033	1,685,000			
2034	1,770,000			
2035	1,860,000			
2036	1,955,000			
2037	2,050,000			
2038	2,155,000			
2039	2,260,000			
2040	2,375,000			
2041	2,490,000			
2042	2,615,000			
2043	2,745,000			
2044	2,885,000			
2045	3,030,000			

(Interest accrues from the Date of Initial Delivery)

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*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. 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 enhancement by investors that is applicable to all or a portion of the Bonds. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the City, the Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par amount thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION"). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as Term Bonds.

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For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (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.

This Official Statement, which includes the cover page, the Schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the City 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. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. 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 opinions or that they will be realized.

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

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 THE BONDS HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE UNDERWRITERS, THE CITY, OR ITS FINANCIAL ADVISOR 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..	The City of Killeen, Texas (the "City") 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. The City is approximately 54.69 square miles in area (see "INTRODUCTION – DESCRIPTION OF THE CITY").
THE BONDS.......................................	The Bonds are issued as $37,500,000* Waterworks and Sewer System Revenue Bonds, Series 2025 (the "Bonds"). The Bonds are issued as serial bonds maturing on August 15 in the years 2027 through and including 2045 unless the Purchaser elect to aggregate two or more consecutive maturities as term bonds (see "THE BONDS – DESCRIPTION OF THE BONDS").
PAYMENT OF INTEREST	Interest on the Bonds accrues from their date of initial delivery and is payable on February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS – DESCRIPTION OF THE BONDS").
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter B of Chapter 1502, Texas Government Code, as amended, an ordinance to be authorizing the issuance of the Bonds adopted by the City Council on June 17, 2025 (the "Ordinance") (see "THE BONDS – AUTHORITY FOR ISSUANCE").
SECURITY......................................	The Bonds, together with the outstanding Parity Obligations (defined herein) and Additional Parity Obligations (defined herein) from time to time hereafter issued are secured by and payable from a first and prior lien on and pledge of the Net Revenues of the City's waterworks and sewer system (the "System"). As additional security, there has been established a Reserve Fund the Bonds which shall be funded (but beginning only after Net Revenues for any fiscal year are less than 1.35 times the average Annual Debt Service Requirements on the Bonds) in an amount at least equal to the average Annual Debt Service Requirements on the Parity Obligations. Due to the coverage currently maintained by the City, at the time of delivery of the Bonds, it is not anticipated that the Reserve Fund for the Bonds will be funded. The amount required to be on deposit in the Reserve Fund can, at the option of the City, be satisfied by the deposit of a surety bond or insurance policy. The City has received the right to issue additional obligations secured by a lien on such Net Revenues on parity with the Bonds. **The City has not covenanted or obligated itself to pay the Bonds from money raised or to be raised from taxation** (see "THE BONDS – SECURITY FOR THE BONDS").
REDEMPTION	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par amount thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION"). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as Term Bonds.
TAX EXEMPTION...............................	Interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping the System, and (ii) paying the costs of issuance related thereto.

*Preliminary, subject to change.

RATING .... The Bonds and outstanding revenue debt of the City have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement (see "OTHER INFORMATION – RATING").

BOOK-ENTRY-ONLY SYSTEM .... 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").

PAYMENT RECORD .... The City has never defaulted in the payment of its System indebtedness.

SELECTED CITY INDICES

Fiscal Year Ending 9/30	Estimated City Population	Water Usage (MGD) Average Day Usage	Peak Day Usage	Total Usage	Net Revenue Available for Debt Service(1)	Average Annual Debt Service Requirements	Debt Service Coverage
2020	153,095	17	26	6,037	$ 14,473,266	$ 3,249,246	4.45
2021	158,391	15	27	5,516	13,735,834	3,272,687	4.20
2022	160,328	17	28	6,124	19,998,254	3,141,859	6.37
2023	161,029	17	28	6,031	16,611,756	3,002,643	5.53
2024	163,142	16	25	5,910	20,682,112	2,847,041	7.26

(1) Historical Net Revenue Available for Debt Service includes amounts required to pay debt service on any outstanding Parity Obligations. The Bonds are issued as Parity Obligations secured by a first lien on Net Revenues of the System. See "THE BONDS – SECURITY FOR THE BONDS."

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires
Debbie Nash-King Mayor	May 2026
Riakos Adams Mayor Pro Tem, Councilmember at Large	May 2026
Jose L. Segarra Councilmember at Large	May 2026
Raymon Alvarez Councilmember at Large	May 2026
Jessica Gonzalez Councilmember, District No. 1	May 2027
Joseph Solomon Councilmember, District No. 2	May 2027
Nina Cobb Councilmember, District No. 3	May 2027
Anthony Kendrick Councilmember, District No. 4	May 2027

APPOINTED OFFICIALS

Name	Position
Kent Cagle	City Manager
Judith Tangalin, CPA, CGFO	Executive Director of Finance
Lorianne Luciano	Assistant Director of Finance
Laura Calcote	City Secretary

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

$37,500,000*
CITY OF KILLEEN, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $37,500,000* City of Killeen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025 (the "Bonds"). The Bonds are being issued pursuant to an ordinance authorizing the issuance of the Bonds to be approved by the City Council on June 17, 2025 (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 deposited with 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 2025 population is 165,681. The City covers approximately 54.69 square miles.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated July 10, 2025 and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery and will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2026 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, New York, New York ("DTC") pursuant to the book-entry-only system described herein (the "Book-Entry-Only System"). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of 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" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and the general laws of the State, including particularly Subchapter B of Chapter 1502, Texas Government Code, as amended, and the Ordinance.

SECURITY FOR THE BONDS . . . The Bonds, together with the outstanding Parity Obligations (defined herein) and Additional Parity Obligations (defined herein) from time to time hereafter issued are secured by and payable from a first and prior lien on and pledge of the Net Revenues of the City's waterworks and sewer system (the "System"). The City has covenanted in the Ordinance to not issue other obligations secured by a lien on and pledge of Net Revenues that is senior to the lien on and pledge of Net Revenues of the System securing the Parity Obligations.

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* Preliminary, subject to change.

As additional security, there has been established a Reserve Fund for the Parity Obligations which shall be funded (but beginning only after Net Revenues for any fiscal year are less than 1.35 times the combined average Annual Debt Service Requirements on any outstanding Parity Obligations (hereinafter defined)) in an amount at least equal to the average Annual Debt Service Requirements on the Parity Obligations. Due to the coverage currently maintained by the City (see Table 7 entitled "Coverage and Fund Balances"), at the time of delivery of the Bonds, it is not anticipated that the Reserve Fund will be funded. The amount required to be on deposit in the Reserve Fund can, at the option of the City, be satisfied by the deposit of a surety bond or insurance policy. The City has reserved the right to issue additional obligations ("Additional Parity Obligations") secured by a lien on such Net Revenues on parity with the Bonds and the other outstanding City obligations secured by a parity lien on and pledge of the Net Revenues of the System (the "Parity Obligations"). Maintenance and operating expenses include contractual payments which under State laws and their provisions are established as operating expenses. The Parity Obligations, including the Bonds, are not a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create a lien or mortgage on the System and any judgment against the City may not be enforced by levy and execution against any property owned by the City, except the Net Revenues.

RESERVE FUND AND SURETY BONDS . . . If Net Revenues for any fiscal year are less than 1.35 times the average Annual Debt Service Requirements on the Parity Obligations, a reserve fund will be established to further secure any and all Parity Obligations in an amount equal to all or part of the average annual principal and interest payments required of any Parity Obligations. Historically, the City has fully funded its reserve fund for System obligations with a surety bond and may also utilize this practice in the future for the Bonds and any Parity Obligations in the event that the City is required to fund the Reserve Fund for these obligations. Any reserve fund for any Parity Obligations (including the Bonds) will be maintained as a continuing reserve to be used only (1) to prevent deficiencies in the payment of the principal of or interest on any Parity Obligations resulting from the amounts in the Interest and Sinking Fund being insufficient to pay said principal and interest as the same become due and (2) to make any subrogation payment the City is obligated to make from Pledged Revenues with respect to a surety bond. If on any interest or principal payment date for any Parity Obligations moneys in the Interest and Sinking Fund are insufficient to pay the principal of and interest on any Parity Obligations then due, then there shall be drawn on a surety bond, to the extent available or acquired, an amount equal to such deficiency in the Interest and Sinking Fund relating to any Parity Obligations to be used solely to pay principal of and interest on the Parity Obligations then due (see "SELECTED PROVISIONS OF THE ORDINANCE – RESERVE FUND.")

In the event the amount on deposit or credited to the Reserve Fund exceeds the amount of the related Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to the Reserve Fund, in addition to the amount available under the related Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument, draws on that Surety Bond and such other funding instrument shall be made on a pro rata basis to fund the insufficiency.

Any Surety Bond will not insure against nonpayment caused by the insolvency or negligence of the Paying Agent/Registrar.

PLEDGED REVENUES . . . All of the Net Revenues of the System, with the exception of those in excess of the amounts required to establish and maintain the Funds provided in the Ordinance, are irrevocably pledged for the principal of and interest on the Parity Obligations, including the Bonds and the establishment and maintenance of any Reserve Fund for the Parity Obligations.

FLOW OF FUNDS . . . The flow of funds of the System requires that all revenues of the System be applied in sequence to: (i) payment of all reasonable and proper expenses of operating and maintaining the System; (ii) payment of amounts required to be deposited and credited to the Interest and Sinking Fund (as defined in the Ordinance) to meet all financial obligations of the City related to the Bonds, any Parity Obligations outstanding, and any Additional Parity Obligations hereafter issued; (iii) to the payment of all amounts required to be deposited and credited to the Reserve Fund pursuant to the Parity Obligations ordinances; (iv) to any other fund, account, or subaccount to the extent required pursuant to the provisions of any Parity Obligations ordinance; (v) to any other fund, account, or subaccount to the extent required by any ordinances pursuant to which subordinate debt is issued; and (vi) to any other City purpose permitted by law. See "SELECTED PROVISIONS OF THE ORDINANCE" herein.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all of the Bonds are to be redeemed, the City may select the maturities to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE

CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

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 only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond 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 Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bond from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and 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 the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar or a commercial bank or trust company and the City, so long as a book-entry-only system (the "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 only 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 the 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 (see "THE BONDS – BOOK-ENTRY-ONLY SYSTEM").

DEFEASANCE . . . *General*. The Ordinance provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Ordinance under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") 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 Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond 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 an eligible trust company or commercial bank 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 or eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds 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 Bond, 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.

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 eligible trust company or commercial bank may at the discretion of the City Council 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 eligible trust company or commercial bank 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 turned over to the City Council.

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 Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds 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 eligible trust company or commercial bank 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 Bond to be paid at its maturity, the City retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the Ordinance authorizing its issuance, the City may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Investments. Any escrow agreement or other instrument entered into between the City and the Paying Agent/Registrar or eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or eligible trust company or commercial bank for the payment of Defeased Bonds 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 eligible trust company or commercial bank, 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 Council.

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 obligations or otherwise provide for the funding of an escrow to effect the defeasance of the obligations 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 obligations or otherwise provide for the funding of an escrow to effect the defeasance of the obligations, 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 obligation under applicable State law that may be used to defease the Bonds. 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.

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 Certificates 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 Certificates 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 Certificates 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 determining the party to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business 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 provide 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 do 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 June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of governmental 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 governmental 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. 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.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a 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. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

As noted above, the respective Ordinance provide that holders of Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the respective 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).

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 governmental immunity and the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

AMENDMENTS TO THE 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.

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping the System, and (ii) paying the costs of issuance related thereto.

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SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

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

THE SYSTEM

WATERWORKS SYSTEM . . . The City has a contract with Bell County Water Control and Improvement District No. 1 (the "District") to purchase treated water and the term of the contract is coterminous with the District's outstanding water system bonds and any additional bonds issued to provide additional water supply to the City. The City pays the District a monthly rate based on a formula that provides for a rate based charge for operation and maintenance and a fixed charge for proportionate amounts for improvements and District water system debt service, bond reserve fund and contingency funds. Amounts payable by the City under the water supply contract with the District are an operating expense of the City's System and payable prior to debt service on the Bonds and any Additional Parity Obligations.

The City, along with other participating entities, entered into an agreement with the District to enable the District 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. The District bills for water purchased at rates that are reviewed and adjusted periodically. The rates are determined by amounts necessary to retire the District's debt and cover maintenance and operating expenses. During the fiscal year ended September 30, 2024, the City purchased 5.8 billion gallons of water (50 million used for City's facilities and 42 million for Stonetree Golf Course) for a total charge of $4,957,387 from the District. In addition, it paid the District $3,134,136 for its share of debt service related to bonds issued for the treatment plant.

The City is contractually obligated to purchase water from the District, which includes rates for normal operation and maintenance and fixed costs to cover debt service obligation of the District. The City's fixed costs to cover its proportional share of the District's 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 (District debt service requirements) that the City is obligated to pay is $69.5 million at September 30, 2024. Normal maintenance and operational costs will vary by year and are allocated to the City based on its proportional share of the plant.

The City provides water and sanitary sewer services to approximately 55,190 residential and commercial customers. The water system has approximately 710 miles of water lines serving the City with five water supply delivery points, four of which with associated ground storage tanks and pump stations, two booster pump stations, five elevated storage tanks, two ground storage tanks acting as elevated storage, two pressure reducing valves, and 57,800 meters. Total overall storage capacity is 40.25 million gallons. The City's distribution system has the capacity to deliver 61.2 million gallons daily (MGD). Current peak demand is about 27 MGD; average daily usage is 15.9 MGD.

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TABLE 1 – TEN LARGEST WATER CUSTOMERS

Customer	Water Usage (gallons)	% of Total Water Usage	Annual Aggregate Amount Billed
Killeen Independent School District	103,864,800	2.36%	$ 422,236
City of Killeen	50,135,600	1.14%	218,426
Stonetree Golf Course	42,337,100	0.96%	37,706
MFT-IP	35,620,000	0.81%	122,545
Metroplex Hospital	26,224,000	0.60%	99,720
MGC Pure Chemicals America	21,964,800	0.50%	78,172
Stone Hill Apartments	18,913,800	0.43%	65,021
Passariello Estates	18,482,400	0.42%	70,373
Today's Car Wash	18,266,600	0.42%	65,792
Redford Park Limited	14,376,600	0.33%	49,789
	350,185,700	7.96%	

Note: % of Total Water Usage based on 4,396,723,799 gallons annual consumption (FYE 2024).

TABLE 2 – MONTHLY WATER RATES (EFFECTIVE 10-1-23)

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

Residential Users

Minimum charge for first 2,000 Gallons

Meter Size:	Residential and Multi-Family	Commercial
5/8" & 3/4"	$15.04	$15.52
1"	16.49	17.76
1 1/2"	20.13	27.11
2"	24.48	38.32
3"	34.65	64.49
4"	49.2	101.88
6"	86.61	195.35
8"	129.1	307.51

Applicable to all meter sizes:		
2,001 to 15,000 gal/month	$3.38/1,000 gal	$3.50/1,000 gal
15,001 to 30,000 gal/month	$4.03/1,000 gal	
Over 30,000 gal/month	$4.81/1,000 gal	

WASTEWATER SYSTEM . . . The City has a contract with the District for treatment of wastewater and the term of the contract is coterminous with the City's outstanding wastewater system bonds and any additional bonds issued to provide additional wastewater treatment capacity to the City. The City pays the District a monthly rate—currently $1.15 per thousand gallons—based on a formula that includes a variable charge for operation and maintenance. At this time, there is no fixed charge for the City's proportionate share of improvements or District debt service, reserve, or contingency funds; however, such charges would apply if debt obligations are incurred in the future. Amounts payable by the City under the wastewater treatment contract with the District are an operating expense of the City's System and are payable prior to debt service on the Prior Obligations, the Bonds and any Additional Parity Obligations. The District's treatment plant capacity at the present time is 18.0 MGD at the North Plant and 6.0 MGD at the South Plant. The City's wastewater system consists of approximately 604 miles of wastewater main, 8,835 manholes, and 20 lift stations. Average flow through the wastewater system is 12.5 MGD and maximum flow is 45.8 MGD.

TABLE 3 – TEN LARGEST WASTEWATER CUSTOMERS

Customer	Amount Billed	Consumption (MGD)
Central Texas College	$ 243,999	63,992,719
Killeen Independent School District	165,772	40,834,193
MFT-IP	113,468	29,830,749
MGC Pure Chemical America	74,886	19,677,759
Passariello Estates	79,293	16,597,904
Stone Hill Apartments	58,971	15,460,338
Today's Car Wash	58,919	15,417,298
1320 Wales Owner LLC	45,214	11,781,816
Metroplex Hospital	44,946	11,655,568
Redford Park Limited	44,222	11,608,179
	$ 929,690	

TABLE 4 – MONTHLY WASTEWATER RATES (EFFECTIVE 10-1-2023)

Residential	
0-3,000 gallons per month	$20.76 Minimum
3,001-10,000 gallons per month	$3.80 per 1,000 gallons
Multi-Family	
0-3,000 galloons per month	$21.15 Minimum
3,001-10,000 gallons per month	$3.80 per 1,000 gallons
Over 10,000 gallons per month	$3.80 per 1,000 gallons
Commercial*	
0-3,000 galloons per month	$20.65 Minimum
3,001-10,000 gallons per month	$3.80 per 1,000 gallons
Over 10,000 gallons per month	$3.80 per 1,000 gallons

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

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DEBT INFORMATION

TABLE 5 – PRO-FORMA SYSTEM DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	The Outstanding Obigations			The Bonds[1]			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2025	$ 3,860,000	$ 1,001,057	$ 4,861,057	$ -	$ -	$ -	$ 4,861,057
2026	3,915,000	929,341	4,844,341	-	2,057,292	2,057,292	6,901,632
2027	3,945,000	847,795	4,792,795	325,000	1,875,000	2,200,000	6,992,795
2028	2,220,000	730,949	2,950,949	1,320,000	1,858,750	3,178,750	6,129,699
2029	2,285,000	662,906	2,947,906	1,390,000	1,792,750	3,182,750	6,130,656
2030	2,360,000	590,677	2,950,677	1,455,000	1,723,250	3,178,250	6,128,927
2031	2,430,000	524,473	2,954,473	1,530,000	1,650,500	3,180,500	6,134,973
2032	2,495,000	455,017	2,950,017	1,605,000	1,574,000	3,179,000	6,129,017
2033	2,565,000	381,947	2,946,947	1,685,000	1,493,750	3,178,750	6,125,697
2034	1,200,000	305,150	1,505,150	1,770,000	1,409,500	3,179,500	4,684,650
2035	1,250,000	257,150	1,507,150	1,860,000	1,321,000	3,181,000	4,688,150
2036	1,300,000	207,150	1,507,150	1,955,000	1,228,000	3,183,000	4,690,150
2037	1,340,000	168,150	1,508,150	2,050,000	1,130,250	3,180,250	4,688,400
2038	1,380,000	127,950	1,507,950	2,155,000	1,027,750	3,182,750	4,690,700
2039	1,420,000	86,550	1,506,550	2,260,000	920,000	3,180,000	4,686,550
2040	1,465,000	43,950	1,508,950	2,375,000	807,000	3,182,000	4,690,950
2041	-	-	-	2,490,000	688,250	3,178,250	3,178,250
2042	-	-	-	2,615,000	563,750	3,178,750	3,178,750
2043	-	-	-	2,745,000	433,000	3,178,000	3,178,000
2044	-	-	-	2,885,000	295,750	3,180,750	3,180,750
2045	-	-	-	3,030,000	151,500	3,181,500	3,181,500
	$ 35,430,000	$ 7,320,209	$ 42,750,209	$ 37,500,000	$ 24,001,042	$ 61,501,042	$ 104,251,250

(1) Interest on the Bonds has been calculated at an assumed rate for purpose of illustration. Preliminary, subject to change.

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FINANCIAL INFORMATION

TABLE 6 – UTILITY SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ending September 30,				
	2024	2023	2022	2021	2020
Revenues[1]:					
Charges for Services	$ 48,241,182	$ 46,858,487	$ 45,707,912	$ 41,395,591	$ 42,316,494
Interest Income	2,061,433	13,415	2,213	2,836	7,059
Total Revenues	$ 50,302,615	$ 46,871,902	$ 45,710,125	$ 41,398,427	$ 42,323,553
Expenditures[2]:					
Water Purchases	$ 9,798,803	$ 10,024,767	$ 9,021,446	$ 8,436,546	$ 8,406,645
Sewer Service Contract	5,235,370	7,062,524	6,477,289	7,032,837	6,503,394
Operating Cost	14,586,330	13,172,855	10,213,136	12,193,210	12,940,248
Total Expenses	$ 29,620,503	$ 30,260,146	$ 25,711,871	$ 27,662,593	$ 27,850,287
Net Revenue Available for Debt Service	$ 20,682,112	$ 16,611,756	$ 19,998,254	$ 13,735,834	$ 14,473,266
Customer Count:					
Sewer	53,464	53,111	52,658	51,650	50,327
Water	57,217	56,517	56,227	55,193	54,288

Note: Expenditures do not include depreciation.
(1) Revenues do not include developer contributions for donated water and sewer lines.
(2) Expenditures do not include depreciation.

TABLE 7 – COVERAGE AND FUND BALANCES[(1)(2)(3)]

Average Annual Principal and Interest Requirements (2025-2045)	$ 4,964,345
Coverage of Average Annual Requirements by 2024 Net Revenue	4.17 Times
Maximum Principal and Interest Requirements, 2027	$ 6,992,795
Coverage of Maximum Requirements by 2024 Net Revenue	2.96 Times
Utility System Bonds Outstanding after the Issuance of Bonds	$ 72,930,000
Parity Obligations Interest and Sinking Fund, 9-30-24	$ 2,847,040

(1) Excludes System Supported Ad Valorem Tax Debt Service. Includes the Bonds. Preliminary, subject to change.
(2) Coverage numbers are based on all Outstanding Debt Obligations, including Parity Obligations.
(3) Includes all Parity Obligations. Includes the Bonds. Preliminary, subject to change.

ADDITIONAL SYSTEM REVENUE DEBT . . . The City does not anticipate the issuance of Additional Parity Obligations within the next twelve months.

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.

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 270 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.

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 ten (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.

Political subdivisions such as the City are authorized to implement 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.

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, 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 market 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 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 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 8 – CURRENT INVESTMENTS

As of April 30, 2025 the City's investable funds were invested in the following categories:

Investments	Market Value	% of Total
TexSTAR	$ 11,268,467	4.13%
Texas Connect	20,128,456	7.37%
Texas Class	20,092,566	7.36%
Money Market Accounts	15,725,402	5.76%
Federal Agency Coupon Securities	82,236,853	30.12%
Treasury Coupon Securities	115,237,147	42.20%
Certificates of Deposit	8,364,546	3.06%
	$ 273,053,437	100.00%

SELECTED PROVISIONS OF THE ORDINANCE

The following provisions have been excerpted from the Ordinance authorizing the Bonds.

Section 1.01. Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance the following terms shall have the meanings specified below:

"Additional Parity Obligations" means those obligations the City reserves the right to issue on a parity with the Bonds, herein authorized in accordance with the terms and conditions prescribed in Section 9.01 hereof.

****

"Bond" means any of the Bonds.

"Bonds" means the City's bonds entitled "City of Killeen, Texas, Waterworks and Sewer System Revenue Bonds, Series 2025," authorized to be issued by Section 3.01 of this Ordinance.

"Closing Date" means the date of the initial delivery of and payment for the Bonds which is anticipated to be on or about July 10, 2025.

****

"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 Bonds.

****

"Event of Default" means any Event of Default as defined in Section 11.01 of this Ordinance.

"Federal Securities" as used herein means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

"Fiscal Year" means twelve months' period beginning October 1 of each year and ending September 30 of the succeeding year.

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"Insurance Policy" means any insurance policy issued by any insurer guaranteeing the scheduled principal of and interest on any series of the Bonds when due.

"Interest and Sinking Fund" means the interest and sinking fund provided by Section 8.01(b) of this Ordinance.

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until the maturity such dates being February 15 and August 15 of each year commencing February 15, 2026.

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"Net Revenues" means the gross revenues of the System less the expense of operation and maintenance, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, provided, however, that only such repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the security of any special obligations payable from and secured by a lien on the net revenues of the System shall be deducted in determining "Net Revenues."

"Ordinance" means this Ordinance.

“Owner” means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

“Parity Revenue Obligations” means the Series 2019 Bonds, the Series 2020 Bonds, the Taxable Series 2020A Bonds and Additional Parity Obligations.

“Paying Agent/Registrar” means The Bank of New York Mellon Trust Company, N.A., any successor thereto or an entity which is appointed as and assumes the duties of paying agent/registrar as provided in this Ordinance.

“Policy” means any Insurance Policy and the Reserve Policy.

“Purchaser” means the person, firm or entity (whether one or more) initially purchasing the Bonds from the City as set forth in Section 7.01(a) of this Ordinance.

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“Register” means the Register specified in Section 3.06(a) of this Ordinance.

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“Reserve Fund” means the reserve fund provided by Section 8.01(c) of this Ordinance.

“Reserve Fund Obligation” means a surety bond, insurance policy, letter of credit or other agreement or instrument, including any related reimbursement or financial guaranty agreement, by which the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument, provided that the issuer of any Reserve Fund Obligation shall be rated, at the time of issuance of such Reserve Fund Obligation, at least the rating carried on the Bonds by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

“Reserve Policy” means any reserve fund insurance policy issued by an Insurer.

“Revenue Fund” means the revenue fund provided by Section 8.01(a) of this Ordinance.

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“Series 2019 Bonds” means the “City of Killeen, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2019.”

“Series 2020 Bonds” means the “City of Killeen, Texas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2020.”

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“System” means the City’s combined waterworks and sewer (waste water) system, including all present and future extensions, enlargements, additions, replacements and improvements thereto.

“Taxable Series 2020A Bonds” means the “City of Killeen, Texas Waterworks and Sewer System Revenue Refunding Bonds, Taxable Series 2020A.”

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Section 2.01. Pledge of Revenues for Payment of the Bonds.

(a) The Net Revenues (with the exception of those in excess of the amounts required to establish and maintain the Funds as hereinafter provided) are hereby irrevocably pledged for the payment of the principal of and interest on the Parity Revenue Obligations, including the establishment and maintenance of the Reserve Fund hereinafter provided.

(b) The City hereby covenants not to issue obligations payable from the Net Revenues with a lien superior to the lien created by the Parity Revenue Obligations and this Ordinance.

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Section 8.01. Creation of Funds

The City hereby covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the City hereby confirms its previous creation and establishment of the following special Funds pursuant to the ordinances authorizing the issuance of the Parity Revenue Obligations, to-wit:

(a) The City of Killeen Waterworks and Sewer System Revenue Fund (the "Revenue Fund"). This Fund shall be kept in the City's official depository bank.

(b) The City of Killeen Waterworks and Sewer System Revenue Bonds Interest and Sinking Fund (the "Interest and Sinking Fund"). This Fund shall be kept at an official depository bank of the City. Money deposited in this Fund shall be used to pay principal of and interest on the Parity Revenue Obligations when and as the same shall become due and payable.

(c) The City of Killeen Waterworks and Sewer System Revenue Bonds Reserve Fund, (the "Reserve Fund"). This Fund shall be kept at an official depository bank of the City. Money deposited in this Fund shall be used to pay principal of and/or interest on the Parity Revenue Obligations falling due at any time when there is not sufficient money available in the Interest and Sinking Fund.

The special Funds herein provided shall continue to be maintained at all times while any of the Parity Revenue Obligations remain outstanding.

Section 8.02. Revenue Fund.

All revenues of every nature received through the operation of the System shall be deposited from day to day as collected into the Revenue Fund, to be kept separate and apart from all other City funds and accounts. Moneys deposited in the Revenue Fund shall be pledged and appropriated to the following uses and in the order of precedence shown:

(a) To the payment of all reasonable and proper expenses of operating and maintaining the System as set forth in the definition of "Net Revenues" contained in Section 1.01 hereof.

(b) To the payment of all amounts required to be deposited and credited to the Interest and Sinking Fund to meet all financial obligations of the City related to the Bonds, the Series 2019 Bonds, the Series 2020 Bonds, the Taxable Series 2020A Bonds, the Bonds and any Parity Obligations.

(c) To the payment of all amounts required to be deposited and credited to the Reserve Fund pursuant to this Ordinance or any ordinance relating to the issuance of Parity Revenue Obligations.

(d) To any other fund, account or subaccount to the extent required pursuant to the provisions of any ordinance relating to Parity Revenue Obligations.

(e) To any other fund, account or subaccount to the extent required by any ordinances pursuant to which subordinate debt is issued.

(f) To any other City purpose now or hereafter permitted by law.

Section 8.03. Interest and Sinking Fund.

(a) The City hereby covenants and agrees to make monthly deposits to the Interest and Sinking Fund from moneys in the Revenue Fund to pay the principal of and interest on the Bonds as follows:

(i) Such amounts, deposited in substantially equal monthly installments on or before the 10th day of each month following the Closing Date, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and become due and payable with respect to the Bonds on the next succeeding Interest Payment Date;

(ii) Such amounts, deposited in substantially equal monthly installments on or before the 10th day of each month following the Closing Date, as will be sufficient, together with other amounts, if any, on hand in the Interest and Sinking Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds on the next succeeding Interest Payment Date on which principal of the Bonds is to be payable.

(b) The monthly deposits to the Interest and Sinking Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Interest and Sinking Fund and Reserve Fund is equal to the amount required to pay all outstanding obligations (principal and/or interest) for which said Fund was created and established to pay or (ii) the Bonds are no longer outstanding, i.e., fully paid as to principal and interest or all of the Bonds have been refunded.

Section 8.04. Reserve Fund.

(a) The City hereby covenants and agrees with the Owners of the Bonds that it will provide for the accumulation of, and when accumulated, will thereafter continuously maintain in the Reserve Fund an amount equal to not less than the average annual principal and interest requirements of the Parity Revenue Obligations (calculated on a Fiscal Year basis as of the date the last series of Parity Revenue Obligations were authorized). Immediately following the delivery of the Bonds, the appropriate City officials shall calculate and determine the average annual principal and interest requirement for the Parity Revenue Obligations then outstanding. After deducting the amount then on deposit in the Reserve Fund from such calculation, the amount of the difference, if any, shall be deposited in the Reserve Fund in sixty (60) substantially equal monthly payments on or before the 10th day of each month; the initial monthly deposit to be made on or before the 10th day of the month next following the Closing Date. After the total amount required to be on deposit in the Reserve Fund has been accumulated, monthly payments to said fund may be terminated; provided, however, should the amount on deposit therein be reduced below the sum required to be maintained in said fund after the same has been accumulated, payments to said fund in an amount equal to the deficiency shall be resumed and continued to be made on or before the 10th day of each month until the total amount then required to be on deposit in the Reserve Fund has been fully restored. In the event money in the Reserve Fund is used for an authorized purpose while monthly payments are being made to said fund, the amount required to restore the sum then required to be on deposit therein shall be added to the payments then being made in the following month or months until the total amount then required to be on deposit in said fund has been fully restored.

(b) Notwithstanding the requirements of subsection (a) above, the City may provide a Reserve Fund Obligation issued in amounts equal to all or part (as may be specified in the ordinance authorizing any series of Parity Revenue Obligations), of the average annual principal and interest required of the Parity Revenue Obligations in lieu of depositing cash into the Reserve Fund; provided, however, that no such Reserve Fund Obligation may be so substituted unless (i) the substitution of the Reserve Fund Obligation will not cause any ratings then assigned to the Bonds by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business to be lowered and (ii) the ordinance authorizing the substitution of the Reserve Fund Obligation for all or part of the average annual principal and interest requirements of the Parity Revenue Obligations contains (A) a finding that such substitution is cost effective and (B) a provision that the interest due on any repayment obligation of the City by reason of payments made under such policy does not exceed the highest lawful rate on interest which may be paid by the City at the time of the delivery of the Reserve Fund Obligation. The City reserves the right to apply the proceeds of the Revenue Fund to payment of the subrogation obligation incurred by the City (including interest) to the issuer of the Reserve Fund Obligation, the payment of which will result in the reinstatement of such Reserve Fund Obligation, prior to making payment required to be made to the Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund to the average annual principal and interest requirements of the Parity Revenue Obligations.

(c) In the event a Reserve Fund Obligation issued to satisfy all or part of the City's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the average annual principal and interest requirements of all Parity Revenue Obligations, the City, may transfer such excess amount to any fund or funds established for the payment of or security for the Parity Revenue Obligations (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law.

(d) Notwithstanding anything to the contrary contained herein, the requirement set forth in subsection (a) above to maintain the Reserve Fund shall be suspended for such time as the "net revenues" of the System for each Fiscal Year are equal to at least 1.35 times the combined average annual principal and interest requirements of all outstanding Parity Revenue Obligations. In the event that the "net revenues" for any Fiscal Year are less than 1.35 times the combined average annual principal and interest requirements of all outstanding Parity Revenue Obligations, the City will be required to commence maintaining the Reserve Fund as provided in this Section 8.04, and to continue maintaining such Reserve Fund until the earlier of (i) such time as the Reserve Fund is fully funded or (ii) the "net revenues" in each of two consecutive years have been equal to not less than 1.35 times the combined average annual principal and interest requirements of all outstanding Parity Revenue Obligations. Notwithstanding the provisions of subsection (a) above, if the City commences deposits in the Reserve Fund and later is authorized to suspend payments into the fund under this section any funds so accumulated may, at the discretion of the City: (i) remain in the Reserve Fund or (ii) be used for any lawful purpose including additional projects or to pay debt service on the Bonds. The term "net revenues" as used in this Section shall mean the gross revenues of the System after deduction of maintenance and operating expenses, but not deducting depreciation or expenditures which, under standard accounting practices, are classed as capital expenditures.

Section 8.06. Deficiencies in Funds.

If in any month the City shall, for any reason, fail to pay into the Interest and Sinking Fund and Reserve Fund the full amounts required, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated revenues of the System for the following month or months and such payments shall be in addition to the amounts hereinabove provided to be otherwise paid into said Funds during such month or months.

Section 8.07. Excess Revenues.

Any revenues in excess of those required to establish and maintain the Funds as above required may be used to purchase and retire Parity Revenue Obligations in the open market at not exceeding the market value thereof, the redemption of such obligations, or for any lawful purpose now or hereafter provided by law.

Section 8.08. Security of Funds.

All moneys on deposit in the funds referred to in this Ordinance shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

Section 8.09. Investments.

(a) Money in the Funds established by this Ordinance, at the option of the City, may be invested in such securities or obligations as permitted under applicable law.

(b) Any securities or obligations in which money is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

Section 8.10. Investment Income.

Interest and income derived from investment of any fund created by this Ordinance shall be credited to such fund.

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Section 9.01. Issuance of Additional Parity Obligations Authorized.

In addition to the right to issue obligations of inferior lien as authorized by the laws of this State, the City reserves the right to issue Additional Parity Obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Bonds herein authorized, Series 2019 Bonds, the Series 2020 Bonds, the Taxable Series 2020A Bonds and any Additional Parity Obligations payable from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System and Additional Parity Obligations shall in all respects be of equal dignity. The Additional Parity Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) The City is not then in default as to any covenant, condition or obligation prescribed in an ordinance authorizing the issuance of the outstanding Parity Revenue Obligations.

(b) The proposed Additional Parity Obligations shall have been approved by the Attorney General of Texas.

(c) Each of the Funds created for the payment, security and benefit of the Parity Revenue Obligations contains the amount of money then required to be on deposit therein.

(d) The City has secured from a Certified Public Accountant a certificate or report reflecting that for the fiscal year next preceding the date of the proposed Additional Parity Obligations or a consecutive twelve (12) month period out of the fifteen (15) month period next preceding the month in which the ordinance authorizing the proposed Additional Parity Obligations is adopted, the "net revenues" of the System were equal to at least 1.20 times the combined average annual principal and interest requirements on all Parity Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity Obligations. In making a determination of such net revenues, the Certified Public Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which such net revenues are determined and, for purposes of satisfying such net revenues test, make a pro forma determination of such net revenues for the period of time covered by the certificate or report based upon such change in rates and charges as being in effect for the entire period covered by the certificate or report. The term "net revenues" as used in this Section 9.01 shall mean the gross revenues of the System after deduction of maintenance and operating expenses, but not deducting depreciation or expenditures which, under standard accounting practices, are classed as capital expenditures.

(e) The ordinance authorizing the Additional Parity Obligations provides (i) that the Interest and Sinking Fund be augmented by amounts adequate to accumulate the sum required to pay the principal and interest on such obligations as the same shall become due, and (ii) (a) the amount to be accumulated and maintained in the Reserve Fund, or such amount together with the amount or amounts any Reserve Policy or Policies, shall be increased to an amount not less than the average annual principal and interest requirements of all Parity Revenue Obligations to be outstanding after giving effect to the issuance of the proposed additional obligations, and any additional amount required to be maintained in the Reserve Fund shall be accumulated within sixty-one months from the date of delivery of such Additional Parity Obligations or (b) the Reserve Fund is expected to meet the requirements of Section 8.04(d) of this Ordinance.

(f) Parity Revenue Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the City may deem to be in the best interest of the City and its inhabitants; and if less than all such outstanding Parity Revenue Obligations are refunded, the proposed refunding obligations shall be considered as "Additional Parity Obligations" under the provisions of this Section, and the report or certificate required by paragraph (d) shall give effect to the issuance of the proposed refunding obligations and shall not give effect to the obligations being refunded.

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Section 10.01. Rates and Charges.

The City covenants and agrees with the Owners of the Bonds that so long as any Parity Revenue Obligations, or any interest thereon, remain outstanding and unpaid, it will charge and collect for services rendered by the System amounts sufficient at all times to:

(a) Pay all operating, maintenance, depreciation, replacement and betterment expenses, and other costs deductible in determining Net Revenues;

(b) Establish and maintain the Interest and Sinking Fund and Reserve Fund created for the payment and security of the Parity Revenue Obligations; and

(c) Pay the requirements of all other outstanding lawful indebtedness of the System as and when the same becomes due.

Section 10.02. Maintenance and Operation; Insurance.

The City shall maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any Parity Revenue Obligations are outstanding, the City agrees to maintain insurance for the benefit of the holder or holders of the obligations on the System of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business. Nothing in this ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City from doing so.

Section 10.03. Records; Accounts; Accounting Reports.

The City hereby covenants and agrees that so long as any Parity Revenue Obligations, or any interest thereon, remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System, separate and apart from all other records and accounts, in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, Texas Government Code, as amended, and that the owner or owners of any of said Parity Revenue Obligations or any duly authorized agent or agents of such owners shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that within 90 days following the close of each fiscal year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants or Licensed Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the System for such fiscal year.
(b) A balance sheet as of the end of such fiscal year.

(c) The Accountant's comments regarding the manner in which the City has carried out the requirements of this ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System.

(d) A list of the insurance policies in force at the end of the fiscal year on the System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer, and the policy's expiration date.

(e) A list of the securities which have been on deposit as security for the money in the Interest and Sinking Fund throughout the fiscal year, a list of the securities, if any, in which the Reserve Fund has been invested, and a statement of the manner in which money in the System Fund has been secured in such fiscal year.

(f) The number of properties connected with the System.

Expenses incurred in making the audits above referred to are to be regarded as maintenance and operating expenses of the System and paid as such.

Section 10.04. Special Covenants.

The City hereby further covenants as follows:

(a) The City has the lawful power to pledge the Net Revenues supporting this issue of Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, including said power existing under Chapter 1502, Texas Government Code, as amended; that the Bonds and the Additional Parity Obligations, when issued, shall be ratably secured under said pledge in such manner that one issue of Parity Revenue Obligations shall have no preference over any other issue.

(b) Other than the Parity Revenue Obligations to be outstanding following issuance of the Bonds and certain obligations of the City which may be issued in the future secured by and payable from a lien on and pledge of the Net Revenues, the Bonds, the Series 2019 Bonds, the Series 2020 Bonds, the Taxable Series 2020A Bonds and any Additional Parity Obligations, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System.

(c) So long as any of the Bonds or any interest thereon remain outstanding, the City will not sell or encumber the System or any substantial part thereof, provided that this shall not be construed to prohibit the sale of such machinery or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System; also, with the exception of the Additional Parity Obligations expressly permitted by this Ordinance to be issued, it will not encumber the Net Revenues of the System unless such encumbrance is made junior and subordinate to all of the provisions of this Ordinance.

(d) No free service of the System shall be allowed and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of moneys from sources other than the revenues and income of the System.

(e) To the extent that it legally may, the City further covenants and agrees that, as long as any Parity Revenue Obligations, or any interest thereon, are outstanding, no franchise shall be granted for the installation or operation of any competing waterworks or sewer system; and that the City will prohibit the operation of any water system or sewer system other than those owned by the City, and the operation of any such system by anyone other than this City is hereby prohibited.

Section 10.05. Payment of the Bonds.

While any of the Bonds are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, money sufficient to pay the interest on and the principal of the Bonds, as applicable, as will accrue or mature on each applicable Interest Payment Date.

Section 10.06. Other Representations and Covenants.

(a) The City will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance and in each Bond; and the City will, at the times and in the manner prescribed by this Ordinance, deposit or cause to be deposited the amounts of money specified by this Ordinance.

(a) The City is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the City in accordance with their terms.

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Section 11.01. Events of Default.

Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an "Event of Default," to-wit:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation 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 this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the City; or

(iii) the City files bankruptcy.

Section 11.02. Remedies for Default.

(a) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

Section 11.03. Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(i) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(ii) By accepting the delivery of a Bond authorized under this Ordinance, such Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the City.

(iv) None of the members of the City Council, nor any other official or officer, agent, or employee of the City, shall be charged personally by the Owners with any liability, or be held personally liable to the Owners under any term or provision of this Ordinance, or because of any Event of Default or alleged Event of Default under this Ordinance.

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Section 14.01. Amendment of Ordinance.

The City hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to-wit:

(a) The City may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and that shall not materially adversely affect the interests of the holders, (iv) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be inconsistent with the provisions of this Ordinance and that shall not in the opinion of the City's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Bonds aggregating in principal amount 51% of the aggregate principal amount of then outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Bonds, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the Bonds so as to:

(1) Make any change in the maturity of any of the outstanding Bonds;

(2) Reduce the rate of interest borne by any of the outstanding Bonds;

(3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds;

(4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; or

(5) Change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

(c) If at any time the City shall desire to amend this Ordinance under this Section, the City shall send by U.S. mail to each registered owner of the affected Bonds a copy of the proposed amendment and cause notice of the proposed amendment to be published at least once in a financial publication published in The City of New York, New York or in the State of Texas. Such published notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the office of the City for inspection by all holders of such Bonds.

(d) Whenever at any time within one year from the date of publication of such notice the City shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all of the Bonds then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the City may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the City and all holders of such affected Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Bond during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the City, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the affected Bonds then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, 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 holders 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 to the City 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 opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate 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 of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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 to 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 to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City 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. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such 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 City 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 Bond.

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 OBLIGATIONS 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, holders 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 holder at a purchase price which is less than the stated redemption price at maturity or, in the case of an obligation 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 holder 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 IRS. 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 agreement for the benefit of the holders 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 agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 8 and in APPENDIX B. The City will update and provide this information within 6 months after the end of each fiscal year ending in or after 2025.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (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 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 an 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 FROM MSRB . . . 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 "Event Notices" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB, where it will be available through the MSRB's Electronic Municipal Market Access, or "EMMA" system, to the general public, free of charge, at www.emma.msrb.com.

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

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 financial reports. 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 Annual Comprehensive Financial Report (“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 calculated 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.

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.

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OTHER INFORMATION

RATING . . . The Bonds and outstanding water and sewer system debt of the City have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement. 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.

On the date of delivery of the Bonds to the Purchaser, the City will execute and deliver to the Purchaser a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

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.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City has agreed to cooperate, at the Purchaser' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. 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 capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS . . . 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, without legal limit as to rate or amount, upon all taxable property within the City. Issuance of the Bonds is also subject to the 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 below under "TAX MATTERS." Such opinions 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.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions 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 Initial Purchaser 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.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the Initial Purchaser to take and pay for the Bonds, and of the City to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in the Official Statement.

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, 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.

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.

INITIAL PURCHASER . . . After requesting competitive bids for the Bonds, the City accepted the bid of _______________________ (the "Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of approximately _________% of par. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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 also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Purchaser.

This Official Statement has been approved by the City Council for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The City, acting by and through its City Council in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the City and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the City, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the City has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF

INFORMATION” herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the “end of the underwriting period” which shall end when the City delivers the Bonds to the Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Bonds subsequent to the “end of the underwriting period” is the responsibility of the Purchaser.

UPDATING THE OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . . If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the City learns or is notified by the Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the City will promptly prepare and supply to the Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Bonds as described in the Notice of Sale under the heading “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – DELIVERY.” The obligation of the City to update or change the Official Statement will terminate when the City delivers the Bonds to the Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Purchaser provides written notice the City that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Purchaser provides written notice to the City that less than all of the Bonds have been sold to ultimate customers, the Purchaser agrees to notify the City in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

____
Mayor
City of Killeen, Texas

ATTEST:

____
City Secretary
City of Killeen, Texas

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 to the east of Interstate 35, with Highways 281 and 18 about 30 miles to the west. The city is conveniently positioned within a short driving distance of major metropolitan areas such as Austin (70 miles), San Antonio (150 miles), Houston (190 miles), and Dallas (160 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 1943. In 1950, Camp Hood, was renamed Fort Cavazos and was designated as a permanent military installation, further fueling the city's population growth.

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, and 127,921 according to the 2010 U.S. Census Report. Currently, the estimated population of Killeen in 2023 stands at approximately 159,643. The city owes much of its growth and economic development to the presence of Fort Cavazos, which has played a pivotal role in attracting residents and shaping the local community.

CITY SERVICES . . . The City provides the basic governmental services to the citizens such as police protection, fire protection, emergency medical services, water, sewer and garbage utilities, airports, a golf course, a public library system, an Arts and Activities Center, and numerous parks and recreation facilities.

UTILITIES . . . Electric and gas are provided by Reliant Energy and Atmos. Water is supplied to the City by Bell County Water Control & Improvement District No. 1. Spectrum provides phone service. The City provides water distribution and sewer service.

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 and Skylark Field. The Killen Regional Airport is a joint use facility sharing a runway with the US Army at Robert Gray Army Airfield. This $83,000,000 City facility includes a new terminal building, maintenance facilities, rental car facilities, parking lots, fuel facilities, aircraft parking aprons and roads. The City operates two airports: The Killeen Airport and Skylark Field. The Killen Regional Airport is a joint use facility sharing a runway with the US Army at Fort Cavazos Robert Gray Army Airfield. This $83,000,000 City facility includes a passenger terminal building, maintenance facilities, rental car facilities, parking lots, fuel facilities, aircraft parking aprons and roads. There is one airline carrier that operates from the airport, American Airlines. The second City airport, Skylark Field, serves as the community general aviation facility. Private aircraft, corporate aircraft, an Army helicopter repair facility and a college flight program operate from Skylark Field.

The City is on the main line of the Atchison, Topeka and Santa Fe Rail System and has daily service available for carload shipments as far as Los Angeles to the west, Houston to the south and Chicago to the north. Local facilities include pick-up, delivery, loading docks, forklifts and piggy-back service.

Arrow Trailways bus line provides arrivals and departures daily. Services connect to Greyhound-Trailways services for connections throughout the United States.

Motor freight carriers serving the City include Allied Van Lines, Mayflower Transit, and Central Transportation System.

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 officially opened to the public on September 19, 2024, in Killeen, just outside Fort Cavazos. Situated on 17 acres near the Bernie Beck Gate, the museum features over 12,000 square feet of permanent gallery space showcasing the history and legacy of mounted soldiers. Phase I of the museum includes interactive exhibits designed to provide an immersive and educational experience.

   The museum is projected to attract up to 377,000 visitors annually, with approximately 70% coming from outside the local area. This influx of visitors is expected to generate an annual economic impact of $5 million to $45 million, benefiting local businesses through increased demand for food, fuel, and lodging.

   This exciting addition solidifies Killeen's role as a key hub for tourism, education, and economic development in Central Texas.

2. MGC Pure Chemicals America Expansion. In January 2024, MGC Pure Chemicals America announced a $100+ million expansion of its Killeen facility to support semiconductor industry demand. This expansion doubles production capacity and includes a rail spur, new manufacturing plants, and a maintenance building. The City has provided $1.9 million in

incentives, including $600,000 from the Tax Increment Reinvestment Zone (TIRZ) for infrastructure improvements. This project is expected to increase assessed property values, enhance property tax revenues, and create jobs.

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. Solix Inc. – expanded business operations in 2018, adding 180 employees to the 175 employees already at its Killeen location. The expansion will over a three-year period.

5. Texas A&M University Central Texas: TAMUCT occupies a 662-acre campus and serves over 2,200 students, with recent growth in enrollment reflecting increased demand for higher education in the region. In 2019, the university opened a 67,000-square-foot state-of-the-art facility, built at a cost of $38 million, to support new degree programs and enhance learning opportunities.

TAMUCT collaborates with industry leaders to drive innovation and research:

CenTex Technologies focuses on digital forensics as part of a partnership established in 2020.

Trideum Corporation supports Operational Test Command through a partnership initiated in 2021.

Forge Research Park, a visionary project designed to attract businesses and foster job creation. The initiative will combine academic, research, and commercial elements, creating a hub for innovation and economic development in Killeen.

6. 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.

7. Opened in early 2024 through a public-private partnership, the $55 million Station42 Apartments is a 368-unit mixed-income community near W.S. Young Drive and East Veterans Memorial Boulevard. Over half of the units are reserved for residents earning 80% or less of the area median income, with affordable rents capped at 30% of income. Featuring upscale amenities like a resort-style pool, fitness center, and coworking lounge, the project addresses affordable housing needs, revitalizes North Killeen, and supports the city's 2040 Comprehensive Plan

MAJOR EMPLOYERS

Name of Employer	Number of Employees
Fort Cavazos	48,808
Killeen ISD	6,800
Central Texas College	1,488
City of Killeen	1,173
AdventHealth	1,000
First Community Services	700
Texas A&M University	305
Z-Modular	200

MILITARY FACILITIES – FORT CAVAZOS . . . Fort Cavazos, formerly known as Fort Cavazos, is a military installation established in 1942 and recognized as the largest armored military base in the free world. On May 9th, 2023, the name was officially changed to Fort Cavazos. It serves as the headquarters for the III Mobile Armored Corps and spans a vast area of 214,351 acres, equivalent to 35 square miles. Situated in a rolling, semi-arid terrain, Fort Cavazos offers an ideal environment for comprehensive training and testing of both military units and individuals. Renowned as "The Army's Premier Installation to train and deploy heavy forces," it is the sole post in the United States capable of accommodating and training two Armored Divisions. Additionally, Fort Cavazos holds the distinction of being the largest employer in the State of Texas, operating as a significant economic contributor to the region.

Fort Cavazos shares its boundaries with Copperas Cove to the southwest, Killeen to the southeast, and Gatesville to the north. In addition to housing the 1st Cavalry Division and 1st Army Division West, it is home to various other units and tenant organizations, including Headquarters Command III Corps, 3rd Armored Cavalry Regiment, 3rd Air Support Operations Group, 13th Sustainment Command (Expeditionary), 13th Finance Management Center, 21st CAV Brigade (Air Combat), 36th Engineer Brigade, 41st Fires Brigade, 48th Chemical Brigade, 69th Air Defense Artillery Brigade, 89th Military Police Brigade, 504th Battlefield Surveillance Brigade (BfSB), the Dental Activity (DENTAC), the Medical Support Activity (MEDDAC), and the U.S. Army Operational Test Command (USAOTC), among others.

The original site for Fort Cavazos was selected in 1941, and construction of South Camp Hood commenced in 1942. Shortly thereafter, North Camp Hood was established, located 17 miles to the north of the first land acquisition and cantonment area. South Camp Hood was later designated as Fort Cavazos in 1951, becoming a permanent installation. Meanwhile, North Camp Hood transitioned into North Fort Cavazos, and the current West Fort Cavazos was previously a U.S. Air Force Base. From 1947 to 1952, both the airfield and the base were operated by the U.S. Air Force, followed by the U.S. Army taking over management under the Defense Atomic Support Agency from 1952 to 1969. Finally, in 1969, these facilities became part of Fort Cavazos.

Authorized Military Strength: 36,121 personnel as of January 2024
Assigned Strength: Approximately 34,375 Soldiers & Airmen
Family Members: 48,476 (71.1% residing off-post)
Civilian Employees: Approximately 4,580 (including appropriated and non-appropriated fund staff)
AAFES and Commissary Personnel: Approximately 1,128
Contractors/Others: Approximately 7,447 (including Killeen Independent School District on-post staff.)

EDUCATION . . . Killeen Independent School District ("KISD") in Texas takes pride in offering high-quality education from kindergarten to graduate school. It is the fourth most diverse district in the state and has experienced significant growth over the years, with an estimated enrollment of over 44,500 students. KISD employs over 6,500 teachers and support personnel, making it the second-largest employer in the area. The district includes 31 elementary, 12 middle, and 6 high schools (including an Early College High School), and 4 special campuses which include a state-of-the-art Career Center. Accredited by the Texas Education Agency, KISD maintains high standards in education.

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

The College has Matriculation agreements with many four-year institutions and classes taken at CTC will transfer to any public university in the state of Texas. The Central Campus Financial Aid and the Veterans Services offices assist students in securing scholarships, grants, and loans. Additionally, the college Foundation offers over $70,000 in scholarships to CTC students annually. A&M-Central Texas was established on September 1, 1999, as Tarleton State University-Central Texas, and became a stand-alone university on May 27, 2009, one of 11 universities within the A&M System. A&M-Central Texas is an upper-level institution offering the junior- and senior-level coursework needed to successfully complete baccalaureate degrees, and all coursework leading to the completion of graduate degrees, to include master's and specialist programs. A&M-Central Texas became a separately accredited institution in June 2013 through the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), retroactive to January 1, 2013. The Texas A&M University System is one of the largest systems of higher education in the nation, with a budget of $4.55 billion. Through a statewide network of 11 universities and seven state agencies, the Texas A&M System educates more than 148,000 students and makes more than 22 million additional educational contacts through service and outreach programs each year. System-wide, research and development expenditures exceeded $972 million in FY 2016 and helped drive the state's economy. A&M Central Texas offers 38 bachelor's degrees, 17 master's degrees, and several professional certifications in a variety of in-demand subjects.

The Fort Cavazos Educational Services Division provides resources for academic and military self-development. Services are provided for soldiers, family members and DA civilian employees. On post are educational programs providing for associate degrees and certificates, bachelor's degrees and master's degrees. Colleges and universities represented include the College, Texas A&M University, the University of Mary Hardin-Baylor and St. Mary's University.

HOSPITALS AND HEALTH CENTERS . . . Advent Health is a full service, nonprofit hospital with more than 300 physicians in 43 specialties. The facility offers an expanded 24-hour emergency center; general and same-day surgery suites, including laser and endoscopy; advanced diagnostic imaging capabilities, including Magnetic Resonance Imaging (MRI), CT scan, nuclear medicine techniques, cardiac-cath lab for diagnosing heart blockage and other heart-related problems, x-ray imaging and ultrasound; a nationally ranked mammography center, and more.

Baylor Scott & White Clinic – Killeen is an extension of Baylor Scott & White Health offering expertise and treatment options in the areas of kidney disease, pediatric care, primary care, and psychology. Baylor Scott & White has three locations in the City of Killeen, Killeen West, and Specialty Clinic, expanding their areas of expertise to include cosmetic and plastic surgery, digestive diseases, imaging and radiology, among others.

West Killeen Medical Home, part of the Military Health System, opened its doors October 1, 2018 and is expected to support approximately 8,500 family members and retirees. West Killeen Medical Home's location allows military members and their families to seek medical care without having to travel to an on-post facility.

SignatureCare Emergency Center opened its doors January 31, 2019 in Killeen. The new facility offers 24-hour emergency services for minor and major medical emergencies, pediatric emergencies, on-site medical lab, and testing. SignatureCare Emergency Center promises to function as a hospital-based emergency room with one major difference being a short wait time.

PARKS AND RECREATION . . . The City provides its citizens with 23 public parks including four major park areas totaling 382 acres, these being the Longbranch Park (77 acres), Conder Park (32 acres), Lion's Park (66 acres) and Community Center Complex (110 acres). Both Longbranch and Pershing Park have full recreation facilities including swimming pools, lighted tennis courts, softball fields, pavilions and restrooms. Bacon Ranch Park includes a rodeo arena, exhibition building and livestock area.

The Athletic Complex consists of 140 acres with five softball fields (four lighted), two lighted baseball fields, a multi-purpose community center, a Senior Citizen's Center, an amphitheater, and a three-mile hike and bike trail.

The City also operates a municipal golf course which underwent extensive renovation. Golf course improvements include a new clubhouse, eight newly designed holes and new tee boxes for three of the existing holes. State of the art practice facilities will consist of a double ended driving range, a short game area with a 9,000 square foot green with a practice bunker, a 9,000 square foot chipping green with a practice bunker as well as a 12,000 square foot putting green. The renovated course opened in December of 2004.

The Killeen Recreation Department offers a wide variety of year round recreational programs and activities for the greater Killeen area.

LABOR MARKET PROFILE

Bell County

	April 2025	April 2024
Total Civilian Labor Force	167,846	165,160
Total Employment	161,044	158,995
Total Unemployment	6,802	6,165
Percent Unemployed	4.1%	3.7%

Killeen-Temple-Fort Cavazos MTA

	April 2025	April 2024
Total Civilian Labor Force	204,895	201,657
Total Employment	196,589	194,138
Total Unemployment	8,306	7,519
Percent Unemployed	4.1%	3.7%

State of Texas

	April 2025	April 2024
Total Civilian Labor Force	15,922,661	15,523,969
Total Employment	15,334,972	14,972,359
Total Unemployment	587,689	551,610
Percent Unemployed	3.7%	3.6%

Source: Texas Employment Commission.

APPENDIX B

EXCERPTS FROM THE
CITY OF KILLEEN, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2024

The information contained in this APPENDIX consists of excerpts from the City of Killeen, Texas Annual Financial Report for the Year Ended September 30, 2024, 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

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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, 2024, 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, 2024, 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 $13,387,201 and revenues were $1,739,263. 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.

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 31, 2025, 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 31, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF KILLEEN

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, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 11-15 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 $460.1 million (*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 $65.6 million.
- The City's total net position increased by 51.8 million. This growth was driven by a $6.3 million increase in charges for services and a $7.8 million rise in tax revenues, reflecting ongoing population and economic expansion. Additionally, investment income grew by $8.8 million, primarily due to the recognition of a market gain that offset losses recognized in the prior year.
- Expenses increased by $15.8 million compared to the prior year; however, they represented 72 percent of total revenues, an improvement from 81 percent 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 $151.3 million, an increase of $3.0 million in comparison with the prior year.
- At the end of the current fiscal year the unassigned fund balance for the general fund was $34.4 million, or 30.4 percent of total general fund expenditures.
- The City's total outstanding long-term debt decreased by $29.1 million during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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 on pages 40 - 41 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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, 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 pages 42-45 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the operations of the airport, 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, and Drainage Utility funds, all of which are major funds of the City.

The basic enterprise fund financial statements can be found on pages 46-50 of this report.

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

The basic fiduciary fund financial statements can be found on pages 51-52 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54-88 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other 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 on pages 91-97 of this report.

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 on pages 100-145 of this report.

Government-Wide Overall Financial Analysis

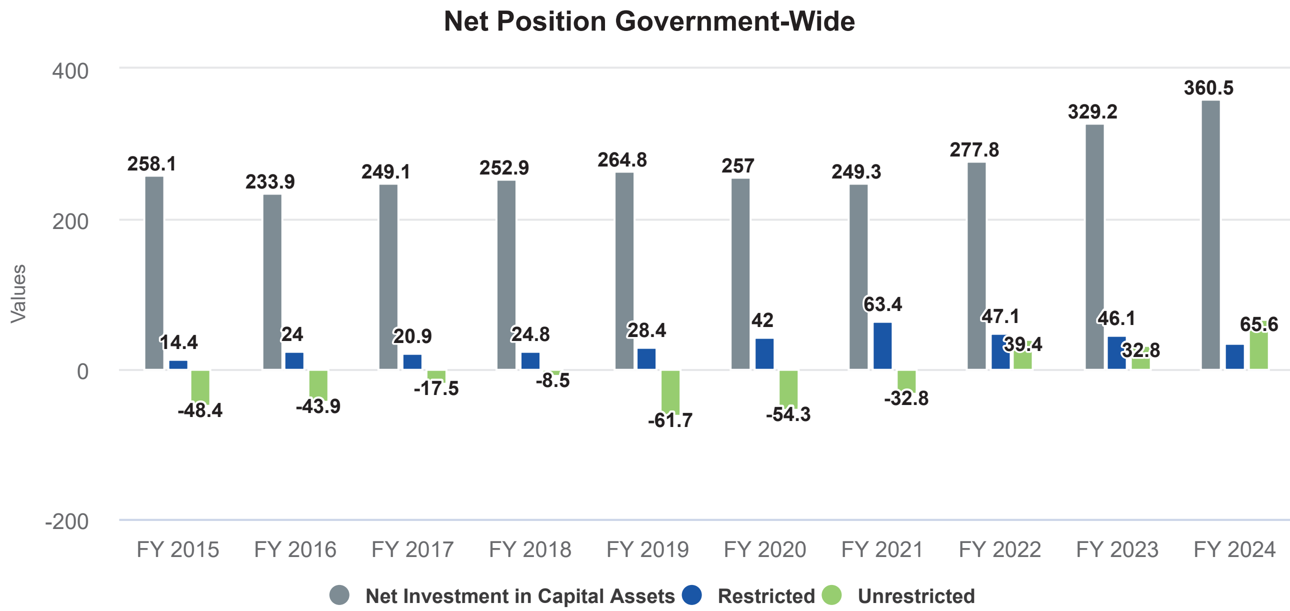
As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $460.1 million at the close of the most recent fiscal year.

Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current and other assets	$ 182.8	$ 189.0	$ 88.2	$ 88.1	$ 271.0	$ 277.1
Capital assets	234.8	218.8	282.9	264.3	517.7	483.1
Total assets	417.6	407.8	371.1	352.4	788.7	760.2
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	6.7	7.3	0.3	0.3	7.0	7.6
Deferred outflows - pensions	26.0	48.4	3.2	7.4	29.2	55.8
Deferred outflows - OPEB	1.4	1.7	0.4	0.5	1.8	2.2
Total deferred outflows of resources	34.1	57.4	3.9	8.2	38.0	65.6
LIABILITIES						
Current liabilities	22.7	34.6	11.4	8.9	34.1	43.5
Noncurrent liabilities	267.2	287.7	56.5	64.8	323.7	352.5
Total liabilities	289.9	322.3	67.9	73.7	357.8	396.0
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - leases	-	-	2.0	1.2	2.0	1.2
Deferred inflows - pensions	1.9	14.0	0.2	2.5	2.1	16.5
Deferred inflows - OPEB	3.7	3.0	1.0	0.9	4.7	3.9
Total deferred inflows of resources	5.6	17.0	3.2	4.6	8.8	21.6
NET POSITION						
Net investment in capital assets	108.0	99.2	252.5	230.1	360.5	329.3
Restricted	26.8	23.1	7.2	23.0	34.0	46.1
Unrestricted	21.4	3.6	44.2	29.2	65.6	32.8
Total net position	$ 156.2	$ 125.9	$ 303.9	$ 282.3	$ 460.1	$ 408.2

By far the largest portion of the City's net position, $360.5 million, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment, and systems), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



(1) Information has not been restated for GASB 68 and 75 implemented in 2015 and 2018, respectively

An additional portion of the City's net position, $34.0 million, represents resources that are subject to external and internal restrictions on how they may be used. The remaining balance of unrestricted net position, $65.6 million, may be used to meet the City's ongoing obligations to citizens and creditors.

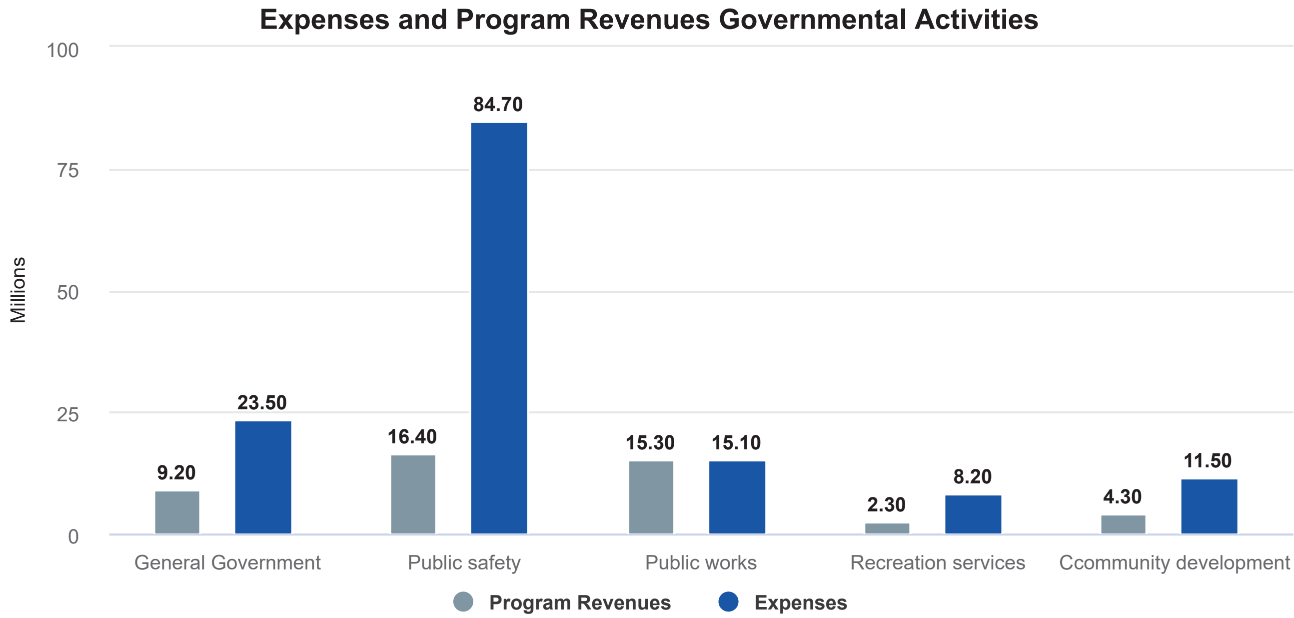
The City's overall net position increased by 51.8 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased by $30.3 million, bringing the total to $156.2 million. Key revenue increases from the previous year include a $7.8 million rise in taxes and a $7.4 million increase in investment income. Expenditures also increased by $12.1 million. The ratio of expenditures to revenues was 88 percent, an improvement from 90 percent last year, indicating better alignment between revenue growth and spending.

Changes in Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Total Activities	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for services	$ 24.9	$ 25.0	$ 87.3	$ 80.9	$ 112.2	$ 105.9
Operating grants and contributions	14.3	15.2	1.1	-	15.4	15.2
Capital grants and contributions	8.3	5.9	13.4	15.4	21.7	21.3
General revenues:						
Property taxes	64.7	56.9	-	-	64.7	56.9
Franchise fees	5.4	5.6	-	-	5.4	5.6
Sales taxes	39.3	38.3	-	-	39.3	38.3
Interest and investment income	11.8	4.4	3.6	2.3	15.4	6.6
Insurance proceeds	-	0.5	-	0.1	-	0.6
Gain on sale of capital assets	0.2	0.2	0.3	0.1	0.4	0.3
Lease revenue	-	0.2	0.1	0.1	0.1	0.3
Total revenues	168.9	152.1	105.8	98.9	274.7	251.0
Expenses						
General	23.6	21.7	-	-	23.6	21.7
Public safety	84.7	78.4	-	-	84.7	78.4
Public works	15.1	13.5	-	-	15.1	13.5
Recreation services	8.2	8.6	-	-	8.2	8.6
Community development	11.5	9.7	-	-	11.5	9.7
Interest on long-term debt	5.8	4.9	-	-	5.8	4.9
Airport operations	-	-	8.9	8.6	8.9	8.6
Solid waste	-	-	21.0	19.3	21.0	19.3
Water and sewer	-	-	38.5	38.5	38.5	38.5
Drainage utility	-	-	3.9	4.0	3.9	4.0
Golf course	-	-	1.6	-	1.6	-
Total expenses	148.9	136.9	73.9	70.4	222.8	207.2
Change in net position before transfers	20.0	15.3	31.9	28.5	51.9	43.8
Transfers	10.3	9.1	(10.3)	(9.1)	(0.0)	-
Change in net position	30.3	24.4	21.6	19.4	51.9	43.8
Net position at beginning of year	125.9	101.4	282.3	262.9	408.3	364.3
Prior year adjustment	-	0.1	-	-	-	-
Net position at end of year	$ 156.2	$ 125.9	$ 303.9	$ 282.3	$ 460.1	$ 408.1



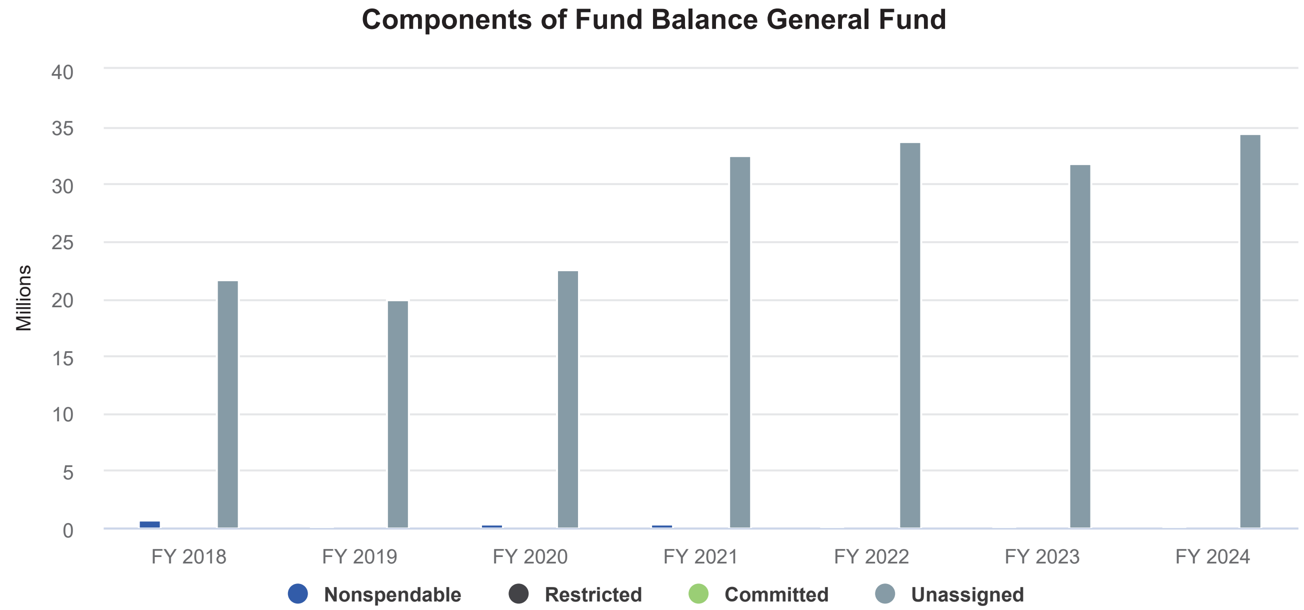
Business-type activities. Business-type activities increased the City's net position by $21.6 million. Key revenue increases from the previous year include a $6.4 million rise in charges for services and a $3.7 million increase in investment income. Total expenditures amounted to 73 percent of program 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 $151.3 million, an increase of $3.0 million in comparison with the prior year. Approximately $34.36 million is unassigned *fund balance*, which is available for spending at the City's discretion and $31.3 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 ($4.5 million) or 2) restricted for particular purposes ($81.1 million).



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 $34.4 million, while the total fund balance increased to $34.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 30.4 percent of total general fund expenditures, while total fund balance represents 30.6 percent of that same amount.

The fund balance of the City's general fund increased by $2.5 million during the current fiscal year. General fund transfers out total $11.3 million and transfers in total $10.7 million in the current fiscal year. The major transfers were:

- A transfer of $10.8 million was made to the Governmental Capital Improvements Fund, allocated as follows: $2.8 million to fund governmental capital improvement projects in cash; $3.2 million for new and replacement fees; and $4.8 million to transfer excess fund balance to the capital improvement fund, in accordance with the Financial Governance Policy, for governmental capital improvements.
- Indirect cost allocations transferred from the solid waste fund, water and sewer fund, and drainage fund in the amounts of $3.4 million, $6.4 million, and $0.7 million, respectively.

The capital improvement fund had a decrease in fund balance during the current year of $2.0 million. For the current fiscal year the transfers from general fund to the capital improvement fund were $10.8 million, and transfers from other nonmajor funds total $1.3 million, transfer out to the information technology fund of $0.7 million and the capital outlay expenditures were $21.5 million.

The debt service fund, the remaining major governmental fund, had an increase in fund balance during the current year of $0.7 million to bring the year end fund balance to $4.8 million. The fund received revenues of $15.2 million in property taxes, $2.6 million from a TXDOT reimbursement program based, and $0.4 million in investment earnings. Total expenditures amounted to $17.5 million for debt service payments.

The 2023 C.O. Bond Fund experienced an increase in fund balance of $1.3 million during the current year. The fund received revenues of $1.8 million in investment earnings and incurred expenditures of $0.5 million.

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 $2.6 million, $8.0 million, $25.9 million, $7.5 million and $0.2 million, respectively. The combined growth in net position for all funds was $21.6 million. 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 $7.1 million increase in net appropriations, and can be briefly summarized as follows:

- The budget for transfers to the governmental capital improvements projects fund increased by $5.7 million, including $4.8 million from excess fund balance and $0.9 million in additional funding for capital improvement projects.
- The general government expenditures budget increased by $1.6 million to account for ARPA-funded projects carried forward from the prior fiscal year, which is offset by a corresponding increase in intergovernmental revenues.
- Budgets across multiple departments increased by a total of $1.6 million to support ongoing programs, projects, and equipment purchases carried over from the prior fiscal year.

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	$ 92,885,838	$ 90,894,179	$ (1,991,659)
Intergovernmental	6,277,507	5,644,029	(633,478)
Charges for services	6,338,655	6,914,509	575,854
Fines and fees	3,050,843	3,501,995	451,152
Investment earnings	1,448,305	5,918,522	4,470,217

The shortfall in tax revenues was primarily due to property tax collections falling $1.1 million below projections. The budget assumed a 98.5 percent collection rate of the certified total levy, but actual collections were approximately 96 percent. Additionally, the shortfall in intergovernmental revenue was mainly attributed to unspent American Rescue Plan Act (ARPA) funds, which were budgeted but not utilized, resulting in revenue not being recognized in the current year.

Additionally, charges for services increased by $0.6 million, which includes a $0.3 million increase in EMS revenues and a $0.3 million increase in other income, such as rebates and refunds. Investment earnings also saw a significant rise of $4.4 million, primarily due to a recognized market gain in securities that offset losses recognized in prior years.

A review of actual expenditures compared to appropriations in the final budget showed no significant variances, with one exception. Actual expenditures for the police department within the public safety function totaled $39.7 million, which was approximately $2.5 million lower than the budgeted appropriation of $42.2 million. This variance was primarily due to personnel vacancies throughout the year.

Across other departments, unfilled positions resulted in additional savings of $0.4 million. Furthermore, $0.6 million in budgeted supply expenditures remained unspent, while $1.2 million allocated for miscellaneous services and charges was not utilized.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024 amounts to $517.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure. The total increase in capital assets for the current fiscal year was $34.5 million.

Capital Assets

(net of depreciation, in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	2024	2023	2024	2023	2024	2023
Land	$ 9.6	$ 9.2	$ 1.8	$ 1.8	$ 11.4	$ 11.0
Construction in progress	27.4	9.6	49.5	27.1	76.9	36.7
Buildings	44.8	47.8	51.6	53.7	96.4	101.5
Improvements other than buildings	-	-	106.6	113.4	106.6	113.4
Furniture and equipment	9.1	4.4	7.0	3.4	16.1	7.8
Vehicles	10.7	9.5	4.9	4.8	15.6	14.3
Infrastructure assets	133.2	138.4	61.5	60.1	194.7	198.5
Total	$ 234.8	$ 218.9	$ 282.9	$ 264.3	$ 517.7	$ 483.2

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

- $11.2 million in airport projects, of which approximately $1 million was funded by Customer Facility Charges and Passenger Facility Charges.
- $11.7 million in construction-in-progress, including solid waste facility upgrades, water and sewer infrastructure improvements, drainage system enhancements and various street improvements.
- $17.7 million in construction-in-progress for streets, facility improvements, park enhancements, and infrastructure projects, including investments in public safety and community facilities.
- $2.3 million in various street and sidewalk improvement projects, including pavement rehabilitation, sidewalk expansion.
- $7.3 million of water, sewer, drainage, and street infrastructure was contributed to the City by developers.
- $9.2 million for the purchase of heavy machinery and equipment, including cranes, loaders, and other specialized vehicles to support public works, solid waste management, and infrastructure maintenance operations.
- $6.7 million for the purchase of various vehicles, including fleet replacements for public safety, utility service vehicles, and other departmental needs to ensure reliable transportation and service delivery..
- $3.7 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 on pages 65-68 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total outstanding debt of $222.9 million, of which $209.0 million was bonded debt. This includes $122.9 million in general obligation bonds and $50.7 million in certificates of obligations, both backed by the full faith and credit of the City, as well $35.4 million in revenue bonds issued by the City's business enterprises.

Outstanding Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	2024	2023	2024	2023	2024	2023
Revenue bonds	$ -	$ -	$ 35.4	$ 40.0	$ 35.4	$ 40.0
General obligation bonds	118.2	130.6	4.7	5.8	122.9	136.4
Certificates of obligation	50.7	52.0	-	-	50.7	52.0
Plus unamortized bond premiums/ discounts	10.8	11.9	3.1	3.3	13.9	15.2
Total outstanding debt	$ 179.7	$ 194.5	$ 43.2	$ 49.1	$ 222.9	$ 243.6

The City's total debt increased by $20.7 million 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:

City of Killeen Bonded Debt Ratings
September 30, 2024

Bond Type	Rating S&P	Rating 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 $139.3 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.K on pages 82-85 of this report.

Economic Factors and Next Year's Budget and Rates

The following economic factors and priorities were considered in developing the 2025 fiscal year budget:

The budget was developed based on a tax rate of 65.73 cents per $100 valuation, representing an increase of 3.65 cents over the FY 2024 tax rate of 62.08 cents. Over the past five years, the tax rate decreased significantly from 74.98 cents in FY 2020 to 62.08 cents in FY 2024, demonstrating a commitment to fiscal responsibility and efficiency. However, the FY 2025 tax rate increase of 3.65 cents was necessary to ensure adequate funding for essential services. Killeen continues to experience growth in both population and property valuation, with the net taxable value increasing by 4.23% to $11.3 billion, including $153 million in new growth.

The value of tax-exempted property grew by $397 million, bringing the total to $3.65 billion. Of this amount, property value exempted under the disabled veteran exemption increased by $327.3 million (18.5%), reaching a total of $2.09 billion. This exemption results in an estimated revenue loss of $13.8 million, with the City expecting to receive $2.1 million in State reimbursement for FY 2025, leaving a net revenue loss of $11.7 million.

The City's legislative agenda remains focused on advocating for increased State reimbursement to offset the disproportionate impact of the exemption. Notably, State reimbursement was reduced by $1.0 million in the 2022-2023 Biennium Budget due to mandatory COVID-19 cuts.

The budget was developed to establish a strong foundation for service delivery to Killeen residents. It aligns with City Council's goals and priorities, with particular emphasis on three key areas: 1) ensuring competitive pay, 2) hiring additional staff to maintain service levels, and 3) maintaining affordable healthcare plans for employees.

Significant progress has been made in recent years to provide employees with fair and competitive wages. The FY 2025 budget continues this effort by including a 4% cost-of-living increase for classified employees and public safety civil service employees. Public safety civil service employees will also receive step increases per the pay plan. Additionally, FY 2025 marks the beginning of a phased approach to compressing at least one step annually for the Police Officer and Fire Rescue Officer pay plans. In this first phase, the pay plans will be reduced from 18 steps to 17, with the annual salary for step 18 now occurring at step 17. Adjustments for salaried employees are also incorporated to ensure compliance with the latest Department of Labor salary threshold regulations.

The adopted budget includes 1,362.87 full-time equivalent (FTE) positions, an increase of 31.81 FTEs over the prior year. This includes 18.59 new positions, such as 3.59 FTEs for the reopening of the Rosa Hereford Community Center, 3 Service Worker positions to establish a Litter Crew, 1 Senior Construction Inspector in Engineering, 4 Solid Waste Worker positions for bulk collection, and 7 positions at Killeen Regional Airport to support airfield maintenance through an Intergovernmental Service Agreement with Fort Cavazos. Additionally, adjustments in the current year resulted in a net increase of 13.22 FTEs, including 21 FTEs added when the City assumed management of the Texas State Veterans Cemetery and a reduction of 7.78 FTEs for positions no longer needed, such as those in the ARPA-funded Summer Youth Hiring Program and positions in Municipal Court and Parks and Recreation due to departmental reorganization.

Despite the addition of new positions, 55 requested positions remain unfunded. The ratio of employees per 1,000 population increased to 8.23 due to the inclusion of the 21 FTEs associated with the Texas State Veterans Cemetery. Without these positions, the ratio stands at 8.10, slightly lower than the current year. Addressing the need for additional employees to keep pace with the city's growth remains an ongoing challenge.

To ensure the best health insurance plan and rates for City employees, a competitive bid process was conducted. In June, City Council selected a new health insurance carrier, securing coverage at the current premium rates. As a result, there are no increases in employee or employer premiums for FY 2025.

The FY 2025 adopted budget also incorporates several City Council priorities established during the February 26, 2024, workshop. Funding is included for downtown events, northside infrastructure improvements, the HOP's MicroTransit System, aviation marketing, and a salary survey. Additional funding for code enforcement abatement in Development Services is also provided to address blighted homes and hazardous areas.

The Strategic Plan section integrates the six big ideas outlined in the Comprehensive Plan adopted by the City Council in August 2022. A matrix links these big ideas to each department's goals and accomplishments, marking a significant step toward using the Comprehensive Plan as a guide in decision-making for the budget and Capital Improvement Program (CIP) processes.

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

Exhibit A-1

City of Killeen, Texas
Statement of Net Position
September 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Killeen Economic Development Corp.
ASSETS				
Cash and equity in pooled cash and investments	$ 105,119,770	$ 56,862,001	$ 161,981,771	$ 5,421,047
Receivables (net of allowances for uncollectibles):				
Taxes	8,545,398	-	8,545,398	-
Accounts	3,689,981	9,869,772	13,559,753	304,000
Accrued Interest	156,053	96,384	252,437	
Intergovernmental receivable	3,657,086	1,492,837	5,149,923	-
Lease receivable	-	2,007,756	2,007,756	
Inventories	416,897	476,019	892,916	-
Prepaid assets	4,454,952	15,842	4,470,794	-
Restricted assets:				
Cash and cash equivalents	56,706,953	17,403,974	74,110,927	-
Capital assets:				
Nondepreciable	36,982,296	51,361,714	88,344,010	5,731,463
Depreciable (net)	197,831,112	231,512,504	429,343,616	1,930,691
Total assets	417,560,498	371,098,803	788,659,301	13,387,201
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	6,689,533	277,191	6,966,724	-
Deferred outflows - pensions	26,004,200	3,216,353	29,220,553	-
Deferred outflows - OPEB	1,454,011	399,398	1,853,409	-
Total deferred outflows of resources	34,147,744	3,892,942	38,040,686	-
LIABILITIES				
Accounts payable	8,906,398	7,643,957	16,550,355	8,791
Deposits payable	48,877	2,791,951	2,840,828	-
Unearned revenue	10,489,109	414,246	10,903,355	-
Accrued salaries payable	2,283,564	440,921	2,724,485	-
Accrued interest payable	956,638	138,320	1,094,958	62,500
Noncurrent liabilities:				
Due within one year	17,032,300	5,227,900	22,260,200	1,131,920
Due in more than one year	250,156,549	51,299,602	301,456,151	2,618,080
Total liabilities	289,873,435	67,956,897	357,830,332	3,821,291
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - Leases	-	1,982,168	1,982,168	-
Deferred inflows - pensions	1,875,876	176,336	2,052,212	-
Deferred inflows - OPEB	3,681,024	1,008,774	4,689,798	-
Total deferred inflows of resources	5,556,900	3,167,278	8,724,178	-
NET POSITION				
Net investment in capital assets	108,048,194	252,544,557	360,592,751	3,912,154
Restricted for:				
Debt service	6,190,664	3,472,534	9,663,198	-
Capital projects	-	3,644,930	3,644,930	-
Other purposes	20,688,641	-	20,688,641	-
Economic development	-	-	-	5,653,756
Unrestricted	21,350,408	44,205,549	65,555,957	-
Total net position	$ 156,277,907	$ 303,867,570	$ 460,145,477	$ 9,565,910

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

Exhibit A-2

City of Killeen, Texas
Statement of Activities
For the Year Ended September 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Killeen Economic Development Corp.
Primary government:								
Governmental activities:								
General government	$ 23,529,165	$ 3,827,549	$ 5,362,185	$ -	$ (14,339,431)	$ -	$ (14,339,431)	$ -
Public safety	84,711,760	8,711,918	1,988,515	5,727,418	(68,283,909)	-	(68,283,909)	-
Public works	15,132,285	10,517,590	2,592,473	2,150,237	128,015	-	128,015	-
Recreation services	8,228,515	848,611	1,308,610	125,836	(5,945,458)	-	(5,945,458)	-
Community development	11,513,641	1,008,322	3,009,738	324,733	(7,170,848)	-	(7,170,848)	-
Interest on long-term debt	5,829,539	-	-	-	(5,829,539)	-	(5,829,539)	-
Total governmental activities	148,944,905	24,913,990	14,261,521	8,328,224	(101,441,170)	-	(101,441,170)	-
Business-type activities:								
Airport operations	8,893,689	3,870,584	801,295	8,181,239	-	3,959,429	3,959,429	-
Solid waste	20,987,987	26,100,841	8,405	-	-	5,121,259	5,121,259	-
Water and sewer	38,509,529	50,302,615	298,718	4,240,264	-	16,332,068	16,332,068	-
Drainage utility	3,904,834	5,267,224	-	978,704	-	2,341,094	2,341,094	-
Golf Course	1,668,608	1,780,405	-	-	-	111,797	111,797	-
Total business-type activities	73,964,647	87,321,669	1,108,418	13,400,207	-	27,865,647	27,865,647	-
Total primary government	222,909,552	112,235,659	15,369,939	21,728,431	(101,441,170)	27,865,647	(73,575,523)	-
Component Unit:								
Killeen Economic Development Corp.	1,479,458	397,440	865,000	-				(217,018)
	$ 1,479,458	$ 397,440	$ 865,000	$ -				(217,018)
		General revenues:						
		Taxes:						
		Ad valorem taxes			64,718,048	-	64,718,048	-
		Franchise fees			5,469,597	-	5,469,597	-
		Sales and occupancy taxes			39,328,334	-	39,328,334	-
		Investment income			11,766,500	3,653,756	15,420,256	304,757
		Gain on disposition of capital assets			162,442	265,375	427,817	172,066
		Lease revenue			-	111,339	111,339	-
		Transfers			10,322,148	(10,322,148)	-	-
		Total general revenues and transfers			131,767,069	(6,291,678)	125,475,391	476,823
		Change in net position			30,325,899	21,573,969	51,899,868	259,805
		Net position - beginning			125,952,008	282,293,601	408,245,609	9,359,193
		Prior period adjustment			-	-	-	(53,088)
		Net position - ending			$ 156,277,907	$ 303,867,570	$ 460,145,477	$ 9,565,910

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

Exhibit A-3

City of Killeen, Texas
Balance Sheet
Governmental Funds
September 30, 2024

	General	Debt Service	Capital Improvements Project	2023 C.O. Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and equity in pooled cash and investments	$ 39,834,048	$ -	$ 36,515,554	$ -	$ 20,974,027	$ 97,323,629
Receivables (net of allowances for uncollectibles):						
Taxes	8,216,276	121,547	-	-	207,575	8,545,398
Accounts	2,304,578	-	50,000	-	1,324,184	3,678,762
Accrued Interest	116,125	3,435	36,493	-	-	156,053
Intergovernmental receivable	382,186	2,557,993	-	-	716,907	3,657,086
Due from other funds	427,068	-	-	-	-	427,068
Inventories	72,282	-	-	-	15,089	87,371
Prepaid assets	139,304	-	4,315,648	-	-	4,454,952
Restricted cash and cash equivalents	-	2,209,236	-	33,490,426	21,007,291	56,706,953
Total assets	51,491,866	4,892,212	40,917,695	33,490,426	44,245,073	175,037,272
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	2,683,619	-	5,296,376	59,834	814,758	8,854,587
Due to other funds	-	-	-	-	427,068	427,068
Other liabilities	48,877	-	-	-	-	48,877
Accrued salaries payable	2,118,080	-	-	-	69,620	2,187,700
Unearned revenue	10,376,499	-	-	-	60,525	10,437,024
Total liabilities	15,227,075	-	5,296,376	59,834	1,371,971	21,955,256
Deferred inflows of resources:						
Unavailable revenue	1,695,371	121,548	-	-	-	1,816,920
Total deferred inflows of resources	1,695,371	121,548	-	-	-	1,816,920
Fund Balances:						
Nonspendable:						
Inventories	72,282	-	-	-	15,089	87,371
Prepaid assets	139,304	-	4,315,648	-	-	4,454,952
Restricted for:						
Debt service	-	4,770,664	-	-	1,420,000	6,190,664
Capital Projects	-	-	-	33,430,592	20,749,372	54,179,964
Other purposes	-	-	-	-	20,688,641	20,688,641
Assigned for capital projects	-	-	31,305,671	-	-	31,305,671
Unassigned	34,357,833	-	-	-	-	34,357,833
Total fund balances	34,569,419	4,770,664	35,621,319	33,430,592	42,873,102	151,265,096
Total liabilities, deferred inflows of resources, and fund balances	$ 51,491,866	$ 4,892,212	$ 40,917,695	$ 33,490,426	$ 44,245,073	$ 175,037,272

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

Exhibit A-4

City of Killeen, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2024

Total fund balances - governmental funds balance sheet		$ 151,265,096
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds.		231,147,391
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(180,909,361)
Vacation, sick leave, and compensatory time payable are not due and payable in the current period and, therefore, are not reported in the funds.		(14,744,248)
The other postemployment benefit obligation (OPEB) is not due and payable in the current period and, therefore, is not reported in the funds.		(9,667,110)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.		(57,617,252)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred inflows — pensions	(1,838,144)	
Deferred inflows — OPEB	(3,448,834)	(5,286,978)
Deferred outflows of resources are not reported in the governmental funds:		
Deferred charges on debt refundings	6,689,533	
Deferred outflows — pensions	25,315,987	
Deferred outflows — OPEB	1,362,282	33,367,802
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,816,920
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.		6,905,647
Net position of governmental activities - statement of net position		$ 156,277,907

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

Exhibit A-5

City of Killeen, Texas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2024

	General	Debt Service	Capital Improvements Projects	2023 C.O. Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 90,894,179	$ 15,208,749	$ -	$ -	$ 3,141,548	$109,244,476
Licenses and permits	2,348,862	-	-	-	-	2,348,862
Intergovernmental	5,644,029	2,557,993	6,289,096	-	5,519,312	20,010,430
Charges for services	6,914,509	-	-	-	10,751,946	17,666,455
Fines	3,501,995	-	-	-	254,628	3,756,623
Investment earnings	5,918,522	426,488	1,095,567	1,812,154	2,286,007	11,538,738
Contributions	16,000	-	-	-	131,424	147,424
Miscellaneous	388,259	-	743,531	932	2,178	1,134,900
Total revenues	115,626,355	18,193,230	8,128,194	1,813,086	22,087,043	165,847,908
EXPENDITURES						
Current:						
General government	18,332,397	-	21,339	276	10,208	18,364,220
Public safety	78,159,101	-	563	-	822,804	78,982,468
Public works	5,539,321	-	-	-	4,572,895	10,112,216
Recreation services	5,562,614	-	32,065	-	1,113,048	6,707,727
Community development	4,467,513	-	761,868	-	6,140,040	11,369,421
Capital outlay	939,903	-	20,718,446	550,704	5,290,869	27,499,922
Debt service:						
Principal	170,383	12,335,000	-	-	1,365,000	13,870,383
Interest and fiscal charges	-	5,206,063	-	-	883,440	6,089,503
Total expenditures	113,171,232	17,541,063	21,534,281	550,980	20,198,304	172,995,860
Excess (deficiency) of revenues over (under) expenditures	2,455,123	652,167	(13,406,087)	1,262,106	1,888,739	(7,147,952)
OTHER FINANCING SOURCES (USES)						
Insurance recoveries	392,762	-	-	-	-	392,762
Sale of capital assets	147,885	-	-	-	14,557	162,442
Leases issued	79,298	-	-	-	-	79,298
Transfer in	10,697,940	-	12,106,208	-	304,869	23,109,017
Transfer out	(11,272,539)	-	(680,409)	-	(1,629,663)	(13,582,611)
Total other financing sources (uses)	45,346	-	11,425,799	-	(1,310,237)	10,160,908
Net change in fund balances	2,500,469	652,167	(1,980,288)	1,262,106	578,502	3,012,956
Fund balance - beginning	32,068,950	4,118,497	37,601,607	32,168,486	42,294,600	148,252,140
Fund balance - ending	$ 34,569,419	$ 4,770,664	$ 35,621,319	$ 33,430,592	$ 42,873,102	$151,265,096

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

Exhibit A-6

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, 2024

Net change in fund balances - total governmental funds		$ 3,012,956
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	27,499,924	
Depreciation expense	(15,750,616)	
		11,749,308
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.		
Debt principal repayments	13,700,000	
Lease principal payment	155,201	
Lease issued	(79,298)	
Interest expense on bonds	(199,927)	
Amortization premium on bonds	1,050,287	
Amortization of deferred charge on refunding	(575,214)	
		14,051,049
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	(1,536,012)	
Change in deferred outflows - pensions	(11,834,046)	
Change in deferred outflows - OPEB	292,782	
Change in net pension liability	8,694,523	
Change in total OPEB liability	611,293	
Change in deferred inflows - pensions	2,003,075	
Change in deferred inflows - OPEB	(1,122,425)	
		(2,890,810)
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.		2,317,781
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.		2,085,615
Change in net position of governmental activities - statement of activities		$ 30,325,899

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

Exhibit A-7

City of Killeen, Texas
Statement of Net Position
Proprietary Funds
September 30, 2024

	Business-Type Activities						Governmental Activities
	Airport Enterprise	Solid Waste Enterprise	Water and Sewer Enterprise	Drainage Utility Enterprise	Golf Course Enterprise	Total Enterprise Funds	Internal Service
ASSETS							
Current assets:							
Cash and equity in pooled cash and investments	$ 3,680,896	$11,775,834	$ 33,078,649	$ 8,143,004	$ 183,618	$ 56,862,001	$ 7,796,141
Receivables (net of allowances for uncollectibles):							
Accounts	146,767	3,064,468	6,013,830	644,707	-	9,869,772	11,219
Accrued Interest	13,823	13,105	58,930	10,526	-	96,384	-
Intergovernmental receivable	1,492,837	-	-	-	-	1,492,837	-
Lease receivable	1,340,661	667,095	-	-	-	2,007,756	-
Inventories	92,688	-	347,787	-	35,544	476,019	329,526
Prepaid expenses	-	-	15,842	-	-	15,842	-
Restricted assets:							
Cash and cash equivalents	3,644,930	-	13,759,044	-	-	17,403,974	-
Total current assets	10,412,602	15,520,502	53,274,082	8,798,237	219,162	88,224,585	8,136,886
Noncurrent assets:							
Property and equipment:							
Land	1,319,003	72,165	278,278	172,190	-	1,841,636	-
Buildings	2,056,660	12,348,867	91,922,338	-	-	106,327,865	-
Improvements other than buildings	102,126,020	-	109,604,326	8,382,438	-	220,112,784	-
Furniture and equipment	1,842,243	7,825,293	3,194,256	688,597	-	13,550,389	5,729,003
Vehicles	1,247,375	11,997,272	5,641,926	2,892,049	-	21,778,622	4,276,727
Infrastructure	16,012,240	1,764,850	46,425,392	11,455,433	-	75,657,915	-
Construction in progress	26,259,435	2,633,494	18,341,065	2,286,084	-	49,520,078	-
Less accumulated depreciation	(65,716,238)	(19,793,775)	(109,574,896)	(10,830,162)	-	(205,915,071)	(6,339,713)
Net property and equipment	85,146,738	16,848,166	165,832,685	15,046,629	-	282,874,218	3,666,017
Total assets	95,559,340	32,368,668	219,106,767	23,844,866	219,162	371,098,803	11,802,903
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charges on refunding	-	115,587	140,154	21,450	-	277,191	-
Deferred outflows - Pensions	415,412	1,140,321	1,329,910	330,710	-	3,216,353	688,213
Deferred outflows - OPEB	91,438	167,074	121,403	19,483	-	399,398	91,729
Total deferred outflows of resources	506,850	1,422,982	1,591,467	371,643	-	3,892,942	779,942

Exhibit A-7 (Continued)

City of Killeen, Texas
Statement of Net Position
Proprietary Funds
September 30, 2024

	Business-type Activities						Governmental Activities
	Airport Enterprise	Solid Waste Enterprise	Water and Sewer Enterprise	Drainage Utility Enterprise	Golf Course Enterprise	Total Enterprise Funds	Internal Service
LIABILITIES							
Current liabilities:							
Accounts payable	$ 1,710,438	$ 2,390,404	$ 3,460,156	$ 50,870	$ 32,089	$ 7,643,957	$ 51,811
Deposits payable	13,100	4,000	2,774,851	-	-	2,791,951	-
Unearned revenue	31,212	12,351	370,683	-	-	414,246	52,085
Accrued salaries payable	60,650	135,290	192,578	52,403	-	440,921	95,864
Accrued interest payable	-	11,380	125,132	1,808	-	138,320	-
Compensated absences	34,068	69,549	85,437	20,343	-	209,397	38,603
Lease payable	3,073	3,186	27,244	-	-	33,503	1,021,590
Current portion of bonds payable	-	620,000	3,860,000	505,000	-	4,985,000	-
Total current liabilities	1,852,541	3,246,160	10,896,081	630,424	32,089	16,657,295	1,259,953
Noncurrent liabilities:							
Compensated absences	306,615	625,936	768,936	183,090	-	1,884,577	347,435
Net pension liability	1,076,679	2,955,534	3,446,914	857,146	-	8,336,273	1,783,737
Total OPEB liability	648,987	1,185,653	861,310	138,175	-	2,834,125	650,931
Lease payable	4,047	4,269	10,316	-	-	18,632	1,365,220
Bonds payable net of unamortized premium (discount)	-	3,156,655	34,554,340	515,000	-	38,225,995	-
Total noncurrent liabilities	2,036,328	7,928,047	39,641,816	1,693,411	-	51,299,602	4,147,323
Total liabilities	3,888,869	11,174,207	50,537,897	2,323,835	32,089	67,956,897	5,407,276
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - Leases	1,332,083	650,085	-	-	-	1,982,168	-
Deferred inflows - pension	22,775	62,518	72,912	18,131	-	176,336	37,732
Deferred inflows - OPEB	234,179	424,052	303,083	47,460	-	1,008,774	232,190
Total deferred inflows of resources	1,589,037	1,136,655	375,995	65,591	-	3,167,278	269,922
NET POSITION							
Net investment in capital assets	84,361,350	12,946,382	141,191,577	14,045,248	-	252,544,557	1,279,207
Restricted for debt service	-	518,413	2,671,888	282,233	-	3,472,534	-
Restricted for capital projects	3,644,930	-	-	-	-	3,644,930	-
Unrestricted	2,582,004	8,015,993	25,920,877	7,499,602	187,073	44,205,549	5,626,440
Total net position	90,588,284	21,480,788	169,784,342	21,827,083	187,073	303,867,570	6,905,647
Total liabilities, deferred inflows of resources, and net position	$ 96,066,190	$ 33,791,650	$ 220,698,234	$ 24,216,509	$ 219,162	$ 374,991,745	$ 12,582,845

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

Exhibit A-8

City of Killeen, Texas
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended September 30, 2024

	Business-Type Activities						Governmental Activities
	Airport Enterprise	Solid Waste Enterprise	Water and Sewer Enterprise	Drainage Utility Enterprise	Golf Course Enterprise	Total Enterprise Funds	Internal Service
OPERATING REVENUES							
Charges for services	$ 3,870,000	$ 26,100,695	$ 48,241,182	$ 5,267,224	$ 1,780,405	$ 85,259,506	$ 17,219,266
Miscellaneous	584	146	2,061,433	-	-	2,062,163	11,916
Total operating revenues	3,870,584	26,100,841	50,302,615	5,267,224	1,780,405	87,321,669	17,231,182
OPERATING EXPENSES							
Purchase of water	-	-	9,798,803	-	-	9,798,803	-
Sewage treatment	-	-	5,235,370	-	-	5,235,370	-
Salaries and employee benefits	2,410,247	5,731,928	8,091,500	2,008,005	-	18,241,680	4,200,561
Repairs and maintenance	385,355	1,663,565	809,385	175,435	-	3,033,740	964,159
Supplies	103,549	871,879	720,127	159,428	-	1,854,983	131,957
Miscellaneous services and charges	1,266,491	2,445,343	4,965,318	389,962	1,668,608	10,735,722	9,257,445
Refuse disposal costs	-	7,607,655	-	-	-	7,607,655	9,410
Depreciation	4,728,047	2,565,132	7,626,991	1,147,060	-	16,067,230	1,605,539
Total operating expenses	8,893,689	20,885,502	37,247,494	3,879,890	1,668,608	72,575,183	16,169,071
Operating income (loss)	(5,023,105)	5,215,339	13,055,121	1,387,334	111,797	14,746,486	1,062,111
NONOPERATING REVENUES (EXPENSES)							
Insurance recoveries	200	8,405	55,483	-	-	64,088	-
Gain on disposition of capital assets	14,850	35,875	160,200	54,450	-	265,375	-
Lease revenue	-	111,339	-	-	-	111,339	-
Intergovernmental	801,095	-	243,235	-	-	1,044,330	-
Investment earnings	479,704	514,982	2,246,751	410,886	1,433	3,653,756	227,762
Industrial development	-	-	(362,527)	-	-	(362,527)	-
Interest and fiscal charges	-	(102,485)	(899,508)	(24,944)	-	(1,026,937)	-
Total nonoperating revenues (expenses)	1,295,849	568,116	1,443,634	440,392	1,433	3,749,424	227,762
Income (loss) before contributions and transfers	(3,727,256)	5,783,455	14,498,755	1,827,726	113,230	18,495,910	1,289,873
CONTRIBUTIONS AND TRANSFERS							
Captial contributions	8,181,239	-	4,240,264	978,704	-	13,400,207	-
Transfers in	-	4,000	239,100	-	73,843	316,943	944,282
Transfers out	-	(3,469,116)	(6,364,325)	(805,650)	-	(10,639,091)	(148,540)
Total contributions and transfers	8,181,239	(3,465,116)	(1,884,961)	173,054	73,843	3,078,059	795,742
Change in net position	4,453,983	2,318,339	12,613,794	2,000,780	187,073	21,573,969	2,085,615
Net position - beginning	86,134,301	19,162,449	157,170,548	19,826,303	-	282,293,601	4,820,032
Net position - ending	$ 90,588,284	$ 21,480,788	$ 169,784,342	$ 21,827,083	$ 187,073	$ 303,867,570	$ 6,905,647

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

Exhibit A-9

City of Killeen, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2024

	Business-Type Activities						Governmental Activities
	Airport Enterprise	Solid Waste Enterprise	Water and Sewer Enterprise	Drainage Utility Enterprise	Golf Course Enterprise	Total Enterprise Funds	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	$ 3,928,842	$ 26,050,253	$ 50,527,647	$ 5,332,155	$ 1,780,405	$ 87,619,302	$ 13,033
Payments to suppliers	(1,782,904)	(11,292,662)	(20,357,715)	(972,335)	(1,672,063)	(36,077,679)	(8,537,427)
Payments to employees	(2,403,406)	(5,682,302)	(8,045,818)	(2,058,439)	-	(18,189,965)	(4,034,556)
Payments for interfund services used	-	-	-	-	-	-	17,219,266
Net cash provided (used) by operating activities	(257,468)	9,075,289	22,124,114	2,301,381	108,342	33,351,658	4,660,316
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Contributions/grants	801,095	-	-	-	-	801,095	-
Transfers in from other funds	-	4,000	239,100	-	73,843	316,943	944,282
Transfers out to other funds	-	(3,469,116)	(6,364,325)	(805,650)	-	(10,639,091)	(148,540)
Industrial development	-	-	(362,527)	-	-	(362,527)	-
Net cash provided (used) by noncapital financing activities	801,095	(3,465,116)	(6,487,752)	(805,650)	73,843	(9,883,580)	795,742
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contributions/grants	9,694,976	-	-	-	-	9,694,976	-
Purchase and construction of capital assets	(11,399,540)	(5,769,060)	(10,961,973)	(1,202,569)	-	(29,333,142)	(3,736,298)
Proceeds from sale of assets	14,850	35,875	160,200	54,450	-	265,375	-
Insurance recoveries	200	8,405	55,483	-	-	64,088	-
Lease revenue	-	111,339	-	-	-	111,339	-
Principal paid on long-term debt	-	(605,000)	(4,515,000)	(500,000)	-	(5,620,000)	-
Interest and fees paid on long-term debt	-	(104,066)	(916,186)	(25,614)	-	(1,045,866)	-
Net cash provided (used) by capital and related financing activities	(1,689,514)	(6,322,507)	(16,177,476)	(1,673,733)	-	(25,863,230)	(3,736,298)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends on investments	479,704	514,982	2,246,751	410,886	1,433	3,653,756	227,762
Net cash provided by investing activities	479,704	514,982	2,246,751	410,886	1,433	3,653,756	227,762
Net increase (decrease) in cash and cash equivalents	(666,183)	(197,352)	1,705,637	232,884	183,618	1,258,604	1,947,523
Cash and cash equivalents, beginning of year	7,992,009	11,973,186	45,132,055	7,910,120	-	73,007,370	5,848,619
Cash and cash equivalents, end of year	7,325,826	11,775,834	46,837,692	8,143,004	183,618	74,265,974	7,796,142
Cash and cash equivalents	3,680,896	11,775,834	33,078,649	8,143,004	183,618	56,862,001	7,796,142
Cash and cash equivalents - restricted	3,644,930	-	13,759,043	-	-	17,403,973	-
Total	$ 7,325,826	$ 11,775,834	$ 46,837,692	$ 8,143,004	$ 183,618	$ 74,265,974	$ 7,796,142

Exhibit A-9 (Continued)

City of Killeen, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2024

	Business-type Activities						Governmental Activities
	Airport Enterprise	Solid Waste Enterprise	Water and Sewer Enterprise	Drainage Utility Enterprise	Golf Course Enterprise	Total Enterprise Funds	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating income (loss)	$ (5,023,105)	$ 5,215,339	$ 13,055,121	$ 1,387,334	$ 111,797	$ 14,746,486	$ 1,062,111
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation expense	4,728,047	2,565,132	7,626,991	1,147,060	-	16,067,230	1,605,539
Changes in assets and liabilities:							
Decrease (increase) in receivables	66,456	(53,680)	302,700	65,544	-	381,020	(2,329)
Decrease (increase) in inventories	2,012	-	(58,853)	-	(35,544)	(92,385)	(696)
Decrease (increase) in deferred outflows - pensions	590,290	770,673	1,050,998	334,314	-	2,746,275	950,172
Decrease (increase) in deferred outflows - OPEB	14,459	(29,707)	(8,418)	3,443	-	(20,223)	(10,452)
Increase (decrease) in payables	(19,521)	1,295,780	1,358,995	(247,510)	32,089	2,419,833	1,826,240
Increase (decrease) in customer deposits	(10,000)	-	(128,854)	-	-	(138,854)	-
Increase (decrease) in accrued salaries payable	19,621	18,472	54,376	18,870	-	111,339	23,770
Increase (decrease) in compensated absences	68,117	115,395	218,333	49,479	-	451,324	124,840
Increase (decrease) in unearned revenue	(8,198)	3,092	(77,668)	(613)	-	(83,387)	3,446
Increase (decrease) in net pension liability	(372,010)	(666,588)	(996,645)	(352,938)	-	(2,388,181)	(576,319)
Increase (decrease) in OPEB liability	(55,399)	(124,054)	(78,030)	(15,778)	-	(273,261)	107,119
Increase (decrease) in deferred inflows - pensions	(311,933)	(170,807)	(249,857)	(86,415)	-	(819,012)	(507,540)
Increase (decrease) in deferred inflows - OPEB	53,696	136,242	54,925	(1,409)	-	243,454	54,415
Total adjustments	4,765,637	3,859,950	9,068,993	914,047	(3,455)	18,605,172	3,598,205
Net cash provided (used) by operating activities	$ (257,468)	$ 9,075,289	$ 22,124,114	$ 2,301,381	$ 108,342	$ 33,351,658	$ 4,660,316
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES							
Contributions of capital assets	$ -	$ -	$ 2,961,202	$ 1,156,324	$ -	$ 4,117,526	$ -

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

Exhibit A-10

City of Killeen, Texas
Statement of Fiduciary Net Position
Employee Benefits Trust Fund
September 30, 2024

ASSETS		
Cash and cash equivalents	$	64,992
Accounts receivable		2,122
Total assets		67,114
LIABILITIES AND NET POSITION		
Unearned revenue		9,832
Total liabilities		64,498
NET POSITION		
Restricted for employee benefits		2,616
Total net position		2,616
Total liabilities and net position	$	67,114

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

Exhibit A-11

City of Killeen, Texas
Statement of Changes in Fiduciary Net Position
Employee Benefits Trust Fund
For the Year Ended September 30, 2024

ADDITIONS	
Contributions:	
Employer	$ 305,200
Employee	283,018
Retiree	67,921
COBRA	918
Total contributions	657,057
Total additions	657,057
DEDUCTIONS	
Benefit payments	655,082
Total deductions	655,082
Change in net position	1,975
Net position - beginning of the year	641
Net position - end of the year	$ 2,616

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

Notes to Financial Statements

I. Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

B. Reporting Entity

The City of Killeen, Texas (the "City") is a Home-Rule Municipal Corporation organized and existing under the Provisions of the Constitution of the State of Texas (the "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.

C. 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.

I. Summary of Significant Accounting Policies (Continued)

D. Discretely Presented Component Unit

The Killeen Economic Development Corporation (KEDC) is a legally separate entity from the City. KEDC was created for the purpose of promoting economic development within the City. The number of members may be increased or decreased by the City 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.

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

While separate government-wide and fund financial statements are presented they are interrelated. The governmental activities column incorporates data from governmental 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.

F. 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 reports the following major governmental funds:

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

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

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 *capital improvements projects fund* is used to account for capital outlay and for miscellaneous capital project activity attributable to the governmental funds.

The City reports the following proprietary funds:

<u>Enterprise funds</u>

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.

I. Summary of Significant Accounting Policies (Continued)

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 service fund* accounts for the acquisition of vehicles/rolling stock and fleet maintenance services 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 *health insurance fund* accounts for the health benefits premiums of employees and covered dependents 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 are used to account for and report the proceeds of specific revenue sources (other than those listed below) that are legally restricted or committed to expenditures for specified purposes.

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

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.

G. Measurement Focus and Basis of Accounting

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

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

I. Summary of Significant Accounting Policies (Continued)

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*.

H. Budgetary Information

1) Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. The appropriated budget is prepared by fund, department, and division. The City's department heads may make transfers of appropriations within a department 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

I. Summary of Significant Accounting Policies (Continued)

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 charge of the City, which is consistent with the modified accrual basis of accounting.

I. 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

I. Summary of Significant Accounting Policies (Continued)

4) **Subscription-Based Information Technology Arrangements**

The City of Killeen is a lessee for noncancellable subscription-based IT arrangements (SBITAs). The City of Killeen recognizes a liability and an intangible right-to-use assets in the government-wide financial statements. At the commencement of a SBITA, the City of Killeen 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 of Killeen 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 of Killeen 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 of Killeen 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 of Killeen is reasonably certain to exercise.

The City of Killeen 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.

5) **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.

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

i. Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

ii. Changes in actuarial assumptions – These changes are deferred and amortized over the average of the expected service lives of pension and OPEB plan members.

iii. 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, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, ambulance fees, and parks and recreation fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

I. Summary of Significant Accounting Policies (Continued)

7) **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.

8) **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.

9) **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.

J. 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.

K. Other Postemployment Benefits

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.

L. Revenues and Expenditures/Expenses

1) **Program Revenues**

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

2) **Property Taxes**

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

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

I. Summary of Significant Accounting Policies (Continued)

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.

3) **Compensated Absences**

Historically, the general fund is responsible for liquidation of any liability associated with compensated absences.

i. Vacation

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

ii. Sick Leave

All full-time employees, other than policemen and firemen, upon retirement only, will be reimbursed for accrued sick pay up to 720 hours. Policemen and firemen, upon resignation or retirement, will be reimbursed for accrued sick up to 720 and 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.

4) **Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Net Position

At year-end, the Fleet Services Internal Service Fund reported a deficit net position of $273,798. This deficit is primarily due to the implementation of GASB Statements No. 68 and No. 75, which require the recognition of long-term liabilities for employee pensions and other post-employment benefits (OPEB).

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, 2024, 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, 2024.

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, 2024, the City had the following cash and investments:

	Value	Maturity (days)	Method
Demand Accounts	$ 6,929,617	1	Cost
Investment Pools	8,494,742	1	Amortized Cost
Money Market Accounts	18,674,364	1	Cost
US Treasury Obligations	87,167,680	56-577	Fair Value
US Agency Obligations	93,294,596	56-577	Fair Value
Certificates of Deposit	21,531,700	108-487	Cost
Total	$ 236,092,698		
Weighted Average Maturity		381	

GASB no. 72 requires all investments 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.

As of September 30, 2024 the securities to be priced in the CIty General Operating portfolio are:

	Level 1	Level 2	Level 3	Total
US Treasury Obligations	$-	$87,167,680	$-	$87,167,680
US Agency Obligations	-	93,294,596	-	93,294,596
Total Fair Value	$-	$180,462,276	$-	$180,462,276

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

TexStar

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

The TexStar Cash Reserve Fund seeks to maintain a net asset value of $1.00 per unit and provides participants with the investment of funds that require daily liquidity availability. All investments are stated at amortized cost, which closely approximates the fair value of the securities. All TexStar securities are marked to market on a daily basis. TexStar has a redemption notice period of one day and may redeem daily. TexStar'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 TexStar's liquidity.

D. Receivables

Receivables at September 30, 2024 for the City's individual major governmental funds, in the aggregate nonmajor governmental funds, proprietary funds, and the fiduciary fund, net of allowances for uncollectible accounts, consist of the following:

	Accounts	Allowance Doubtful Accounts	Total Net
General	$3,507,658	$(1,203,080)	$2,304,578
Other Governmental Funds	1,374,184	-	1,374,184
Internal Service Funds	11,219	-	11,219
Airport	146,767	-	146,767
Solid Waste	3,329,915	(265,447)	3,064,468
Water and Sewer	6,551,782	(537,952)	6,013,830
Drainage Utility	681,246	(36,540)	644,707
Total	$15,602,771	$(2,043,018)	$13,559,753
Employee Benefits Trust	$2,122	$-	$2,122

The enterprise funds' accounts receivable include unbilled charges for services rendered at September 30, 2024.

E. Capital Assets

Capital assets activity for the year ended September 30, 2024, was as follows:

Governmental Activities:

	Balance 9/30/2023	Additions	Deletions	Reclassifications	Balance 9/30/2024
Capital assets not being depreciated:					
Land	$ 9,217,672	$ 405,000	$ -	$ -	$ 9,622,672
Construction in progress	9,659,385	17,700,239	-	-	27,359,624
Total capital assets not being depreciated	18,877,057	18,105,239	-	-	36,982,296
Capital assets, being depreciated:					
Buildings	108,799,483	87,059	-	-	108,886,542
Furniture and equipment	13,941,372	3,657,564	(316,658)	(1,212,837)	16,069,441
Vehicles	39,689,818	5,318,517	(1,680,889)	-	43,327,446
Infrastructure assets	230,552,116	2,287,725	-	-	232,839,841
Right to use - equipment	-	79,298	(18,879)	422,493	482,912
Right to use - sbita	-	3,736,301	(352,089)	790,344	4,174,556
Total capital assets being depreciated	392,982,789	15,166,464	(2,368,515)	-	405,780,738
Less accumulated depreciation for:					
Buildings	60,996,389	3,088,500	-	-	64,084,889
Furniture and equipment	9,489,350	1,400,581	(316,658)	(541,910)	10,031,363
Vehicles	30,240,531	4,074,579	(1,680,889)	-	32,634,221
Infrastructure assets	92,239,361	7,333,808	-	-	99,573,169
Right to use - equipment	-	153,459	(22,526)	188,783	319,716
Right to use - sbita	-	1,305,230	(352,089)	353,127	1,306,268
Total accumulated depreciation	192,965,631	17,356,157	(2,372,162)	-	207,949,626
Total capital assets being depreciated, net	200,017,158	(2,189,693)	3,647	-	197,831,112
Governmental activities capital assets, net	$ 218,894,215	$ 15,915,546	$ 3,647	$ -	$ 234,813,408

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

Governmental activities:	
General government	$ 6,776,884
Public safety	3,616,128
Public works	5,084,828
Recreation services	1,628,370
Community development	249,947
Total depreciation expense-governmental activities	$ 17,356,157

Business-Type Activities: Airport

	Balance 9/30/2023	Additions	Deletions	Reclassifications	Balance 9/30/2024
Capital assets not being depreciated:					
Land	$ 1,319,003	$ -	$ -	$ -	$ 1,319,003
Construction in progress	14,991,424	11,150,984	-	117,027	26,259,435
Total capital assets not being depreciated	16,310,427	11,150,984	-	117,027	27,578,438
Capital assets being depreciated:					
Buildings	2,056,660	-	-	-	2,056,660
Improvements other than buildings	102,126,020	-	-	-	102,126,020
Furniture and equipment	1,794,414	47,365	-	(12,373)	1,829,406
Vehicles	1,091,134	201,420	(45,179)	-	1,247,375
Infrastructure assets	16,129,267	-	-	(117,027)	16,012,240
Right to use - equipment	-	3,824	(3,360)	12,373	12,837
Total capital assets being depreciated	123,197,495	252,609	(48,539)	(117,027)	123,284,538
Less accumulated depreciation for:					
Buildings	1,696,613	25,624	-	-	1,722,237
Improvements other than buildings	56,525,972	3,635,948	-	-	60,161,920
Furniture and equipment	1,304,755	210,925	-	(5,499)	1,510,181
Vehicles	1,027,410	37,523	(45,179)	-	1,019,754
Infrastructure assets	480,677	815,258	-	-	1,295,935
Right to use - equipment	-	2,769	(2,057)	5,499	6,211
Total accumulated depreciation	61,035,427	4,728,047	(47,236)	-	65,716,238
Total capital assets being depreciated, net	62,162,068	(4,475,438)	(1,303)	(117,027)	57,568,300
Airport activities capital assets, net	$ 78,472,495	$ 6,675,546	$ (1,303)	$ -	$ 85,146,738

Business-Type Activities: Solid Waste

	Balance 9/30/2023	Additions	Deletions	Reclassifications	Balance 9/30/2024
Capital assets not being depreciated:					
Land	$ 72,165	$ -	$ -	$ -	$ 72,165
Construction in progress	1,042,811	2,133,683	(543,000)	-	2,633,494
Total capital assets not being depreciated	1,114,976	2,133,683	(543,000)	-	2,705,659
Capital assets being depreciated:					
Buildings	12,348,867	-	-	-	12,348,867
Furniture and equipment	3,902,194	4,185,884	(188,474)	(88,293)	7,811,311
Vehicles	12,473,842	-	(476,570)	-	11,997,272
Infrastructure assets	1,764,850	-	-	-	1,764,850
Right to use - equipment	-	-	(74,311)	88,293	13,982
Total capital assets being depreciated	30,489,753	4,185,884	(739,355)	-	33,936,282
Less accumulated depreciation for:					
Buildings	7,269,736	312,501	-	-	7,582,237
Furniture and equipment	2,023,815	1,263,859	(197,329)	(73,017)	3,017,328
Vehicles	8,378,297	892,117	(476,570)	-	8,793,844
Infrastructure assets	305,005	87,799	-		392,804
Right to use - equipment	-	8,856	(74,311)	73,017	7,562
Total accumulated depreciation	17,976,853	2,565,132	(748,210)	-	19,793,775
Total capital assets being depreciated, net	12,512,900	1,620,752	8,855	-	14,142,507
Solid waste activities capital assets, net	$ 13,627,876	$ 3,754,435	$ (534,145)	$ -	$ 16,848,166

Business-Type Activities: Water and Sewer

	Balance 9/30/2023	Additions	Deletions	Reclassifications	Balance 9/30/2024
Capital assets not being depreciated:					
Land	$ 243,332	$ 34,946	$ -	$ -	$ 278,278
Construction in progress	9,560,203	8,780,862	-	-	18,341,065
Total capital assets not being depreciated	9,803,535	8,815,808	-	-	18,619,343
Capital assets being depreciated:					
Buildings	91,922,338	-	-	-	91,922,338
Improvements other than buildings	109,604,326	-	-	-	109,604,326
Furniture and equipment	2,101,798	1,153,169	(79,491)	(80,340)	3,095,136
Vehicles	5,304,166	943,751	(605,991)	-	5,641,926
Infrastructure assets	42,185,128	4,240,264	-	-	46,425,392
Right to use - equipment	-	33,457	(14,677)	80,340	99,120
Total capital assets being depreciated	251,117,756	6,370,641	(700,159)	-	256,788,238
Less accumulated depreciation for:					
Buildings	43,628,617	1,842,969	-	-	45,471,586
Improvements other than buildings	45,038,770	2,743,657	-	-	47,782,427
Furniture and equipment	1,270,754	338,076	(105,317)	(29,079)	1,474,434
Vehicles	4,814,074	375,819	(605,991)	-	4,583,902
Infrastructure assets	7,920,540	2,287,101	-	-	10,207,641
Right to use - equipment	-	39,369	(13,542)	29,079	54,906
Total accumulated depreciation	102,672,755	7,626,991	(724,850)	-	109,574,896
Total capital assets being depreciated, net	148,445,001	(1,256,350)	24,691	-	147,213,342
Water and sewer activities capital assets, net	$ 158,248,536	$ 7,559,458	$ 24,691	$ -	$ 165,832,685

Business-Type Activities: Drainage Utility

	Balance 9/30/2023	Additions	Deletions	Balance 9/30/2024
Capital assets not being depreciated:				
Land	$ 172,190	$ -	$ -	$ 172,190
Construction in progress	1,459,020	827,064	-	2,286,084
Total capital assets not being depreciated	1,631,210	827,064	-	2,458,274
Capital assets being depreciated:				
Improvements other than buildings	8,382,438	-	-	8,382,438
Furniture and equipment	594,858	93,739	-	688,597
Vehicles	2,866,437	303,021	(277,409)	2,892,049
Infrastructure assets	10,476,729	978,704	-	11,455,433
Total capital assets being depreciated	22,320,462	1,375,464	(277,409)	23,418,517
Less accumulated depreciation for:				
Improvements other than buildings	5,148,057	441,515	-	5,589,572
Furniture and equipment	380,962	80,943	-	461,905
Vehicles	2,663,929	106,279	(277,409)	2,492,799
Infrastructure assets	1,767,563	518,323	-	2,285,886
Total accumulated depreciation	9,960,511	1,147,060	(277,409)	10,830,162
Total capital assets being depreciated, net	12,359,951	228,404	-	12,588,355
Drainage utility activities capital assets, net	$ 13,991,161	$ 1,055,468	$ -	$ 15,046,629

Business-Type Activities: Total

	Balance 9/30/2023	Additions	Deletions	Reclassifications	Balance 9/30/2024
Capital assets not being depreciated:					
Land	$ 1,806,690	$ 34,946	$ -	$ -	$ 1,841,636
Construction in progress	27,053,458	22,892,593	(543,000)	117,027	49,520,078
Total capital assets not being depreciated	28,860,148	22,927,539	(543,000)	117,027	51,361,714
Capital assets being depreciated:					
Buildings	106,327,865	-	-	-	106,327,865
Improvements other than buildings	220,112,784	-	-	-	220,112,784
Furniture and equipment	8,393,264	5,480,157	(267,965)	(181,006)	13,424,450
Vehicles	21,735,579	1,448,192	(1,405,149)	-	21,778,622
Infrastructure assets	70,555,974	5,218,968	-	(117,027)	75,657,915
Right to use - equipment	-	37,281	(92,348)	181,006	125,939
Total capital assets being depreciated	427,125,466	12,184,598	(1,765,462)	(117,027)	437,427,575
Less accumulated depreciation for:					
Buildings	52,594,966	2,181,094	-	-	54,776,060
Improvements other than buildings	106,712,799	6,821,120	-	-	113,533,919
Furniture and equipment	4,980,286	1,893,803	(302,646)	(107,595)	6,463,848
Vehicles	16,883,710	1,411,738	(1,405,149)	-	16,890,299
Infrastructure assets	10,473,785	3,708,481	-	-	14,182,266
Right to use - equipment	-	50,994	(89,910)	107,595	68,679
Total accumulated depreciation	191,645,546	16,067,230	(1,797,705)	-	205,915,071
Total capital assets being depreciated, net	235,479,920	(3,882,632)	32,243	(117,027)	231,512,504
Business-type activities capital assets, net	$ 264,340,068	$ 19,044,907	$ (510,757)	$ -	$ 282,874,218

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

Business-type activities:	
Airport	$ 4,728,047
Solid Waste	2,565,132
Water and Sewer	7,626,991
Drainage	1,147,060
Total depreciation expense-business-type activities	$ 16,067,230

III. Detailed Notes on All Funds (Continued)

F. Pension Obligations

1) Texas Municipal Retirement System

i. Plan Description

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency 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 municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at www.tmrs.com.

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

ii. Benefits Provided

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

At retirement,the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Retirement benefits offer three payment options: Retiree Life Only provides the highest monthly benefit but ceases payments at the retiree's death. Retiree Life and Survivor offers a reduced benefit, with the beneficiary receiving a percentage of the retiree's monthly benefit after their death. Retiree Life and Guaranteed Term also reduce the benefit, but provide payments to beneficiaries for a selected term (5, 10, or 15 years) if the retiree dies before it ends. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City are as follows:

	2024	2023
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to1	2 to1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/ yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, transfers	100% Repeating, transfers

iii. Employees Covered by Benefit Terms

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

	Plan Year 2023
Inactive employees or beneficiaries currently receiving benefits	705
Inactive employees entitled to, but not yet receiving, benefits	733
Active employees	970
Total	2,408

iv. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.70% and 14.55% in calendar years 2023 and 2024,

III. Detailed Notes on All Funds (Continued)

respectively. The City's contributions to TMRS for the year ended September 30, 2024 were $8,768,480 and were equal to the required contributions.

v. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

a) Actuarial Assumptions

The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year. For the City, annual annuity increases of 0.00% are assumed when calculating TPL.
Overall payroll growth	2.75% per year, adjusted down for any population declines, if any.
Investment rate of return	6.75%, net of pension plan investment expense, including inflation.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retiree of Texas mortality table. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees are used 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 scale UMP to account for future mortality improvements subject to the floor.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. 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 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 arithmetic rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arethmetic)
Global Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public and Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

b) Discount Rate

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

III. Detailed Notes on All Funds (Continued)

c) Changes in NPL

	Increase (Decrease) Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	$ 8,354,587	$ -	$ 8,354,587
Interest	16,509,148	-	16,509,148
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,510,206	-	1,510,206
Changes in assumptions	(1,063,957)	-	(1,063,957)
Contributions - employer	-	8,340,278	(8,340,278)
Contributions - employee	-	4,062,769	(4,062,769)
Net investment income	-	23,236,487	(23,236,487)
Benefit payments, including refunds of employee contributions	(14,535,320)	(14,535,320)	-
Administrative expense	-	(148,004)	148,004
Other changes	-	(1,034)	1,034
Net Changes	10,774,664	20,955,176	(10,180,512)
Balance at December 31, 2022	247,670,334	201,009,742	46,660,592
Balance at December 31, 2023	$ 258,444,998	$ 221,964,918	$ 36,480,080

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	$ 70,359,688	$ 36,480,080	$ 8,442,646

e) Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the City recognized pension credit expense of $1,817,884. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ 1,821,997	$ -
Changes in actuarial assumptions	-	771,661
Net difference between projected and actual investment earnings	5,466,149	-
Contributions subsequent to the measurement date	6,786,833	-
Total	$ 14,074,979	$ 771,661

$6,786,833 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense Amount
2025	$ 2,068,759
2026	2,107,210
2027	4,274,182
2028	(1,933,666)
Total	$ 6,516,485

III. Detailed Notes on All Funds (Continued)

2) **Deferred Compensation Fund**

i. Plan Description

The City offers its employees two deferred compensation plans (the "Plans") created in accordance with Internal Revenue Code Section 457. The Plans are administered by Nationwide Retirement Solutions and 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 them to defer until future years up to 100% of annual gross earnings, not to exceed $23,000 for 2024. Employees aged 50 or older may contribute an additional $7,500 under the Age 50+ catch-up provision, bringing their total allowable contribution to $30,500. Additionally, employees who are within three years of normal retirement age may be eligible for a Special 3-Year Catch-Up, allowing them to contribute up to $46,000 in 2024, depending on prior unused contributions. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

3) **Firefighter's Relief And Retirement System**

i. Plan Description

The City contributes to the retirement plan for firefighters in the Killeen Fire Department known as the Killeen Firefighter's Relief and Retirement Fund (the "Fund"). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The Fund is administered by the Board of Trustees of the Killeen Firefighter's Relief and Retirement Fund. The City does not have access to, nor can it utilize, assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB 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.

ii. Benefits Provided

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

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

III. Detailed Notes on All Funds (Continued)

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.

iii. Members Covered by the Fund

In the September 30, 2022 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits		77
Inactive employees entitled to, but not yet receiving, benefits		15
Active employees and volunteers		230
	Total	322

iv. Funding Policy

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

The funding policy of 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, 2022 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 10.89%. 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.

v. Net Pension Liability

The City NPL was measured at September 30, 2023 and the TPL used to calculate the NPL was determined by an actuarial valuation as of September 30, 2022 and rolled forward to September 30, 2023.

Total pension liability	$	92,314,906
Plan fiduciary net position		61,057,724
City's net pension liability	$	31,257,182
Plan fiduciary net position as a percentage of the total pension liability		66.1%

a) Actuarial Assumptions

The TPL in the September 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2.75%	Inflation
2.75%	Salary increases - Plus promotion, step, and longevity increases that vary by service
7.25%	Investment rate of return - Net of pension plan investment expense, including inflation

III. Detailed Notes on All Funds (Continued)

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using projection scale MP-2018.

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 down.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large cap domestic	28.0%	6.18%
Small/mid cap domestic	10.0	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	2.0	0.00
Total	100.00%	
Weighted Average		4.49%

b) 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, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the UAAL in 21 years. Because of the 21-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.

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

The following presents the NPL of the City, calculated using the discount rate of 7.25%, 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 in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
City's Net Pension Liability	$45,344,243	$31,257,182	$19,717,423

d) Fund Fiduciary Net Position

The Fund fiduciary net position reported above is the same as reported by the Fund. Detailed information about the Fund fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported

III. Detailed Notes on All Funds (Continued)

at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

e) Changes in NPL

	Total Pension Lability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Changes for the year:			
Service cost	$ 3,009,082	$ -	$ 3,009,082
Interest	6,365,285	-	6,365,285
Difference between expected and actual experience	-	-	0
Change of benefit terms	-	-	-
Changes to assumptions	-	-	0
Contributions – employer	-	2,916,053	(2,916,053)
Contributions – employee	-	2,142,691	(2,142,691)
Net investment income	-	5,933,640	-5,933,640
Benefit payments, including refunds of employee contibutions	(3,694,836)	(3,694,836)	-
Administrative expense	-	(139,507)	139,507
Assumption changes	-	-	-
Net changes	5,679,531	7,158,041	(1,478,510)
Balance as of September 30, 2023	86,635,375	53,899,683	32,735,692
Balance as of September 30, 2024	$ 92,314,906	$ 61,057,724	$ 31,257,182

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

For the year ended September 30, 2024, the City's GASB 68 pension expense was $2,413,727. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 4,000,038	$ -
Changes in actuarial assumptions	3,605,340	68,178
Differences between expected and actual economic experience	4,406,415	1,212,373
Contributions subsequent to the measurement date	3,133,781	-
Total	$ 15,145,574	$ 1,280,551

$3,133,781 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, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense Amount
2025	$ 1,712,114
2026	1,897,057
2027	3,092,959
2028	474,723
2029	988,126
Thereafter	2,566,263
Total	$ 10,731,242

4) **Aggregate Total Pension Expenses/Expenditures and Net Pension Liability**

The City recognized aggregate total pension expense/expenditures of $541,843 and aggregate net pension liability of $67,737,262 during the fiscal year ending September 30, 2024 related to the City's TMRS and TLFFRA pension plans.

G. Postemployment Benefits other than Pensions

1) **Supplemental Death Benefits Fund**

i. 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

III. Detailed Notes on All Funds (Continued)

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.

ii. 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 ccumulated). Participation in the SDBF as of December 31, 2023 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	602
Inactive employees entitled to, but not yet receiving, benefits	217
Active employees	970
	1,789

iii. Total OPEB Liability

The City's total OPEB liability of $3,267,835 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

iv. Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.6% to 11.85% including inflation
Discount rate	3.77%*
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. 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 Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

III. Detailed Notes on All Funds (Continued)

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

v. Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	$ 115,955
Interest	121,352
Difference between expected and actual experience	(36,602)
Changes of assumptions	169,347
Benefit payments*	(81,169)
Net Changes	288,883
Beginning balance	2,978,952
Ending Balance	$ 3,267,835

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 assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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

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

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's Total OPEB Liability	$3,945,387	$3,267,835	$2,743,557

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

For the year ended September 30, 2024, the City recognized OPEB expense of $19,843. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ -	$ 84,784
Changes in actuarial assumptions	394,498	975,718
Contributions subsequent to the measurement date	66,678	-
Total	$ 461,176	$ 1,060,502

$66,678 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, 2025.

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

Fiscal Year Ended September 30	OPEB Expense Amount
2025	$ (144,742)
2026	(268,209)
2027	(275,406)
2028	22,353
Total	$ (666,004)

III. Detailed Notes on All Funds (Continued)

2) **Postemployment Healthcare Plan**

i. Plan Description

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

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

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

Actives	980
Retirees	61
Spouses of Retirees	32
Total	1,073

ii. 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.

iii. Total OPEB liability

The City's total OPEB liability of $9,884,331 was measured as of September 30, 2024 and was determined by an actuarial valuation as of October 1, 2023.

iv. 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	3.81%
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.

v. Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	$ 508,287
Interest	462,446
Difference between expected and actual experience	(2,667,610)
Changes of assumptions	938,042
Benefit payments	(307,483)
Net Changes	(1,066,318)
Beginning balance	10,950,649
Ending Balance	$ 9,884,331

Changes of assumptions reflect a change in the discount rate from 4.02% as of September 30, 2023 to 3.81% as of September 30, 2024.

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

vi. 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 in Discount Rate (2.81%)	Discount Rate (3.81%)	1% Increase in Discount Rate (4.81%)
City's Total OPEB Liability	$11,063,556	$9,884,331	$8,832,557

vii. 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 Cost Trend Rate Assumption	1% Increase
City's Total OPEB Liability	$8,440,531	$9,884,331	$11,639,579

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

For the year ended September 30, 2024, the City recognized OPEB expense of $310,115.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 1,807,772
Changes in actuarial assumptions	1,392,233	1,821,524
Total	$ 1,392,233	$ 3,629,296

III. Detailed Notes on All Funds (Continued)

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

Fiscal Year Ended September 30	OPEB Expense Amount
2025	$ (353,135)
2026	(353,135)
2027	(206,245)
2028	(315,678)
2029	(374,061)
Thereafter	(634,809)
Total	$ (2,237,063)

3) **Aggregate Total Other Postemployment Benefits Other Than Pension Expenses/Expenditures and Total OPEB Liability**

The City recognized aggregate total OPEB expense/expenditures of $329,958 and aggregate total OPEB liability of $13,152,166 during the fiscal year ending September 30, 2024 related to the City's TMRS and City-administered OPEB plans.

H. Construction and Other Significant Commitments

The City has active construction projects as of September 30, 2024. At year end, the City's construction commitments for governmental activities are as follows:

Project Title	Expended to Date	Remaining Commitment
Fleet Services Facility	$ 13,592	$ 17,986,408
Watercrest Rd Street Reconstruction	1,054,658	11,545,282
Fire Station #4 New Build	3,070,656	9,078,390
Bunny Trl Street Reconstruction	2,326,958	7,106,982
Rosa H. Community Center	3,295,651	6,426,227
Emer Ops Ctr / Fire Ops	7,941,158	6,398,613
PD Evidence Storage/Parking Lo	6,310	5,113,690
Park Development	-	4,801,954
Limited Tax Note Series 2023	215,450	4,784,551
Gilmer Street Reconstruction	1,813,439	4,302,303
Fleet Repl Gov't CIP 2025	-	2,791,698
Parks Maintenance Facility	12,582	2,587,418
Stagecoach Road	1,969,500	2,535,784
Rancier Drive Reconstruction	742,744	2,257,257
Skylark Fixed Base Op Bld	518,706	2,181,294
Homeless Shelter	1,500	1,998,500
Chaparral Rd Widening	1,479,280	1,520,720
Fleet Repl Gov't CIP 2022	2,865,098	1,412,985
Fleet Repl Gov't CIP 2024	1,937,052	1,255,292
KCCC HVAC Replacement	412,051	1,226,652
Police RMS System	210,982	1,189,017
Street Lighting Project	380,830	1,050,170
Total	$ 30,268,197	$ 99,551,187

III. Detailed Notes on All Funds (Continued)

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

Project Title	Expended to Date	Remaining Commitment
24-Inch Hwy 195 Waterline	$ 524,637	$ 12,100,296
Taxiway E Relocation	660,723	7,423,885
Lift Sta No. 6 Rehab & Expand	400,868	7,036,132
SWS-Chaparral Pump Station	2,813,264	6,113,228
GRK ATP Solar Project	2,290,171	4,858,060
Fleet Repl Solid Waste	-	3,342,526
Waterline Rehab Ph. 1-5	63,205	3,188,357
Water Meter Repl Program	2,182,747	3,012,063
Lift Station #1 Rehab	18,264	2,909,736
Skylark Fixed Base Op Bld	-	2,470,383
Sewer Line Rehab Ph 1-5	440,411	2,459,878
Hwy 195 Ground Storage Tank	268,784	2,231,131
Pump Station #2 Rehab	389,016	2,210,890
Airport Pump Station Rehab	201,019	1,722,199
UC Customer Info System	-	1,700,000
GRK Security Sys Rehab	120,900	1,379,100
Transfer Station Tunnel	78,300	1,033,838
Fleet Repl Solid Waste 2023	2,096,173	1,015,932
Total	$ 12,548,482	$ 66,207,634

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. Cavazos's Robert Gray Army Airfield as part of a joint use agreement with the U.S. Army. This is a regional intermodal transportation project that involved the construction of a new terminal building, aircraft parking aprons, east side parallel taxi-way, fuel and maintenance facilities, major access roadways to the terminal site, and vehicle parking facilities. The City currently has 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, 2024, the City purchased 5.8 billion gallons of water (50 million used for City's facilities) for a total charge of $4,957387 from WCID No. 1. In addition, it paid WCID No. 1 $3,134,136 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 is $49.1 million at September 30, 2024. Normal maintenance and operational costs will vary by year and are allocated to the City based on its proportional share of the plant.

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

III. Detailed Notes on All Funds (Continued)

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 Cavazos. 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.

I. Risk Management

The City has insurable risks in various areas, including property, casualty, automobile, airport, surety bonding, comprehensive liability, and workers' compensation. The City has obtained insurance against risks through commercial carriers for airport liability and surety bonding. There were no related settlements in excess of insurance coverage during the past three fiscal years. All other insurance against risk is through the Texas Municipal League (TML) Intergovernmental Risk Pool (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 became insolvent, or otherwise is unable to pay claims, the City may have to pay the claims.

J. 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.

K. Long-Term Liabilities

The governmental activities compensated absences, net pension liability, and total OPEB liability are generally liquidated by the general fund. A summary of long-term debt transactions, including current portions, for the year ended September 30, 2024 is as follows:

Governmental Activities

	September 30, 2023	Additions	Deletions	September 30, 2024	Due Within One Year
General obligation bonds	$ 130,625,000	$ -	$ (12,420,000)	$ 118,205,000	$ 12,750,000
Tax/revenue certificates of obligation	51,985,000	-	(1,280,000)	50,705,000	1,635,000
Unamortized bond premiums/(discounts)	11,881,310	-	(1,050,287)	10,831,023	-
Total bonds payable	194,491,310	-	(14,750,287)	179,741,023	14,385,000
Leases	292,337	79,298	(157,450)	214,185	114,806
Subscriptions	309,088	3,736,301	(1,663,548)	2,381,841	1,019,466
Compensated absences	13,469,434	8,347,470	(6,686,618)	15,130,286	1,513,028
Total OPEB liability					
Supplemental Death Benefits Fund	2,290,114	230,969	-	2,521,083	-
Postemployment Healthcare Plan	8,532,101	-	(735,143)	7,796,958	-
Net pension liability					
Texas Municipal Retirement System	35,936,139	-	(7,792,331)	28,143,807	-
Firefighter's Relief and Retirement Fund	32,735,692	-	(1,478,510)	31,257,182	-
Governmental activities long-term debt	$ 288,056,214	$ 12,394,038	$ (33,263,887)	$ 267,186,364	$ 17,032,300

III. Detailed Notes on All Funds (Continued)

Business-Type Activities

	September 30, 2023	Additions	Deletions	September 30, 2024	Due Within One Year
Revenue bonds	$ 39,945,000	$ -	$ (4,515,000)	$ 35,430,000	$ 3,860,000
General obligation bonds	5,835,000	-	(1,105,000)	4,730,000	1,125,000
Unamortized bond premiums/(discounts)	3,327,117	-	(276,122)	3,050,995	-
Total bonds payable	49,107,117	-	(5,896,122)	43,210,995	4,985,000
Leases	186,395	37,108	(171,368)	52,135	33,503
Compensated absences	1,642,650	1,446,706	(995,382)	2,093,974	209,397
Total OPEB liability					
Supplemental Death Benefit Funds	688,838	57,914	-	746,752	-
Postemployment Healthcare Plan	2,418,548	-	(331,175)	2,087,373	-
Net pension liability					
Texas Municipal Retirement System	10,724,453	-	(2,388,180)	8,336,273	-
Business-type activities long-term debt	$ 64,768,001	$ 1,541,728	$ (9,782,227)	$ 56,527,502	$ 5,227,900

Long-term debt at September 30, 2024 is comprised of the following:

Governmental Activities

	Interest Rates to Maturity (%)	Issue Date	Maturity Date	Original Issue	Outstanding
General Obligation Bonds:					
2014 Refunding	2.00-5.00	2014	2034	$ 11,620,000	$ 315,000
2015 Refunding	3.00-4.00	2015	2034	8,640,000	8,640,000
2016 Refunding	2.00-5.00	2016	2034	34,715,000	28,445,000
2016 Refunding HOT	4.00-5.00	2016	2031	735,000	655,000
2017 Refunding	2.00-5.00	2017	2036	30,625,000	23,915,000
2017 Refunding HOT	2.00-5.00	2017	2030	2,830,000	1,805,000
2020 Limited Tax Note	1.27-1.57	2020	2027	4,910,000	2,160,000
2020 Refunding	2.00-5.00	2020	2026	8,145,000	115,000
2020 Refunding Taxable	0.40-2.42	2020	2039	56,680,000	47,635,000
2020 Refunding HOT	2.00-5.00	2020	2030	1,865,000	870,000
2022 Limited Tax Note	3.00-4.00	2022	2029	5,000,000	3,650,000
Total General Obligation Bonds				165,765,000	118,205,000
Tax/Revenue Certificates of Obligation:					
2014 Various Purpose	2.00-5.00	2014	2039	13,060,000	485,000
2022 Combination Tax & Revenue CO's	3.00-4.00	2022	2041	21,630,000	19,770,000
2023 Combination Tax & Revenue CO's	4.00-5.00	2023	2043	30,450,000	30,450,000
Total Tax/Revenue Certificates of Obligation				65,140,000	50,705,000
Total Governmental Activities				$ 230,905,000	$ 168,910,000

Business-Type Activities

	Interest Rates to Maturity (%)	Issue Date	Maturity Date	Original Issue	Outstanding
Revenue Bonds:					
2019 Refunding	2.00-5.00	2013	2027	7,663,441	1,785,000
2020 Refunding and Improvement	2.00-5.00	2020	2040	22,775,000	18,170,000
2020A Refunding	0.35-2.17	2020	2040	20,030,000	15,475,000
Total Revenue Bonds				50,468,441	35,430,000
General Obligation Bonds:					
2015 Refunding	3.00-4.00	2015	2027	300,000	300,000
2016 Refunding	3.00-5.00	2017	2029	845,000	350,000
2020A Refunding	0.40-2.42	2020	2030	5,385,000	4,080,000
Total General Obligation Bonds				6,530,000	4,730,000
Total Business-Type Acitivities				$ 56,998,441	$ 40,160,000

III. Detailed Notes on All Funds (Continued)

General Obligation Bonds

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

Fiscal Year Ending September 30	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2025	$ 12,750,000	$ 3,648,027	$ 1,125,000	$ 79,129
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
2030-2034	44,460,000	5,786,489	525,000	8,710
2035-2039	8,900,000	523,010	-	-
Total	$ 118,205,000	$ 20,889,769	$ 4,730,000	$ 258,093

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, 2024. Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending September 30	Business-Type Activities Principal	Business-Type Activities Interest
2025	$ 3,860,000	$ 1,001,057
2026	3,915,000	929,341
2027	3,945,000	847,795
2028	2,220,000	730,949
2029	2,285,000	662,906
2030-2034	11,050,000	2,257,263
2035-2039	6,690,000	846,950
2040	1,465,000	43,950
Total	$ 35,430,000	$ 7,320,209

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:

Fiscal Year Ending September 30	Governmental Activities Principal	Governmental Activities Interest
2025	$ 1,635,000	$ 2,091,800
2026	1,200,000	2,023,400
2027	2,090,000	1,972,250
2028	2,180,000	1,876,950
2029	2,290,000	1,777,500
2030-2034	13,095,000	7,202,250
2035-2039	16,115,000	4,166,900
2040-2043	12,100,000	1,067,450
Total	$ 50,705,000	$ 22,178,500

III. Detailed Notes on All Funds (Continued)

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

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

GASB Statement No. 87 - Leases

The City's direct borrowings (leases) related to governmental and business-type activities are secured with equipment as collateral. The annual requirements to amortize leases outstanding at year end were as follows:

Fiscal Year Ending	Governmental Activities			Business-Type Activities		
Sept. 30	Principal	Interest	Total	Principal	Interest	Total
2025	$ 114,806	$ 18,472	$ 133,278	$ 33,503	$ 5,339	$ 38,842
2026	58,243	7,951	66,194	20,859	6,125	26,984
2027	22,103	2,720	24,823	4,129	65	4,194
2028	12,252	1,234	13,486	-	-	-
2029	3,620	97	3,717	-	-	-
Total Principal Payment	211,024	$ 30,474	$ 241,498	58,491	$ 11,529	$ 70,020
Accumulative variance as of fiscal year-end	3,161			(6,354)		
Total Remaining liability	$ 214,185			$ 52,137		

GASB Statement No. 96 - Subscriptions-Based Information Technology Arrangements

The City is a lessee for a noncancellable subscription-based IT arrangements (SBITAs).

Fiscal Year Ending	Business-Type Activities		
Sept. 30	Principal	Interest	Total
2025	$ 1,019,464	$ 68,797	$ 1,088,261
2026	394,868	38,323	433,191
2027	314,640	27,053	341,693
2028	204,171	17,776	221,947
2029	85,138	11,810	96,948
2030-2033	363,558	24,233	387,791
Total	$ 2,381,839	$ 187,992	$ 2,569,831

As of 09/30/2024, City of Kileen, TX had 20 active subscriptions. The subscriptions have payments that range from $8,500 to $1,023,999 and interest rates that range from 2.5030% to 3.3050%. As of 09/30/2024, the total combined value of the subscription liability is $2,381,839, and the total combined value of the short-term subscription liability is $1,019,466. The combined value of the right to use asset, as of 09/30/2024 of $4,335,866 with accumulated amortization of $1,338,531 is included within the Subscription Class activities table found below. The subscriptions had $0 of Variable Payments and $0 of Other Payments, not included in the Subscription Liability, within the Fiscal Year.

L. Fund Balance

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

M. Inter-fund Receivables and Payables

III. Detailed Notes on All Funds (Continued)

The composition of inter-fund balances as of September 30, 2024 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	$ 427,068

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

N. Inter-fund Transfers

The composition of inter-fund transfers for the year ended September 30, 2024 is as follows:

	Transfers In							
	General	Capital Projects	Other Governmental Funds	Internal Services	Solid Waste	Water and Sewer	Golf Course	Total Funds
Transfers Out:								
General Fund	$ -	$ 10,832,302	$ 304,869	$ -	$ 4,000	$ 57,525	$ 73,843	$ 11,272,539
Capital Projetcs Fund	-	-	-	671,409	-	9,000	-	680,409
Other Governmental Funds	231,424	1,273,906	-	124,333	-	-	-	1,629,663
Internal Services	-	-	-	148,540	-	-	-	148,540
Solid Waste Fund	3,411,591	-	-	-	-	57,525	-	3,469,116
Water and Sewer Fund	6,364,325	-	-	-	-	-	-	6,364,325
Drainage Fund	690,600	-	-	-	-	115,050	-	805,650
Total Transfers	$ 10,697,940	$ 12,106,208	$ 304,869	$ 944,282	$ 4,000	$ 239,100	$ 73,843	$ 24,370,242

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, 2024, the City made the following one-time transfers:

- $10,832,302 was transferred from the general fund to the governmental capital improvement projects fund. Additionally, $1,273,906 was transferred from other capital improvement project funds to close those funds.
- $304,869 was transferred from the general fund to establish a new special revenue fund for restricted fees charged by development services, including the technology fee and vacant structure fee. This amount represents fees collected and accumulated in the general fund.
- $4,000 was transferred from the general fund to the solid waste fund to facilitate the transfer of a trailer between funds.
- $57,525 was transferred from the general fund, with an equal amount from the solid waste fund, and $115,050 from the drainage fund to the water and sewer for proportionate share of engineering costs.
- $73,843 was transferred from the general fund to the golf course fund to establish the golf course enterprise fund.
- $671,409 was transferred from the governmental capital projects fund to the information technology internal service fund for the initial payment of the new enterprise resource planning software. Additionally, $9,000 was transferred to Water and Sewer to support the vehicle transfer between funds.
- $124,333 was transferred from the law enforcement grant fund to the information technology internal service fund as the initial payment for the police department's software license.
- $148,540 was transferred from fleet service internal service fund to the information technology internal service fund for the purchase of fleet management software.

III. Detailed Notes on All Funds (Continued)

O. Discretely Presented Component Unit

Capital asset activity for the KEDC for the year ended September 30, 2024 was as follows:

	Balance 9/30/2023	Additions	Deletions	Balance 9/30/2024
Capital assets not being depreciated:				
Land				
KEDC - owned	$ 44,956	$ -	$ -	$ 44,956
Industrial Park	530,921	-	74,905	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	776,930	5,029,438	74,905	5,731,463
Capital assets being depreciated:				
Buildings				
Presidium	3,863,973	6,643	-	3,870,616
First National Bank/Raytheon	1,996,402	9,863	-	2,006,265
Enterprise Cul-de-sac	100,000	-	-	100,000
Entrance Sign	31,382	-	-	31,382
Total capital assets being depreciated	5,991,757	16,506	-	6,008,263
Less accumulated depreciation for:				
Buildings	3,888,395	189,335	-	4,077,730
Total accumulated depreciation	3,888,395	189,335	-	4,077,730
Total capital assets being depreciated, net	2,103,362	(172,829)	-	1,930,533
KEDC capital assets, net	$ 2,880,292	$ 4,856,609	$ 74,905	$ 7,661,996

IV. Tax Abatements

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

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.

V. Subsequent Events

On February 4, 2025, the City Council approved a resolution to proceed with the issuance of Certificates of Obligation for capital projects, not to exceed $39 million. The Certificates will be sold on an "All or None" basis, at a price between 101% and 112% of par value. Bidders will propose interest rates, with a maximum net effective interest rate of 15% and a maximum coupon rate of 5.00%. Proceeds will fund various capital projects, including street improvements (Featherline, Mohawk, and Chaparral streets), park upgrades (including the golf course), public safety facilities (fire station rebuild), and professional services related to these projects. Bids are due on April 1, 2025, and the City Council will vote on the issuance shortly thereafter.

CITY OF KILLEEN

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1

City of Killeen, Texas
Required Supplementary Information (Unaudited)
Texas Municipal Retirement System
Schedule of Changes in the City's Net Pension Liability and Related Ratios
(Last Ten Fiscal Years)

	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
1. Total Pension Liability										
a. Service cost	$ 8,354,587	$ 7,940,231	$ 7,341,250	$ 8,100,309	$ 7,920,676	$ 7,395,445	$ 6,507,586	$ 6,829,331	$ 7,756,102	$ 7,127,298
b. Interest	16,509,148	15,756,211	15,041,103	16,921,640	16,036,469	15,374,857	11,862,841	11,923,879	13,747,572	12,950,074
d. Change in benefit terms including substantially automatic status	-	-	(41,259,695)	(376,680)	-	44,788,665	(8,113,387)	(31,349,348)	-	-
e. Differences between expected and actual experience	1,510,206	1,186,492	752,579	705,380	(520,094)	(2,828,831)		(1,945,285)	(1,223,578)	(1,781,423)
f. Changes of assumptions	(1,063,957)		-	-	1,383,976	-	(1,764,142)	-	(39,423)	-
g. Benefit payments, including refunds of employee contributions	(14,535,320)	(13,335,667)	(12,344,780)	(11,551,062)	(11,289,976)	(9,514,886)	(10,103,133)	(8,772,730)	(7,570,788)	(6,864,254)
h. Net Change in Total Pension Liability	10,774,664	11,547,267	(30,469,543)	13,799,587	13,531,051	55,215,250	(1,610,235)	(23,314,153)	12,669,885	11,431,695
i. Total Pension Liability - Beginning	247,670,334	236,123,067	266,592,610	252,793,023	239,261,972	184,046,722	185,656,957	208,971,110	196,301,225	184,869,530
j. Total Pension Liability - Ending	258,444,998	247,670,334	236,123,067	266,592,610	252,793,023	239,261,972	184,046,722	185,656,957	208,971,110	196,301,225
2. Plan Fiduciary Net Position										
a. Contributions - employer	8,340,278	8,126,202	7,341,292	5,659,874	5,103,810	4,252,052	4,264,503	3,850,502	3,878,184	3,555,987
b. Contributions - employee	4,062,769	3,851,810	3,548,947	3,406,632	3,253,799	3,043,393	3,104,872	3,262,703	3,296,020	3,166,911
c. Net investment income	23,236,487	(15,914,704)	25,332,145	13,893,779	24,924,587	(5,051,116)	20,878,508	9,649,863	211,180	7,756,563
d. Benefit payments, including refunds of employee contributions	(14,535,320)	(13,335,667)	(12,344,780)	(11,551,062)	(11,289,976)	(9,514,886)	(10,103,133)	(8,772,730)	(7,570,788)	(6,864,254)
e. Administrative expenses	(148,004)	(137,865)	(117,317)	(89,972)	(140,931)	(97,668)	(108,224)	(108,991)	(128,630)	(80,983)
f. Other	(1,034)	164,514	803	(3,510)	(4,233)	(5,103)	(5,485)	(5,872)	(6,353)	(6,658)
g. Net Change in Plan Fiduciary Net Position	20,955,176	(17,245,710)	23,761,090	11,315,741	21,847,056	(7,373,328)	18,031,041	7,875,475	(320,387)	7,527,566
h. Plan Fiduciary Net Position - Beginning	201,009,742	218,255,452	194,494,362	183,178,621	161,331,565	168,704,893	150,673,852	142,798,377	143,118,764	135,591,198
i. Plan Fiduciary Net Position - Ending	$ 221,964,918	$ 201,009,742	$ 218,255,452	$ 194,494,362	$ 183,178,621	$ 161,331,565	$ 168,704,893	$ 150,673,852	$ 142,798,377	$ 143,118,764
3. Net Pension Liability - Ending [Item 1(j) - 2(i)]	$ 36,480,080	$ 46,660,592	$ 17,867,615	$ 72,098,248	$ 69,614,402	$ 77,930,407	$ 15,341,829	$ 34,983,105	$ 66,172,733	$ 53,182,461
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.88%	81.16%	92.43%	72.96%	72.46%	67.43%	91.66%	81.16%	68.33%	72.91%
5. Covered Payroll for Year (Estimated)	$ 57,977,705	$ 55,025,854	$ 50,699,243	$ 48,592,138	$ 46,482,842	$43,477,044	$ 44,329,602	$ 46,584,793	$ 47,063,726	$ 45,235,558
6. City's Net Pension Liability as a Percentage of Covered Payroll	62.92%	84.80%	35.24%	148.37%	149.76%	179.24%	34.61%	75.10%	140.60%	117.57%

Exhibit B-2

City of Killeen, Texas
Required Supplementary Information (Unaudited)
Texas Municipal Retirement System
Schedule of Contributions (Last Ten Fiscal Years)

Fiscal Year	(1) Actuarially Determined Contribution	(2) Contribution in Relation to the Actuarially Determined Contribution	(3) Contribution Excess (Deficiency) (2) - (1)	(4) Covered Employee Payroll	(5) Contributions as a Percentage of Covered Employee Payroll (2)/(4)
2015	$ 3,879,674	$ 3,879,674	$ -	$ 46,806,060	8.29%
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	4,177,298	4,177,298	-	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%

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	21 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	Experience-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: 1) There were no benefit changes during the year

Exhibit B-3

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

	September 30, 2024	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
1. Total Pension Liability										
a. Service cost	$ 3,009,082	$ 2,536,394	$ 2,468,510	$ 2,319,369	$ 2,251,815	$ 2,113,543	$ 2,047,015	$ 1,891,004	$ 1,827,057	$ 1,830,207
b. Interest	6,365,285	5,607,259	5,271,546	5,008,777	4,710,130	4,434,845	4,185,617	4,132,431	3,854,103	3,548,068
c. Changes of benefit terms	-	(1,770,164)	-	-	-	-	-	-	-	-
d. Differences between expected and actual experience	-	5,456,813	-	(301,589)	-	(527,995)	-	(2,575,843)	-	-
e. Changes of assumptions	-	1,550,316	-	2,014,756	-	2,222,160	-	(224,913)	-	779,646
f. Benefit payments	(3,694,836)	(3,100,716)	(3,254,092)	(3,272,253)	(2,822,833)	(2,782,964)	(3,383,661)	(2,001,167)	(2,306,409)	(2,105,453)
g. Net Change in Total Pension Liability	5,679,531	10,279,902	4,485,964	5,769,060	4,139,112	5,459,589	2,848,971	1,221,512	3,374,751	4,052,468
h. Total Pension Liability - Beginning (1)	86,635,375	76,355,473	71,869,509	66,100,449	61,961,337	56,501,748	53,652,777	52,431,265	49,056,514	45,004,046
i. Total Pension Liability - Ending (2)	$92,314,906	$86,635,375	$76,355,473	$71,869,509	$66,100,449	$61,961,337	$56,501,748	$53,652,777	$52,431,265	$49,056,514
2. Plan Fiduciary Net Position										
a. Contributions by the city	2,916,053	2,800,619	2,440,295	2,013,825	1,919,225	1,817,845	1,873,368	1,770,872	1,696,664	1,541,096
b. Contributions by the firefighters	2,142,691	2,053,786	1,788,846	1,699,605	1,623,962	1,538,179	1,585,161	1,483,972	1,419,132	1,284,686
c. Net investment income	5,933,640	(9,208,892)	9,715,290	4,716,637	1,315,715	3,585,949	4,603,775	3,110,934	(1,444,977)	1,972,592
d. Benefit payments	(3,694,836)	(3,100,716)	(3,254,092)	(3,272,253)	(2,822,833)	(2,782,964)	(3,383,661)	(2,001,167)	(2,306,409)	(2,105,453)
e. Administrative expenses	(139,507)	(133,671)	(114,381)	(107,111)	(121,394)	(96,351)	(136,910)	(94,483)	(135,909)	(130,049)
f. Net Change in Plan Fiduciary Net Position	7,158,041	(7,588,874)	10,575,958	5,050,703	1,914,675	4,062,658	4,541,733	4,270,128	(771,499)	2,562,872
g. Plan Fiduciary Net Position - Beginning	53,899,683	61,488,557	50,912,599	45,861,896	43,947,221	39,884,563	35,342,830	31,072,702	31,844,201	29,281,329
h. Plan Fiduciary Net Position - Ending	$61,057,724	$53,899,683	$61,488,557	$50,912,599	$45,861,896	$43,947,221	$39,884,563	$35,342,830	$31,072,702	$31,844,201
3. City's Net Pension Liability - Ending [Item 1 - 2]	$31,257,182	$32,735,692	$14,866,916	$20,956,910	$20,238,553	$18,014,116	$16,617,185	$18,309,947	$21,358,563	$17,212,313
4. Plan Fiduciary Net Position as a Percentage of the Total Pension	66.1%	62.2%	80.5%	70.8%	69.4%	70.9%	70.6%	65.90%	59.26%	64.9%
5. Covered Payroll for Year (Estimated)	$19,479,009	$18,670,782	$16,262,236	$15,450,955	$14,763,291	$13,983,445	$14,410,555	$13,490,655	$12,901,200	$12,457,025
6. City's Net Pension Liability as a Percentage of Covered Payroll	160.5%	175.3%	91.4%	135.6%	137.1%	128.8%	115.3%	135.7%	165.6%	138.2%

Exhibit B-4

City of Killeen, Texas
Required Supplementary Information (Unaudited)
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Supplemental Death Benefits Fund
(Last Seven Fiscal Years)

	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total OPEB Liability							
Service cost	$ 115,955	$ 225,606	$ 207,867	$ 170,072	$ 120,855	$ 130,431	$ 115,257
Interest (on the total OPEB liability)	121,352	81,971	82,824	93,323	101,373	88,180	85,013
Difference between expected and actual experience	(36,602)	9,027	(64,279)	(79,887)	(145,777)	74,528	-
Change of assumptions	169,347	(1,644,018)	147,181	587,910	579,092	(201,998)	222,509
Benefit payments	(81,169)	(71,534)	(65,909)	(19,437)	(18,593)	(17,391)	(13,299)
Net Change in Total OPEB Liability	288,883	(1,398,948)	307,684	751,981	636,950	73,750	409,480
Beginning total OPEB liability	2,978,952	4,377,900	4,070,216	3,318,235	2,681,285	2,607,535	2,198,055
Ending Total OPEB Liability	$ 3,267,835	$ 2,978,952	$ 4,377,900	$ 4,070,216	$ 3,318,235	$ 2,681,285	$ 2,607,535
Covered Payroll	$ 57,977,705	$ 55,025,854	$ 50,699,243	$ 48,592,138	$ 46,482,842	$ 43,477,044	$ 44,329,602
Total OPEB Liability as a Percentage of Covered Payroll	**5.64%**	**5.41%**	**8.64%**	**8.38%**	**7.14%**	**6.17%**	**5.88%**

Notes:
Only seven 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.

Exhibit B-5

City of Killeen, Texas
Required Supplementary Information (Unaudited)
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Postemployment Healthcare Plan
(Last Seven Measurement Years)

	September 30, 2024	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018
Total OPEB Liability							
Service cost	$ 508,287	$ 508,067	$ 710,775	$ 759,863	$ 677,638	$ 517,001	$ 614,080
Interest (on the total OPEB liability)	462,446	433,202	266,512	250,980	279,949	349,208	351,597
Difference between expected and actual experience	(2,667,610)	-	710,261	-	582,533	-	(624,879)
Change of assumptions	938,042	(82,408)	(2,090,920)	(46,727)	(313,743)	1,610,530	(1,064,361)
Benefit payments	(307,483)	(349,174)	(472,260)	(485,795)	(466,671)	(466,036)	(502,978)
Net Change in Total OPEB Liability	(1,066,318)	509,687	(875,632)	478,321	759,706	2,010,703	(1,226,541)
Beginning total OPEB liability	10,950,649	10,440,962	11,316,594	10,838,273	10,078,567	8,067,864	9,294,405
Ending Total OPEB Liability	$ 9,884,331	$ 10,950,649	$ 10,440,962	$ 11,316,594	$ 10,838,273	$ 10,078,567	$ 8,067,864
Covered Payroll	$ 83,787,392	$ 78,181,883	$ 76,542,923	$ 66,960,732	$ 63,990,120	$ 59,574,244	$ 57,536,268
Total OPEB Liability as a Percentage of Covered Payroll	**11.80%**	**14.01%**	**13.64%**	**16.90%**	**16.94%**	**16.92%**	**14.02%**

Notes:

Only seven years of information is currently available. The City will build this schedule over the next ten-year period. Changes of assumptions reflect a change in the discount rate from 4.09% as of September 30, 2023 to 3.81% as of September 30, 2024.

There were no changes in benefit terms that affected measurement of the total OPEB liability during the measurement period.
Measurement Year 2024.

No assets are accumulated in a trust that meets the criteria in paragrapah 4 of GASB Statement No. 75, Account and Financial Reporting for Postemployment Benefits Other Than Pensions.

Exhibit B-6

City of Killeen, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2024

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance - Positive (Negative)
Revenues:				
Taxes and Fees:				
Ad valorem	$ 48,898,733	$ 50,160,348	$ 50,160,348	$ (1,261,615)
Penalty and interest	339,063	200,000	200,000	139,063
Total ad valorem	49,237,796	50,360,348	50,360,348	(1,122,552)
Franchise fees	5,469,597	5,971,555	5,971,555	(501,958)
Sales and occupancy	36,186,786	36,553,935	36,553,935	(367,149)
Total taxes and fees	90,894,179	92,885,838	92,885,838	(1,991,659)
Licenses, Permits and Other Fees:				
Building permits and inspections	1,329,722	1,478,375	1,483,875	(154,153)
Electrical permits and inspections	66,375	55,000	55,000	11,375
Plumbing permits and inspections	137,570	130,000	130,000	7,570
Miscellaneous licenses	410,301	610,393	482,893	(72,592)
Taxi operators licenses	535	1,549	1,549	(1,014)
Food handlers permits	52,100	54,000	54,000	(1,900)
Trailer court licenses	8,410	7,500	7,500	910
Building plans review	324,999	37,000	37,000	287,999
Mechanical inspections	18,850	30,000	30,000	(11,150)
Total licenses, permits, and other fees	2,348,862	2,403,817	2,281,817	67,045
Intergovernmental:				
General government	4,363,737	2,727,820	4,309,848	53,889
Public safety	1,235,312	1,138,719	1,933,179	(697,867)
Community development	10,500	-	-	10,500
Public Works	34,480	34,480	34,480	-
Total intergovernmental	5,644,029	3,901,019	6,277,507	(633,478)
Charges for Services:				
Ambulance service fees	4,506,114	3,891,860	3,891,860	614,254
Fire	296,754	260,600	304,600	(7,846)
Miscellaneous police receipts	22,051	21,622	21,622	429
Animal control receipts	151,416	129,663	129,663	21,753
Parks and recreation	848,611	881,665	881,665	(33,054)
Library charges and contributions	24,206	29,997	29,997	(5,791)
Killeen arts and activities center	137,916	106,568	106,568	31,348
General government	735,911	755,846	755,846	(19,935)
Leases	191,530	216,834	216,834	(25,304)
Total charges for services	6,914,509	6,294,655	6,338,655	575,854
Fines and Fees				
Municipal court fines	3,240,061	2,842,343	2,842,343	397,718
Other fines and fees	261,934	208,500	208,500	53,434
Total fines and fees	3,501,995	3,050,843	3,050,843	451,152
Investment earnings	5,918,522	1,263,540	1,448,305	4,470,217
Contributions	16,000	30,000	30,000	(14,000)
Miscellaneous	388,259	97,438	97,438	290,821
Total revenues	115,626,355	109,927,150	112,410,403	3,215,952
Expenditures:				
General Government:				
City council	179,172	225,655	225,655	46,483
City manager	721,318	785,444	785,444	64,126
City auditor	160,659	160,669	160,669	10
Communications	806,563	842,987	843,338	36,775
City attorney	1,517,943	1,532,672	1,609,009	91,066
Financial services	2,442,856	2,333,550	2,504,948	62,092
Human resources	1,304,288	1,389,319	1,422,819	118,531
Planning and development	1,334,625	1,314,840	1,337,883	3,258
Nondepartmental	9,864,973	8,323,134	10,469,855	604,882
Total general government	$ 18,332,397	$ 16,908,270	$ 19,359,620	$ 1,027,223

Exhibit B-6

City of Killeen, Texas
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
For the Year Ended September 30, 2024

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance - Positive (Negative)
Public Safety:				
Municipal court	$ 1,450,005	$ 1,580,164	$ 1,580,164	$ 130,159
Building inspections	1,280,717	1,310,965	1,329,587	48,870
Code enforcement	1,495,033	1,517,559	1,598,662	103,629
Animal control	1,827,637	2,248,430	2,250,194	422,557
Police	39,701,265	42,193,485	42,235,066	2,533,801
Fire	32,404,444	31,656,241	32,416,082	11,638
Total public safety	78,159,101	80,506,844	81,409,755	3,250,654
Public Works:				
Administration	300,182	276,028	276,028	(24,154)
Mowing	920,540	1,072,508	1,072,508	151,968
Transportation	4,318,599	4,736,764	4,747,864	429,265
Total Public Works	5,539,321	6,085,300	6,096,400	557,079
Recreation Services:				
Administration	517,441	608,654	608,490	91,049
Parks	2,720,172	3,110,569	2,863,005	142,833
Operations	454,408	506,934	502,959	48,551
Family aquatics center	715,970	721,286	727,286	11,316
Recreation	380,857	468,348	465,187	84,330
Athletics	374,062	408,164	408,164	34,102
Senior citizens	399,704	474,019	478,019	78,315
Total recreation services	5,562,614	6,297,974	6,053,110	490,496
Community Development:				
Library	1,730,178	1,811,121	1,777,479	47,301
Killeen arts and activities center	459,768	525,608	525,608	65,840
Community development	358,032	329,912	357,287	(745)
Building services	1,140,225	1,147,813	1,131,698	(8,527)
Custodial services	779,310	902,286	902,286	122,976
Total community development	4,467,513	4,716,740	4,694,358	226,845
Capital Outlay	939,903	646,422	1,332,491	392,588
Debt Payments	170,383	230,960	189,725	19,342
Total expenditures	113,171,232	115,392,510	119,135,459	5,964,227
Excess of revenues over (under) expenditures	2,455,123	(5,465,360)	(6,725,056)	9,180,179
Other Financing Sources (Uses)				
Insurance recoveries	392,762	150,000	390,880	1,882
Sale of capital assets	147,885	25,674	25,674	122,211
Leases issued	79,298	-	-	79,298
Transfers in	10,697,940	10,466,516	10,466,516	231,424
Transfers out	(11,272,539)	(5,176,830)	(11,272,539)	-
Total other financing sources (uses)	45,346	5,465,360	(389,469)	434,815
Net change in fund balance	2,500,469	$ -	$ (7,114,525)	$ 8,745,364
Fund balance - beginning	32,068,950			
Fund balance - ending	$ 34,569,419			

<u>APPENDIX C</u>

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 Bonds, assuming no material changes in facts or law.*]

CITY OF KILLEEN, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BONDS,
SERIES 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF $________

AS BOND COUNSEL FOR THE CITY OF KILLEEN, TEXAS (the "City") 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 June 17, 2025, authorizing the issuance of the Bonds (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas 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 R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, constitute valid and legally binding special obligations of the City, except as the enforceability thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion; and that the Bonds are secured by and payable from a lien on and pledge of the Net Revenues of the City's combined Waterworks and Sewer System (the "System"). The City has reserved the right, subject to the covenants and conditions stated in the Ordinance, to issue additional Parity Debt payable, together with any other outstanding Parity Debt, from and secured by a lien on and pledge of the Net Revenues of the System on a parity with the Bonds. The holders of the Bonds are not entitled to demand payment thereof out of any money raised by taxation.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds are excludable from the gross income of the owners thereof 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 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 therewith. 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.

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.

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. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

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.

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 Net Revenues of the System. 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,