PRELIMINARY OFFICIAL STATEMENT
Dated June 12, 2025

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

NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, 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.

$92,155,000*
CITY OF TEMPLE, TEXAS
(A political subdivision of the State of Texas located in Bell County)
UTILITY SYSTEM REVENUE BONDS, SERIES 2025

Dated Date: July 10, 2025 **Due: August 1, as shown on the inside cover page**
Interest to accrue from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the $92,155,000* City of Temple, Texas Utility System Revenue Bonds, Series 2025 (the "Bonds") will accrue from the Date of Initial Delivery, will be payable on February 1 and August 1 of each year, until maturity or prior redemption, commencing February 1, 2026, 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 issued by the City of Temple, Texas (the "City") pursuant to the Texas Constitution and the general laws of the State of Texas, particularly Chapters 1502 and 1371, Texas Government Code, as amended; a "Master Ordinance Establishing the City of Temple, Texas Utility System Revenue Financing Program" adopted by the City Council on September 21, 2006 (the "Master Ordinance"); a "Thirteenth Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Utility System Revenue Financing Program" adopted by the City Council on May 15, 2025 (the "Thirteenth Supplement"), and the pricing certificate of an authorized representative of the City setting forth specific terms of the Bonds as authorized by the Thirteenth Supplement (the "Pricing Certificate" and, collectively with the Master Ordinance and the Thirteenth Supplement, the "Ordinance"). **The Bonds, together with the outstanding Parity Debt, as hereinafter defined, are payable from and secured by a first lien on the Net Revenues of the City's combined waterworks and sewer utility system (the "Utility System").** As additional security, there has been established a Reserve Account 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 Bonds. Due to the coverage currently maintained by the City, at the time of delivery of the Bonds, it is not anticipated that the Reserve Account will be funded. The amount required to be on deposit in the Reserve Account 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 Debt") secured by a lien on such Net Revenues on parity with the Bonds and the outstanding Parity Debt. **The City has not covenanted nor obligated itself to pay principal of or interest on the Bonds from moneys raised or to be raised from taxation** (see "THE BONDS – Authority for Issuance" and "THE BONDS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of paying the (i) costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping the City's Utility System and (ii) costs of issuance of the Bonds.

CUSIP PREFIX: 880162
MATURITY SCHEDULE
See Inside Cover Page

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters below (the "Underwriters") 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 D – Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through DTC on July 10, 2025 (the "Date of Initial Delivery").

RAYMOND JAMES **SAMCO CAPITAL**
BAIRD **FHN FINANCIAL CAPITAL MARKETS**

*Preliminary, subject to change.

MATURITY SCHEDULE*

August 1 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers[(1)]
2026	$ 1,275,000			
2027	2,045,000			
2028	2,150,000			
2029	2,255,000			
2030	2,370,000			
2031	2,485,000			
2032	2,610,000			
2033	2,740,000			
2034	2,880,000			
2035	3,020,000			
2036	3,175,000			
2037	3,330,000			
2038	3,500,000			
2039	3,675,000			
2040	3,855,000			
2041	4,050,000			
2042	4,250,000			
2043	4,465,000			
2044	4,690,000			
2045	4,920,000			
2046	5,170,000			
2047	5,415,000			
2048	5,670,000			
2049	5,940,000			
2050	6,220,000			

(Interest accrues from the Date of Initial Delivery)

*Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

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 (see “THE BONDS – Optional Redemption”). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect 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 the Rule.

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

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

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

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

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

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

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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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.

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 Temple, Texas (the "City"), is a political subdivision located in Bell County, and is operating as a home-rule city under the laws of the State of Texas (the "State") and a charter approved by voters in 1907, as amended (the "Charter"). The Charter provides for the governing and law-making body to be a City Council composed of a Mayor and four Councilmembers. Councilmembers are elected from single member districts of equal population and the Mayor is elected at large. The Mayor is chief executive officer of the City and may vote on all motions before the Council, but does not have veto power. The City Manager is appointed by the City Council as the chief administrative officer of the City. The City is approximately 77.975 square miles in area (see "INTRODUCTION – Description of the City").

THE BONDS .... The Bonds are issued as $92,155,000* City of Temple, Texas Utility System Revenue Bonds, Series 2025 (the "Bonds"). The Bonds are issued as serial Bonds maturing on August 1 in each of the years 2026 through 2050, inclusive, in the principal amounts set forth on the inside cover page hereof unless the Underwriters elect to aggregate two or more consecutive maturities as term Bonds.

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Date of Initial Delivery and is payable on February 1, 2026, and each August 1 and February 1 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds" and "THE BONDS – Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 1502 and 1371, Texas Government Code, as amended; a "Master Ordinance Establishing the City of Temple, Texas Utility System Revenue Financing Program" adopted by the City Council on September 21, 2006 (the "Master Ordinance"); a "Thirteenth Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Utility System Revenue Financing Program" adopted by the City Council on May 15, 2025 (the "Thirteenth Supplement"), and the pricing certificate of an authorized representative of the City setting forth specific terms of the Bonds as authorized by the Thirteenth Supplement (the "Pricing Certificate" and, collectively with the Master Ordinance and the Thirteenth Supplement, the "Ordinance") (see "THE BONDS – Authority for Issuance").

SECURITY .... The Bonds constitute special obligations of the City payable, both as to principal and interest, from and secured by a lien on and pledge of the Security including the Net Revenues of the City's Utility System (the "Net Revenues") after payment of maintenance and operating expenses. The City has reserved the right to issue additional obligations secured by a lien on the Net Revenues on parity with the Bonds. Additional security for the Bonds is provided in the Reserve Account (see "APPENDIX C – Selected Provisions of the Ordinance") which is required to be funded but only after Net Revenues for any fiscal year are less than 1.35 times the average Annual Debt Service Requirements of the Bonds. At the time of delivery of the Bonds it is not anticipated that the Reserve Account will be funded due to the coverage currently maintained by the City. **The City has not covenanted or obligated itself to pay the principal of or interest on Bonds from monies raised or to be raised from taxation** (see "THE BONDS – Security and Source of Payment").

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 (see "THE BONDS – Optional Redemption"). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more consecutive maturities as term Bonds.

*Preliminary, subject to change.

TAX EXEMPTION.............................. In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS."

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the purpose of paying the (i) costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping the City's Utility System and (ii) costs of issuance of the Bonds.

RATING .... The Bonds and the outstanding utility system 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 Utility System debt.

SELECTED CITY INDICES

Fiscal Year Ended 9/30	Estimated Population	Water Usage (Millions/Gallons) Peak Day Usage	Average Day Usage	Total Usage (Acre Feet)	Net Available for Debt Service	Average Annual Debt Service Requirements(1)	Coverage of Average Debt Service
2020	82,073	32.812	16.150	18,436	$ 21,074,577	$ 8,708,884	2.42x
2021	86,075	33.800	15.900	17,809	16,486,471	9,986,422	1.65x
2022	89,112	32.920	18.740	21,008	30,208,938	11,079,763	2.73x
2023	92,183	32.480	19.110	21,409	27,179,855	12,429,911	2.19x
2024	94,935	29.930	17.670	19,587	29,001,913	12,430,511	2.34x

(1) Excludes the Bonds and Utility System-supported general obligation debt service.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires
Tim Davis Mayor	May 2027
Jessica Walker Mayor Pro Tem	May 2028
Zoe Grant Councilmember	May 2026
Susan Long Councilmember	May 2026
Mike Pilkington Councilmember	May 2028

APPOINTED OFFICIALS

Name	Position	Length of Service
Brynn Myers	City Manager	17 Years(1)
Traci Barnard, CPA	Director of Finance	32.5 Years(2)
Kathryn Davis	City Attorney	5.5 Years(3)
Jana Lewellen	City Secretary	5 Years(4)

(1) 6 years in current position.
(2) 22 years in current position.
(3) Served previously as a City Attorney for cities other than the City of Temple for 17 years.
(4) Served previously as a City Secretary for cities other than the City of Temple for 16 years.

CONSULTANTS AND ADVISORS

Auditors .... Brockway, Gersbach, Franklin & Niemeier, P.C.
Temple, 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:

Traci Barnard, CPA Director of Finance City of Temple #2 North Main Temple, Texas 76501 254/298-5631 254/298-5466 Fax	or	Dan Wegmiller Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 512/275-7300 512/275-7305 Fax

PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$92,155,000*
CITY OF TEMPLE, TEXAS
UTILITY SYSTEM REVENUE BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $92,155,000* City of Temple, Texas Utility System Revenue Bonds, Series 2025 (the "Bonds"). The Bonds are issued pursuant to the authority granted to the City by Chapters 1502 and 1371, Texas Government Code, as amended; a "Master Ordinance Establishing the City of Temple, Texas Utility System Revenue Financing Program" (the "Master Ordinance") adopted by the City Council on September 21, 2006; a "Thirteenth Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Utility System Revenue Financing Program adopted by the City Council on May 15, 2025 (the "Thirteenth Supplement"), and the pricing certificate of an authorized representative of the City setting forth specific terms of the Bonds as authorized by the Thirteenth Supplement (the "Pricing Certificate" and, collectively with the Master Ordinance and the Thirteenth Supplement, 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 (see "APPENDIX C – Selected Provisions of the Ordinance").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City of Temple, Texas (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. Copies of the Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. 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, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1907 and the Charter was most recently amended in 2014. The City operates under the Council/Manager form of government with a City Council comprised of the Mayor and four Councilmembers. Councilmembers are elected from single member districts of equal population and the Mayor is elected at large. The Mayor is chief executive officer of the City and may vote on all motions before the Council, but does not have veto power. The City Manager is appointed by the City Council as the chief administrative officer of the City. The City covers approximately 77.975 square miles. For more information regarding the City, see "APPENDIX A – General Information Regarding the City."

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated July 10, 2025 (the "Date of Initial Delivery") and mature on August 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will accrue from the Date of Initial Delivery, will be computed on the basis of a 360-day year comprised of twelve 30-day months, and will be payable on February 1 and August 1 of each year until maturity or prior redemption, commencing February 1, 2026. 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 ("Book-Entry-Only-System"). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Texas Constitution and general laws of the State, particularly Chapters 1502 and 1371, Texas Government Code, as amended, and the Ordinance.

*Preliminary, subject to change.

Security and Source of Payment . . . With respect to the Bonds and any additional Parity Debt, the City has pledged to the owners of the Bonds as security for the payment of the Bonds and any additional Parity Debt, a lien on the Security, which includes: (i) all Pledged Revenues; (ii) all amounts in the Revenue Account and the Interest and Sinking Account; (iii) any additional account or subaccount that is subsequently established and so designated as being included within Security; (iv) all of the proceeds of the foregoing, including without limitation investments thereof; and (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement. With respect to any applicable series of Parity Debt, the term Security also includes all amounts in any reserve account or subaccount applicable to such Parity Debt including any reserve fund surety policy or other Credit Agreement entered into for the benefit of such account or subaccount. Pledged Revenues means the Net Revenues of the Utility System plus any additional revenues, income, receipts or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Parity Debt and excluding those revenues excluded from Gross Revenues. The Bonds are not a charge upon any other income or revenues of the City and will never constitute a legal or equitable pledge, charge, lien, mortgage or encumbrance upon any property of the City or the Utility System, except the Security. As additional security for the Bonds, there has been established a Reserve Account 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) in an amount at least equal to the average Annual Debt Service Requirements, as defined in the Master Ordinance, of the Bonds. The amount required to be on deposit in the Reserve Account can, at the option of the City, be satisfied by deposit of a Reserve Fund Obligation. Due to the coverage currently maintained by the City, at the time of delivery of the Bonds it is not anticipated that the Reserve Account will be funded (see "APPENDIX C – Selected Provisions of the Ordinance").

The City has covenanted in the Master Ordinance not to issue any additional obligations payable from the Net Revenues with a lien superior to the lien created by the Master Ordinance. At the time of establishment of the Master Ordinance, the City had certain Prior Obligations outstanding; however, such Prior Obligations are no longer outstanding.

Additional Parity Debt . . . In the Master Ordinance, the City has reserved the right to issue additional Parity Debt which is equally and ratably secured solely by a lien on the Security on parity with the Bonds upon satisfying certain conditions (see Section 7 of the Master Ordinance as described in "APPENDIX C – Selected Provisions of the Ordinance").

Credit Agreements . . . Chapter 1371 of the Texas Government Code, as amended, and the Master Ordinance authorize the City at any time to enter into one or more credit agreements to secure Parity Debt, including the Bonds, in whole or in part. The Master Ordinance provides that the City may execute and deliver a credit agreement upon the delivery to the City of a certificate signed by the Chief Financial Officer to the effect that such credit agreement is in the best interest of the City. Each credit agreement must be approved by the City to the extent required by law.

Credit agreements may include loan agreements; revolving credit agreements; agreements establishing a line of credit; letters of credit; reimbursement agreements; insurance contracts; commitments to purchase Parity Debt; purchase or sale agreements; interest rate swap, cap, and/or floor agreements or commitments; or other contracts or agreements authorized, recognized, and approved by the City as a credit agreement in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of Parity Debt, the interest on Parity Debt, or both. Payments to be made by the City under the terms of any credit agreement will be governed by the resolution or ordinance adopted by the City authorizing the execution and delivery of such credit agreement. Credit agreements may be entered into as Parity Debt, as Subordinate Debt, or partially as Parity Debt and partially as Subordinate Debt. The City currently is not a party to any credit agreement for any Parity Debt, including the Bonds, and does not currently intend to enter into any credit agreement with respect to the Bonds, but has the ability to enter into a credit agreement at any time for the Bonds or other issues of Parity Debt.

Creation of Accounts and Subaccounts . . . In the Master Ordinance, the City establishes and/or affirms the creation of the following funds or accounts: (i) the System Revenue Fund or Account (the "System Account"); (ii) the Utility System Interest and Sinking Account (the "Interest and Sinking Account"); and (iii) the Utility System Bond Proceeds Account (the "Bond Proceeds Account"). The Thirteenth Supplement creates the Rebate Fund for the Bonds (the "Rebate Fund") and the Reserve Fund for the Bonds (the "Reserve Fund").

Subject to the provisions of Section 4 of the Master Ordinance, moneys in the System Account may be used for any lawful purpose authorized pursuant to Chapter 1502 of the Texas Government Code and other State law.

Moneys in the Interest and Sinking Account shall be used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as the same become due and payable (whether at Stated Maturity or upon prior redemption), and the City shall maintain such account as long as Parity Debt is Outstanding.

Proceeds from the issuance of Parity Debt shall be deposited from time to time upon the issuance of such Parity Debt as provided by the applicable Supplement into the Bond Proceeds Account, or any subaccount thereof created with respect to such Parity Debt. Such proceeds and the interest thereon shall remain in the Bond Proceeds Account or applicable subaccount thereof until expended to accomplish the purposes for which such Parity Debt was issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Bond Proceeds Account do not constitute Security.

The City may establish a reserve account and/or any other account or subaccount pursuant to the provisions of the applicable Supplement for the purpose of paying or securing a particular issue or series of Parity Debt or any specific group of issues or series of Parity Debt and the amounts, once deposited into said accounts or subaccounts, shall no longer constitute Security for all Parity Debt but shall be held solely for the benefit of the owners of the particular issue or series or group of issues or series of Parity Debt for which such account or subaccount was established. Each such account or subaccount shall be designated in such manner as is necessary to identify the Parity Debt it secures and to distinguish such account or subaccount from any other accounts created for the benefit of any other Parity Debt. Any such reserve accounts or subaccounts shall be established in the Supplement related to such series or issue of Parity Debt. The City may, in its discretion, provide in the applicable Supplement for a surety bond, insurance policy or other Credit Agreement, to the extent then authorized by State law, to be held for the benefit of such a reserve account or subaccount.

The City reserves the right to establish, in connection with the issuance of Parity Debt or for other purposes, one or more additional accounts or subaccounts for such other purposes as the City may determine from time to time. The City may, at its option, declare in the action establishing the account or subaccount that the amounts in such additional account or subaccount will be either included within or excluded from the Security.

FLOW OF FUNDS . . . All Gross Revenues are deposited in the System Account immediately upon receipt by the City. All Gross Revenues are appropriated, deposited, and transferred from the System Account to the other accounts and subaccounts to the extent required for the following uses and in the order of priority shown:

> FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined in the Ordinance or required by statute, including, but not limited to, Chapter 1502, Texas Government Code, as amended, to be a first charge on and claim against the Gross Revenues, including any reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year as determined by the Chief Financial Officer, which amount shall be retained in the System Account;
>
> SECOND: to the payment of amounts required to be deposited and credited to all funds and accounts to meet all financial obligations of the City relating to the Prior Obligations(1);
>
> THIRD: to the payment of amounts required to be deposited and credited to the Interest and Sinking Account to meet all financial obligations of the City relating to the Financing Program, including payments due on or with respect to the payment of Parity Debt as the same mature or come due;
>
> FOURTH: pro rata, on the basis that the Outstanding Principal Amount of each particular issue or series of Parity Debt secured by a reserve account bears to the aggregate Outstanding Principal Amount of all such issues or series of such Parity Debt secured by any reserve account, to the payment of the amounts required to be deposited and credited to each reserve account created and established to maintain a reserve in accordance with the provisions of any Supplement relating to the issuance of any Parity Debt;
>
> FIFTH: any amounts to be deposited into any other fund, account or subaccount to the extent required pursuant to the provisions of any Supplement relating to the issuance of Parity Debt;
>
> SIXTH: to the extent required by any resolution or other instrument adopted or approved by the City pursuant to which Subordinated Debt is issued, the amount necessary to meet all financial obligations on such Subordinated Debt and to accumulate or restore any required reserves to ensure payment of such principal, premium, and interest shall be deposited to any account or subaccount created for such purpose; and
>
> SEVENTH: all remaining Pledged Revenues shall be retained in the System Account and may be used for any lawful purpose authorized pursuant to Chapter 1502 of the Texas Government Code and other State law.

____

(1) There are no Prior Obligations outstanding.

RATE COVENANT . . . For the benefit of the owners of the Parity Debt and in addition to all provisions and covenants in the laws of the State and in the Master Ordinance and any Supplement, the City has agreed, while any of the Parity Debt, including the Bonds, is Outstanding, to establish and maintain rates and charges for facilities and services afforded by the Utility System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

1. to pay Maintenance and Operating Expenses;
2. to produce Pledged Revenues at least equal to the greater of 1.25 times the average Annual Debt Service Requirements or 1.10 times the maximum Annual Debt Service Requirements;
3. to produce Pledged Revenues in amounts sufficient to enable the City to make the deposits and credits, if any, from Pledged Revenues to the accounts and subaccounts required by the Master Ordinance and any Supplement including to fund or restore to the Required Reserve Amount any Reserve Fund required by a Supplement, including the payment of any Reserve Fund Obligation Payment then due;

4. to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the City expects will be utilized to pay all or part of the principal of and/or interest on any obligations) sufficient to meet all financial obligations for Subordinate Debt issued by the City; and

5. to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Security.

Should the annual audit report reflect that the Security for the Fiscal Year covered thereby is less than necessary to meet the requirements set forth above, the City Council will review the operations of the Utility System and the rates and charges for services provided, and the City Council will make the necessary adjustments or revisions, if any, in order that the Security for the succeeding year will be sufficient to satisfy the foregoing coverage requirements.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having a stated maturity 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 fixed for redemption. If less than all of the Bonds of a maturity, or sinking fund installment in the case of any term Bonds, are to be redeemed, the Bonds to be redeemed shall be selected by the City. 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.

Not less than 30 days prior to an optional 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 each registered owner of a 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 of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the bondholder.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Thirteenth Supplement 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.

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 Bonds called for redemption or any other action premised or 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 DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Supplemental 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.

DEFEASANCE . . . *General.* The Thirteenth Supplement provides for the defeasance of the Bonds and the termination of the pledge of revenues and all other general defeasance covenants in the Thirteenth Supplement under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Obligation") within the meaning of the Thirteenth Supplement and Master 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 Obligations 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 optional redemption or the establishment of irrevocable provisions for the giving of such notice) 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 commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the City with the Paying Agent/Registrar or an eligible commercial bank or trust company for the payment of its services until after all Defeased Obligations 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 Obligation, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues 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 optional redemption of such Bonds shall have been given or the establishment of irrevocable provisions for the giving of such notice, in accordance with the Thirteenth Supplement. Any money so deposited with the Paying Agent/Registrar or an eligible commercial bank or trust company may at the discretion of the City Council also be invested in Defeasance Securities maturing in the amounts and at the times as set forth in the Thirteenth Supplement, and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the City.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Thirteenth Supplement 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 Obligations shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Obligations 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 Thirteenth Supplement.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible commercial bank or trust company for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Thirteenth Supplement 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 Obligation to be paid at its maturity, the City retains the right under State law to later call the Defeased Obligation for redemption in accordance with the provisions of the Thirteenth Supplement, the City may call such Defeased Obligation for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions set forth above regarding such Defeased Obligation as though it was being defeased at the time of the exercise of the option to redeem the Defeased Obligation and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Obligation.

Investments. Any escrow agreement or other instrument entered into between the City and the Paying Agent/Registrar or an eligible commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or an eligible commercial bank or trust company for the payment of Defeased Obligations 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 an eligible commercial bank or trust company, which is not required for the payment of the Bonds, and interest thereon, with respect to which such money has been so deposited, will be remitted to the City.

For the purposes of these provisions, "Defeasance Securities" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. City officials may elect to restrict Defeasance Securities in connection with the sale of 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.

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

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid.

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

Bonds, or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Registered owners 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. The Texas Supreme Court (the "Court") has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke"), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, as amended, Texas Government Code ("Chapter 1371") which pertains to the issuance of public securities by issuers such as the City, permits City to waive government immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), the City has not waived the defense of governmental immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the City's governtal immunity from a suit for money damages outside of Chapter 1371, bondholders may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson"), the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources." While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship.

Notwithstanding the foregoing, such governmental immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. 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. 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 Registered owners 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 or equity which permit the exercise of judicial discretion.

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 The Depository Trust Company ("DTC"), New York, New York, 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 Bonds. 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 rating of "AA+" from S&P Global Ratings. 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 Bonds 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, 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 neither the City nor the Underwriters 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 or the Underwriters.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., 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 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 . . . In the event 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 respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, firstclass, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

LIMITATION ON TRANSFER OF BONDS CALLED FOR REDEMPTION . . . Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the fifteenth day of the preceding month.

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

AMENDMENTS TO THE MASTER ORDINANCE AND THIRTEENTH SUPPLEMENT . . . The City has reserved the right to amend the Master Ordinance and the Thirteenth Supplement without the consent of any owner to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (ii) grant additional rights or security for the benefit of the owners, (iii) add events of default as shall not be inconsistent with the provisions of the Master Ordinance or Thirteenth Supplement, respectively, that do not materially adversely affect the interests of the owners, (iv) qualify the Master Ordinance or Thirteenth Supplement 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 the Master Ordinance or Thirteenth Supplement 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 interests of the owners.

The Master Ordinance and Thirteenth Supplement both further provide that the owners of outstanding Parity Debt aggregating in principal amount 51% of the outstanding principal amount of the outstanding Parity Debt shall have the right from time to time to approve any amendment not described above 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 Parity Debt, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Parity Debt; (ii) reducing the rate of interest borne by any of the outstanding Parity Debt; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Parity Debt; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Parity Debt, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Parity Debt necessary for consent to such amendment (see "APPENDIX C – Selected Provisions of the Ordinance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) paying costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping the City's Utility System and (ii) paying the costs of issuance of the Bonds. See "THE UTILITY SYSTEM."

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

Sources:	
Principal	$
Net Reoffering Premium	
Total Sources	$
Uses:	
Deposit to Bond Proceeds Account	$
Deposit to Interest and Sinking Fund Account	
Underwriters' Discount	
Costs of Issuance	
Total Uses	$

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THE UTILITY SYSTEM

WATERWORKS SYSTEM . . . Historically, the Temple Water Department dates back to about 1882 when a company was formed by private ownership with a franchise to operate under the name of the Temple Waterworks Company. This Company had at its beginning five water wells and a standpipe with water mains limited to the then business district and a water line supplying the Santa Fe Railway. Approximately ten years later a pump station was established on the Leon River at the same location as the present raw water pump station and an 8 inch cast iron water main was laid to serve the City. At this time the population of the City was about 4,000.

The original Temple Water Treatment Plant was built in 1911 in the vicinity of the existing water intake structure, and abandoned in 1938 when the facilities at the present site were constructed. The first stage of treatment facilities at this site included three rapid sand filtration units with a normal capacity of 1 million gallons per day ("MGD") each and a circular 3 MGD sedimentation and softening unit. High turbidity in the raw water supply led to the construction of two additional sedimentation basins with a capacity of 1.5 MGD each. Construction started in June, 1978 to expand the existing water treatment plant to deliver 22.0 MGD. These improvements included the construction of two clear wells at the plant site with a total capacity of 5 million gallons. Construction was completed and the new plant accepted by the City in 1981. The current capacity of the plant is 29.4 MGD, after the completion of the 2004 clarifier #1 and #2 renovation project. In 2004, a 11.74 MGD micro filtration plant was added giving a combined treatment capacity of 41.14 MGD. In 2024, the membrane plant was expanded and increased the treatment capacity by 12.86 MGD. The combined water treatment capacity is 54 MGD. The average daily water consumption on the system is 17.67 MGD, which consists of 35,608 service connections.

Through two filings with the State of Texas, the City has rights to approximately 31,000 acre-feet of water during dry periods, which converts to 27.68 MGD. In addition, the City entered into a 50-year renewable Option Agreement with the Brazos River Authority (the "BRA") effective January 1, 2002, for additional rights to 9,453 acre-feet of water, or 8.44 MGD. Based on increases to the consumer price index, the City currently pays $15.38 per acre foot per year for the option water. In 2008, the City entered into a 40 year water system availability agreement with BRA for additional rights to 2,500 acre feet of water, or 2.23 MGD. The City currently pays $99.50 per acre foot per year for the option water. To date, the City has not had to exercise its right to use the option water; however, if the City elects to use this water, the cost to the City will double. Since the City utilizes Lake Belton to store a significant portion of the water it has rights to, the City also pays BRA 22.013% of the maintenance and operational costs associated with Lake Belton and Belton Dam. In Fiscal Year 2024, the amount paid was $56,239.

Also, the City has a water permit to take without charge 12,500 acre feet of water annually from the Leon River below the dam of Belton Reservoir. The total amount of water available to the City ranges from 42,953 to 44,453 acre feet.

Using the revenue bond issuing authority of the BRA in the amount of $9,075,000, the City began construction on its Regional Water Supply System in February, 1979. The waterworks system now supplies six surrounding water supply entities and provides the infrastructure and basis for the replacement of many of these systems as the City continues to grow. Two of the six Pepper Creek Water System and Taylors Valley Water System, were purchased entirely by the City in September 1985 and January 1995, respectively. The City has these entities under contract for a total supply commitment of 3.456 MGD. The waterworks system currently includes an estimated 711 miles of water mains, 12 elevated storage tanks, 6 major pumping stations, and 2 ground storage tanks with a total capacity of 7 million gallons. Total storage capacity is approximately 28.3 million gallons which also includes available storage in the 4 clearwells at the two water plants.

TABLE 1 – WATER USAGE (MILLIONS OF GALLONS AS OF 9-30-24)

Fiscal Year Ended 9/30	Peak Day Usage (MGD)	Average Day Usage (MGD)	Total Usage (Acre Feet)
2020	32.812	16.150	18,436
2021	33.800	15.900	17,809
2022	32.920	18.740	21,008
2023	32.480	19.110	21,409
2024	29.930	17.670	19,587

TABLE 2 – TEN LARGEST WATER CUSTOMERS (AS OF 9-30-24)

Customer	Water Usage (gallons)	Revenue	% of Total Annual Revenue
Niagara Bottling, LLC	364,143,000	$ 1,441,433	5.14%
Baylor Scott & White Hospital	224,600,300	1,025,399	3.65%
City of Morgan's Point Resort(1)	190,435,100	779,580	2.78%
City of Troy(1)	161,711,600	655,767	2.34%
City of Temple	134,798,800	747,479	2.66%
VA Hospital	65,702,100	294,405	1.05%
Wilsonart International	55,591,500	245,509	0.87%
Pactiv Corporation	54,289,800	234,090	0.83%
Housing Authority	42,292,400	198,721	0.71%
Bell County WCID #2	36,552,400	155,130	0.55%
	1,330,117,000	$ 5,777,513	20.58%

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(1) Wholesale customers.

TABLE 3 – MONTHLY WATER RATES (AS OF 10-1-24)

	Minimum Charges per Meter size for First 2,000 Gallons:
5/8" Meter	$12.75
1" Meter	$20.45
1 1/2" Meter	$25.55
2" Meter	$81.75
3" Meter	$163.50
4" Meter	$255.45
6" Meter	$817.35
8" Meter	$1,430.30
10" Meter	$2,247.60
	Volume Charge on Water Use
Over 2,000 gallons per month	$4.50 per 1,000 gallons

WATER SYSTEM . . . The City's water system currently has 711 miles of water mains, 35,608 water connections. The Water Plant capacity is 54.00 MGD. Water usage is included in the table above.

WASTEWATER SYSTEM . . . The City is served by two (2) wastewater plants; the Temple-Belton Regional Wastewater Plant ("Temple-Belton WWTP") and the Doshier Farm Wastewater Plant ("Doshier Farm WWTP").

The Temple-Belton WWTP is a modern 10 MGD facility and the Doshier Farm WWTP is a 7.5 MGD facility. Both facilities are operated by the BRA. The Temple-Belton WWTP serves the entire City of Belton and about 70% of the City of Temple (south and west).

On August 7, 2014, the City entered into a contract with the BRA to provide the operations listed above for the period October 1, 2014 through September 30, 2019. On January 17, 2019, the City extended the contract by 10 years. The revised agreement period ends September 30, 2029.

The City retains ownership of the Doshier Farm WWTP and the City's 75% share of the Temple-Belton WWTP and all associated equipment. The City of Belton owns the remaining 25%. The City also retains all relevant permits in its name.

The City's major responsibility is paying the contractor the agreed annual compensation in monthly installments due on the first of each month. The base fee for the eleventh year (2025) of the agreement is $2,722,969 for the Temple-Belton WWTP, $1,904,456 for the Doshier Farm WWTP and Lift Stations, and $211,229 for the City's industrial pretreatment program.

On or before May 1st of each year, the BRA will provide the City with an annual budget which will include an estimate of all operation and maintenance expenses plus a management fee of 3% for the Doshier Farm WWTP, Temple-Belton WWTP and the lift stations. The budget will be calculated based on the estimated amount of wastewater to be delivered to the plants in the next fiscal year. The City must approve the proposed budget by July 15th of each year. Operation and maintenance expenses and the maintenance fee for the Temple-Belton WWTP will be allocated based upon the annual flow percentages of each city. Any capital expenses for the Temple-Belton WWTP (costs of capital improvements) will be allocated to the cities based on ownership – 75% to Temple and 25% to Belton. Payments to BRA will be made monthly and will equal 1/12 of the approval annual budget.

The City's sewer system currently has 511 miles of sewer mains, 30,783 sewer connections, thirty-three lift stations and is served by two wastewater plants with a combined treatment capacity of 17.5 MGD. Current daily average treatment load of the two plants is approximately 13.12 MGD.

TABLE 4 – TEN LARGEST WASTEWATER CUSTOMERS (AS OF 9-30-24)

Customer	Wastewater Usage (gallons)	Revenue	% of Total Annual Revenue
Niagara Bottling, LLC	287,832,000	$ 2,003,491	8.57%
Baylor Scott & White Hospital	130,694,500	1,009,213	4.32%
VA Hospital	49,266,400	379,487	1.62%
Housing Authority	37,585,600	289,539	1.24%
Wilsonart International	28,633,900	220,957	0.95%
Pactiv Corporation	26,039,900	200,774	0.86%
Meadow Village Apartments	24,278,100	187,052	0.80%
Temple Public Schools	19,296,700	149,661	0.64%
City of Temple	16,747,000	133,820	0.57%
Wildewood Apartments	11,755,200	90,719	0.39%
	632,129,300	$ 4,664,713	19.96%

TABLE 5 – MONTHLY WASTEWATER RATES (AS OF 10-1-24)

Base Rate	$22.10
0-2,000 gallons per month	$17.60 Minimum
Over 2,000 gallons per month - All Other Users	$9.00 per 1,000 gallons

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FINANCIAL INFORMATION

TABLE 6 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ending September 30,				
	2024	2023	2022	2021	2020
Operating Revenues:					
Waterworks System	$ 28,068,873	$ 29,020,846	$ 26,893,251	$ 21,437,556	$ 22,499,743
Sewer System	23,374,623	20,496,684	17,015,638	15,502,183	14,584,853
TxDOT Contributions	-	-	-	-	8,909
Interest Income	6,844,790	6,262,129	2,376,134	1,429,672	1,599,950
Contributed Capital-Citizens	-	-	8,000,000	104,702	3,980,948
Other	2,743,259	2,597,029	2,482,161	2,350,976	2,000,046
Total Revenues	$ 61,031,545	$ 58,376,688	$ 56,767,184	$ 40,825,089	$ 44,674,449
Opearating Expenses(1):					
Personnel Services	$ 9,697,051	$ 9,188,441	$ 6,803,091	$ 6,726,930	$ 6,092,665
Supplies	3,400,955	3,233,315	2,374,890	1,970,882	1,789,658
Repairs and Maintenance	2,000,870	1,869,930	1,871,825	1,625,832	1,442,026
Other Services and Charges	16,930,756	16,905,147	15,508,440	14,021,835	14,275,523
Total Expenses	$ 32,029,632	$ 31,196,833	$ 26,558,246	$ 24,345,479	$ 23,599,872
Net Available for Debt Service	$ 29,001,913	$ 27,179,855	$ 30,208,938	$ 16,479,610	$ 21,074,577
Customer Count:					
Water	35,608	34,512	33,460	32,244	30,718
Sewer	30,783	29,853	28,820	27,658	26,545

(1) Excludes depreciation.
Source: The City's Audited Financial Statements.

TABLE 7 – COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements (2025-2050)(1)	$ 15,713,990
Coverage of Average Annual Requirements by 2024 Net Revenues	1.85x
Maximum Principal and Interest Requirements (2028)(1)	$ 21,944,825
Coverage of Maximum Requirements by 2024 Net Revenues	1.32x
Utility System Bonds Outstanding after the Issuance of Bonds(1)	$ 278,695,000
Interest and Sinking Fund, 9/30/2024	$ 2,295,864

(1) Excludes system-supported general obligation debt service. Includes the Bonds. Preliminary, subject to change.

OTHER OBLIGATIONS . . . As of September 30, 2024, the City has lease liabilities totaling $2,333,741 with interest rates ranging from 2.97% to 3.102% and a loan agreement for $2,200,849 with an interest rate of 1.0%. For more detailed information, please see "APPENDIX B – Excerpts from the City of Temple, Texas Annual Financial Report," particularly the Notes Section III. I.

The United States Environmental Protection Agency issued Order CWA-06-2018-1790 dated August 27, 2018 (the "EPA Order") requiring the City to undertake a variety of capital improvement projects that will result in an increase in both capital and maintenance and operations costs for the City's water and wastewater system. The City adopted the 2019 Water & Wastewater master plan on November 21, 2019. The Master Plan includes evaluation of system demands and improvements through 2070. The plan includes an assessment of current infrastructure, a water and wastewater system hydraulic analysis, and a plan for implementing future improvements to satisfy the EPA Order.

The total estimated cost for the projects identified in the 2019 Master Plan was $171,935,000. Some of those projects have been completed and many of the projects have been reviewed and prioritized in the Fiscal Year 2025-2030 Utility Capital Improvement Program in addition to new projects that have been added. The total projects identified in the Fiscal Year 2025-2030 Utility Capital Improvement Program is $295,000,000.

FINANCIAL POLICIES

Basis of Accounting. . . Basis of accounting refers to the time at which revenues and expenditures or expenses, and the related assets and liabilities, are recognized in the account and reported in the financial statements.

Governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due and accrued vacation and sick leave, which is included in the general obligation long-term debt account group. This exception is in conformity with generally accepted governmental accounting principles.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred revenue.

Sales taxes are recorded when susceptible-to-accrual, i.e., both measurable and available. Sales taxes are considered measurable when in the custody of the State Comptroller and are recognized as revenue at that time. Other major revenues that are considered susceptible to accrual include utility franchise taxes, grants-in-aid earned and other intergovernmental revenues. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal contractual requirements of the numerous individual grant programs are used for guidance. There are essentially two types of intergovernmental revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt, or earlier, if the susceptible-to-accrual criteria are met.

The accrual basis of accounting is utilized by proprietary funds and the pension trust fund. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

Revenues in the Water and Sewer Fund are recognized as billed on a cycle basis. Unbilled utility Water and Sewer revenues are accrued at year end.

Budgets and Budgetary Procedures . . . The City follows these procedures in establishing the budgetary data reflected in the financial statement:

l. On or before August 1, the City Manager submits a proposed operating budget to the City Council of the City by filing with the City Secretary, who in turn submits it to the City Council of the City for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. On or before September 15, the budget is legally adopted by City Council of the City.

3. The City Manager has the authority to transfer appropriation balances from one expenditure category to another within a department. The City Council of the City must approve transfers of appropriations between departments, and any revisions that alter the total expenditures of any fund. Although costs are monitored on an expenditure category, the legal level of control (level at which expenditures may not exceed budget) is the department level. The reported budgetary data has been revised for amendments authorized during the year.

4. Formal budgetary integration is employed as a management control device by expenditure category during the year for the General Fund, Special Revenue Funds, and Interest and Sinking Fund. Formal budgetary integration is not employed for the capital projects funds because effective budgetary control is provided by the small number of contracts and projects in these funds, significant costs are subject to bidding, and projects usually span more than one fiscal year.

5. Budgets for the General Fund, Special Revenue Funds and Interest and Sinking Fund are adopted on a basis consistent with the modified accrual basis of accounting.

Other Post-Employment Benefits . . . In addition to the contributions made to the pension system, the City provides certain other post-employment benefits ("OPEB") to its retirees. Other post-employment benefits include access to a group-term life insurance plan known as the Supplemental Death Benefits Fund and medical and dental insurance through a single-employer defined health care benefit OPEB plan under City policy.

The Texas Municipal Retirement System administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). 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.

To briefly summarize, an employee leaving the employment of the City who is eligible to receive retirement benefits from a municipal retirement plan, is entitled to purchase continued health and/or dental benefits for the employee and the employee's dependents (if covered by the City's plan at the time of separation) from the City unless the employee is eligible, or becomes eligible at a later date, for group health and/or dental benefits through another employer. To avail themselves of this opportunity to purchase health and/or dental benefits through the City, the employee must notify the City of his or her intent to continue to purchase health and/or dental benefit coverage no later than the date on which the person leaves employment with the City. The City will make coverage available to eligible retirees under the health care and/or dental coverage plan provided by the City to its employees or through a substitute Medicare Supplement Plan for over age 65 retirees for health insurance. A retired employee who elects to continue health and/or dental benefit coverage under this section prior to retirement, and who subsequently enters employment with another employer who offers group health and/or benefits to its employees (regardless of whether or not the retired employee elects such coverage), is no longer eligible for coverage under this policy. A retired employee who elects to continue health and/or dental benefit coverage under this section prior to retirement and who subsequently elects to discontinue such coverage is no longer eligible for coverage under this policy. A retired employee who elects to continue coverage for any of the retired employee's dependents and who then subsequently elects to discontinue such coverage for any of his dependents abandons his right to obtain future coverage for the dependent for whom coverage was discontinued.

The City is under no obligation, statutory or otherwise to offer OPEB or pay any portion of the cost of such benefits to any retirees. Allocation of City funds to pay OPEB or to make OPEB available is determined on an annual basis by the City Council as part of the budget approval process.

The City's total OPEB liability for SDBF of $2,356,175 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date. The City's total OPEB liability for the retiree health care plans of $4,664,435 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date. For more information concerning the City's post-employment benefits, see "APPENDIX B – Excerpts from the City of Temple Annual Financial Report" and the notes thereto.

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 Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas 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 is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) where (a) the funds are invested by the City through (1) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (2) a depository institution that has its main office or branch office in the State of Texas 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 Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3(17 C.F.R. Section 240.15c3-3); (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are secured by a combination of cash and/or obligations described in clause (1) above, (iii) requires the securities being purchased by the City or cash held by the City to be pledged to the City either directly or through a joint account (an account maintained by a custodian bank and established on behalf of two or more parties to engage in aggregate repurchase agreement transactions) approved by the City held in the City's name either directly or through a joint account approved by the City and deposited at the time the investment is made with the City or with a third party selected and approved by the City, (iv) are placed through a primary government securities dealer (as defined by the Federal Reserve) or a financial institution doing business in the State of Texas, and (v) collateralized in accordance with the

City's investment policy; (10) 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; (11) 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 U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA," "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. 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 in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) 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 (6) above, clauses (11) through (13) 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 of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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 Texas Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

Under Texas 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 Texas 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, and any additions and changes to market value and the ending value 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) Texas law. No person may invest City funds without express written authority from the City Council.

Under Texas 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 imprudent investment activities, 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.

TABLE 8 – CURRENT INVESTMENTS

As of March 31, 2025 (unaudited), the City's investable funds were invested in the following categories:

Investments	Market Value	% of Total
Cash	$ 12,565,701	3.33%
CD's	52,618,811	13.95%
Government Pools	311,977,819	82.72%
	$ 377,162,331	100.00%

As of such date, 95.87% of the City's investment portfolio will mature within one year. The market value of the investment portfolio was approximately 100% of its purchase price.

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DEBT INFORMATION

TABLE 9 – PRO-FORMA UTILITY SYSTEM DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Obligations Principal	Outstanding Obligations Interest	Outstanding Obligations Total	The Bonds[(1)] Principal	The Bonds[(1)] Interest	The Bonds[(1)] Total	Total System Revenue Debt Service	Plus: System-Supported G.O. Debt	Total Debt Service Requirements
2025	$ 8,690,000	$ 6,731,460	$ 15,421,460	$ -	$ -	$ -	$ 15,421,460	$ 5,412,450	$ 20,833,910
2026	9,090,000	6,324,611	15,414,611	1,275,000	5,242,423	6,517,423	21,932,034	5,813,772	27,745,806
2027	9,525,000	5,886,073	15,411,073	2,045,000	4,472,963	6,517,963	21,929,035	3,306,625	25,235,660
2028	9,990,000	5,434,113	15,424,113	2,150,000	4,370,713	6,520,713	21,944,825	3,311,625	25,256,450
2029	10,435,000	4,982,079	15,417,079	2,255,000	4,263,213	6,518,213	21,935,292	2,184,250	24,119,542
2030	10,865,000	4,550,199	15,415,199	2,370,000	4,150,463	6,520,463	21,935,662	2,190,875	24,126,537
2031	11,280,000	4,140,462	15,420,462	2,485,000	4,031,963	6,516,963	21,937,425	312,250	22,249,675
2032	11,665,000	3,756,201	15,421,201	2,610,000	3,907,713	6,517,713	21,938,914	307,500	22,246,414
2033	12,050,000	3,367,946	15,417,946	2,740,000	3,777,213	6,517,213	21,935,159	-	21,935,159
2034	12,460,000	2,963,350	15,423,350	2,880,000	3,640,213	6,520,213	21,943,563	-	21,943,563
2035	12,860,000	2,564,157	15,424,157	3,020,000	3,496,213	6,516,213	21,940,369	-	21,940,369
2036	11,410,000	2,175,879	13,585,879	3,175,000	3,345,213	6,520,213	20,106,092	-	20,106,092
2037	11,755,000	1,826,298	13,581,298	3,330,000	3,186,463	6,516,463	20,097,760	-	20,097,760
2038	9,805,000	1,463,734	11,268,734	3,500,000	3,019,963	6,519,963	17,788,697	-	17,788,697
2039	10,110,000	1,157,313	11,267,313	3,675,000	2,844,963	6,519,963	17,787,276	-	17,787,276
2040	9,065,000	840,522	9,905,522	3,855,000	2,661,213	6,516,213	16,421,734	-	16,421,734
2041	9,360,000	545,246	9,905,246	4,050,000	2,468,463	6,518,463	16,423,708	-	16,423,708
2042	3,330,000	238,036	3,568,036	4,250,000	2,265,963	6,515,963	10,083,999	-	10,083,999
2043	2,135,000	102,668	2,237,668	4,465,000	2,053,463	6,518,463	8,756,130	-	8,756,130
2044	660,000	19,866	679,866	4,690,000	1,830,213	6,520,213	7,200,079	-	7,200,079
2045	-	-	-	4,920,000	1,595,713	6,515,713	6,515,713	-	6,515,713
2046	-	-	-	5,170,000	1,349,713	6,519,713	6,519,713	-	6,519,713
2047	-	-	-	5,415,000	1,104,138	6,519,138	6,519,138	-	6,519,138
2048	-	-	-	5,670,000	846,925	6,516,925	6,516,925	-	6,516,925
2049	-	-	-	5,940,000	577,600	6,517,600	6,517,600	-	6,517,600
2050	-	-	-	6,220,000	295,450	6,515,450	6,515,450	-	6,515,450
	$ 186,540,000	$ 59,070,213	$ 245,610,213	$ 92,155,000	$ 70,798,536	$ 162,953,536	$ 408,563,749	$ 22,839,347	$ 431,403,096

(1) Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF REVENUE BONDS – The City does not anticipate the issuance of additional utility system revenue debt within the next six months.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the 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, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX D – Form of Bond Counsel's Opinion."

In rendering its opinion, Bond Counsel 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 by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds 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 is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. 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 Internal Revenue Service 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 Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond 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 Bond 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 Bond 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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond 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 Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond 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 Bonds 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 Bonds 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 Bonds 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 Bonds.

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 accumulated earnings and profits and excess passive investment income, 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 a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the 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 Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, 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.

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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 agreement 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 events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public free of charge from the MSRB on its investment website at www.emma.msrb.org.

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 9 and in APPENDIX B. The City will update and provide this information within 6 months after the end of each fiscal year beginning with fiscal year ending in 2025. The City will provide the updated information to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB intends to make the information available to the public without charge through an internet portal as part of an expansion of its Electronic Municipal Market Access ("EMMA") system. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

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 within 12 months after any such fiscal year end, the City will file unaudited financial statements within such 12-month time period 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 of the change (and of the date of the new fiscal year-end) prior to the next date by which the City otherwise would be required to provide such financial information and operating data.

The financial information and operating data The financial information and operating data to be provided by the City as described above may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the United States Securities and Exchange Commission ("SEC"). All documents provided by the City to the MSRB will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

NOTICE OF CERTAIN EVENTS . . . 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 District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District 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 credit enhancement or a trustee.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

For the purposes of the events described in clauses (15) and (16) of the immediately preceding paragraph, the term "Financial Obligation" is defined in the Thirteenth Supplement. The Thirteenth Supplemental further provides that the City intends the words used in such clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

In addition, the City will provide timely notice of any failure by the City to provide information, data or financial statements in accordance with its agreement described above under "– Annual Reports." The City will provide each notice described in this "– Event Notices" caption to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB.

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

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

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

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain 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 obligations 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 AGREEMENTS . . . During the past five years the City has complied in all material respects with its continuing disclosure agreements entered into pursuant to 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.

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OTHER INFORMATION

RATING . . . The Bonds and the outstanding utility 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 rating may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organizations and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating 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 rating 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 (i) there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations, and (ii) there is no pending litigation seeking to enjoin the issuance of the Bonds or the legal ability of the City to issue the same.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . 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, requires that the Bonds be assigned a rating of "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.

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LEGAL MATTERS

LEGAL OPINION . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the City payable from payable, together with the Parity Debt, from and secured by a lien on and pledge of the Pledged Revenues of the System as provided in the Ordinance. 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 governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. In its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "THE BONDS," (except for the information under the subcaptions "Bondholders' Remedies," "Book-Entry-Only System" and "Sources and Uses of Proceeds" as to which no opinion will be expressed), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance with Prior Agreements" as to which no opinion will be expressed), "OTHER INFORMATION – Registration and Qualification of Bonds for Sale," "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas," "LEGAL MATTERS – Legal Opinion," "APPENDIX C – Selected Provisions of the Ordinance" and "APPENDIX D – Form of Bond Counsel's Opinion" and such firm is of the opinion that such information contained under such captions and in such appendices is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. 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. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

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

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.

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

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

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

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

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

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

____
Mayor
City of Temple, Texas

ATTEST:

____
City Secretary
City of Temple, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY . . . What began in 1881, as a model city built from railroad blueprints, is still a city built on vision. The town was incorporated in 1882 and named for Bernard Moore Temple, Santa Fe's Chief construction engineer. Now, more than 100 years later, Temple continues to grow. Temple is strategically located on transportation systems linked northward to the heartland of the Nation and southward into the developing North American Trade area. Diversity has been and continues to be Temple's trademark as it moves forward with steady growth and into broader national and international roles for the 21st century. By offering both the benefits of city living and the ease of country life, Temple continues to draw more and more families and businesses.

LOCATION . . . Temple is located in the heart of Central Texas on Interstate Highway 35, connecting with the international market of Mexico via Laredo, and at the junction of US Highway 190 and state highways 36, 53 and 95.

- 60 miles north of Austin
- 140 miles north of San Antonio
- 125 miles south of Dallas/Ft. Worth
- 165 miles northwest of Houston

BASIC ECONOMIC SECTORS & STRENGTHS

- Distribution, wholesale trade, and transportation
- Healthcare services, education, and research
- Manufacturing, fabrication, and electronics
- Governmental center (local, regional, county, state and federal)
- Education and training
- Agricultural businesses, education, and research
- Military facilities (Ft. Hood at Killeen)

COMMUNITY-PLANNED DEVELOPMENT AREAS

The City has created Reinvestment Zone Number One, City of Temple, Texas (the "Reinvestment Zone" or "TIRZ"). The tax increment base for the Reinvestment Zone established on December 16, 1982 is $97,765,552. The Zone originally consisted of approximately 1,943 acres of land within the City and Bell County (the "County") and is located in the northwest section of the City, approximately 1.5 miles from the central business district. Between 1982 and 1999 there were various small expansions of the boundaries of the Zone. In 1999, the boundaries were expanded 9,485 acres (the Zone as it existed on September 1, 1999 is referred to herein as the "Original Zone Boundaries"). On November 4, 2010, the City Council expanded the boundaries of the Zone to include approximately 2,221 acres of an area known as the Temple Medical and Education District (the "Expanded Zone Boundaries") and the City Council also extended the duration of the Zone from 2022 to 2062. The total acreage today for the Reinvestment Zone is 14,872.

Municipal Airport and Airpark – Aircraft maintenance, Texas National Guard operations.

Medical Complex Area – Baylor Scott & White Hospital and Clinic, VA medical complex, Cardiovascular Research Center, and State of Texas Medical Veterans Nursing Home.

State and Federal Government - Agri-Business and Research Area Texas A&M University's Agricultural Station's Blackland Research Center USDA Soil Conservation Service USDA/Agricultural Research Service's Grassland, Soil, and Water Research Lab Texas State Soil and Water Conservation Board.

MAJOR EMPLOYERS

Employers	Employees
Baylor Scott & White Health	6,685
Central Texas Veterans Healthcare Systems	4,631
McLane Company	2,182
Temple Independent School District	1,509
H-E-B Retail Distribution Center	1,450
Wilsonart International	1,185
City of Temple	1,045
Scott & White Health Plan	986
Wal-Mart Distribution Center	919
McLane Children's Medical Center	888

MEDICAL & HEALTHCARE SERVICES . . . Temple is a hub of health and life sciences for Central Texas. The health care and R&D activities at Baylor Scott & White mean that Temple is home to an uncommonly high concentration of PhDs and MDs, as well as world class spin-off research.

Temple not only has large healthcare providers locally, it has three medical schools and over 10 major healthcare systems located within 150 miles. Included in these are three veteran health care systems and the Brooke Army Medical Center.

In addition, Temple has developed a comprehensive medical education cluster that includes Texas A&M University and Temple College, as well as a state of the art clinical simulation center. The Bioscience Institute provides students with access to state-of-the-art medical education classes and facilities. The institutes provide specialized research capabilities focused on cardiovascular, cancer and regenerative medicine.

The City of Temple is recognized by the medical community in the United States as a leading medical provider with two major hospitals located within Temple. Baylor Scott & White Hospital ("BS&W") and the Olin E. Teague Veterans Hospital, combined, employ approximately 9,000 full time positions. The hospitals provide medical care to the surrounding local, state, and international community. Texas A&M University School of Medicine in conjunction with BS&W and Veterans Hospital provide the four years of medical school as well as research and development.

McLane Children's Hospital, a stand-alone pediatric facility opened in the fall of 2011. The new Children's Hospital is the only acute care pediatric hospital between Dallas and Austin, featuring a state-of-the-art emergency department with child-sized equipment.

In 2014, Baylor Scott & White Healthcare opened a $32 million, five story pediatric clinic adjacent to the McLane Children's Hospital. The 112,000 square foot facility coordinates both outpatient and inpatient pediatric speciality services with physicians in one location. The clinic building offices more than 80 highly specialized physicians and providers, residents, fellows and approximately 200 support staff. The building has 135 exam rooms, 13 treatment rooms and eight infusion rooms and features a drive-through outpatient pharmacy, diagnostic x-ray and laboratory services.

In December 2012, the boards of Baylor Health Care System and Scott & White Healthcare approved the signing of an agreement of intent to combine the strengths of their two heal systems to create a $8.3 billion organization with the vision and resources to offer its patients continued exceptional care while creating a model system for an industry undergoing fundamental transformation. The completion of the merger occurred in September 2013.

A health care system sufficient to provide care in virtually every service area gives Temple its enviable reputation as a regional and national medical center. Temple offers an abundance of superior health care facilities and representation in nearly all medical disciplines. Over 700 physicians, surgeons and specialists are involved in the many service areas.

Baylor Scott & White Health, the organization formed from the 2013 merger between Baylor Health Care System and Scott & White Healthcare, is today the largest not-for-profit health care system in the state of Texas. With total assets of $9 billion and serving a population larger than the state of Virginia, Baylor Scott & White Health has the vision and resources to provide its patients continued quality care while creating a model system for a dramatically changing health care environment. The organization now includes 49 hospitals, more than 800 access points, more than 5,800 active physicians, 35,000 employees and the Scott & White Health Plan.

Baylor Scott and White Memorial Hospital and Clinic, is one of the nation's largest medical centers, emphasizing high-tech, comprehensive, personalized health care enhanced by education and research. It is also a teaching hospital aligned with Texas A&M University Health Science Center College of Medicine.

Baylor Scott & White has three major components: the 483-bed Baylor Scott & White Memorial Hospital; Baylor Scott & White Clinic with 464 physicians; and the 185,000-member Scott & White Health Plan.

Scott & White purchased a 500,000 square foot former Texas Instruments building to house biotechnology research and commercialization activities. This "West Campus," as it is known, is also home to the Cancer Research Institute. Scott & White signed a contract with OnaTac for commercialization of drugs developed at the Institute.

Also located on Scott & White's West Campus, the Texas Bioscience Institute began classes in Fall 2006 and prepares students for careers in the bioscience industry.

In 1995, three Central Texas VA Centers were merged into the present consolidated health care system. The Olin E. Teague Veteran's Center in Temple cares for the majority of general medicine and surgery patients. The Central Texas Veterans Health Care System is the largest VA medical consortium in Texas and fourth largest in the United States, with 10,000+ in-patients and 615,000 out-patient visits annually.

The creation of the Temple Free Clinic in October 1992 provides health care for those who can not afford private health care and do not qualify for government aid. The Free Clinic offers visits with trained medical personnel for initial diagnoses and treatment, as well as free X-rays, laboratory tests and medication. Over 7,000 patients have been seen by the hundreds of dedicated volunteers who donate their time and talent to the project.

In November 2003, Temple voters approved the Temple Health and Bioscience Economic Development District, which has the same geographic boundaries as the City of Temple. The District voters on May 9, 2009, approved the levy of up to $.15 in ad valorem taxes for economic development. The District levied an initial ad valorem tax rate of $0.02436.

The future of medicine and bioscience is bright in Temple. Baylor Scott & White's Center for Advanced Medicine ("CAM") is a 381- bed hospital that offers the most sophisticated technology and state-of-the-art equipment, including larger, private patient rooms and an emergency, children's, women's, heart and vascular institute designed so that patients can receive specialized care without having to travel throughout the institution. Within this improved workflow design, the latest technological innovations will also be integrated. The ability to digitally double-check medicines at the bedside, an integrated communication system, and electronic charting will all help provide seamless patient care.

Ascension Medical Group Clinic is known for engaging, friendly, down-to-earth doctors. Ascension Medical Group clinic is committed to delivering a personalized, compassionate healthcare experience.

EDUCATION . . . Temple Independent School District ("TISD") – has an enrollment of over 8,651 student in K through 12th grades. Students at Temple High School (1,996 enrolled) can take advantage of extensive honors programs, tech prep program, magnet schools, and alternative programs. SAT scores average 1,015. There are 8 institutions of higher education within 35 miles of Temple. Temple ISD embraces a diverse population. Temple ISD emphasizes positive discipline in the classroom, parent involvement, and a creative instructional process designed to meet individual staff and student needs.

Temple High School students have benefited from the International Baccalaureate IB (SP) curriculum since 1991 and recently, Baylor Scott & White Healthcare has become an educational partner in developing an IB Whole School Model Middle Year's Program (MYP) at the Travis Science Academy beginning Summer 2012. Plans include developing an elementary IB whole-school Primary Years Program (PYP) in 2013.

Academy ISD – is a school district located in the community of Little River-Academy. AISD's enrollment is 1,083 students in Pre-K through 12. AISD classrooms integrate the latest technologies, with self-developed Pre-K through 12 aligned curricula to promote and ensure student success. Academy ISD has a staff of knowledgeable and highly qualified professionals eager to meet the needs of all students.

Belton Independent School District – is a 6A school district led by Superintendent, Dr. Susan Kincannon, and is located on I-35, is 40 miles south of Waco and 60 miles north of Austin. The District encompasses about 200 square miles with approximately 10,300 students enrolled on 14 campuses.

Troy Independent School District – was established in 1896 to serve the children in the communities of Troy, Pendleton, Little Mexico, Belfalls, and Oenaville. The mission of Troy ISD is to provide students the opportunity to develop the ability to think logically, independently, and creatively, as well as to communicate effectively. Four campuses serve approximately 1,280 students in early childhood through grade 12.

Holy Trinity Catholic High School – seeks to form the Christian Leaders of Tomorrow; we strive to develop the intellect, educate the heart, and form the character of each student by giving witness to Gospel values.

Holy Trinity Catholic High School is accredited by the Texas Catholic Conference Education Department (TCCED) which is a department of the Texas Catholic Conference of Bishops and receives its accrediting authority from the Texas Education Agency (TEA). It has also met the requirements established by the AdvancED Accreditation Commission and is accredited by the Southern Association of Colleges and Schools Council on Accreditation and School Improvement.

St. Mary's Catholic School – serves the Central Texas area, providing excellence in education for students from PreK3 through 8th grade. Through their progressive curriculum, experienced and exceptional teachers, and parental and community involvement, St. Mary's provides its diverse population with faith-centered learning that inspires young minds and hearts. The school holds dual accreditation from the Texas Catholic Conference Education Department (TCCED) and the Advanced ED, which provides nationally-recognized accreditation.

Temple Charter Academy – is a Priority Charter School campus which are open-enrollment charter schools. All Priority Charter Schools campuses are free public schools that have the flexibility to adapt to the educational needs of individual students. Priority Charter Schools serve a wide range of students that range from talented and gifted to students who need extra help to get to grade level. That is why Priority Charter Schools are different from the one-size-fits-all traditional public school.

Priority Charter Schools provide a personalized learning environment that promotes greater student achievement. Priority Charter Schools also place a great emphasis on character citizenship in both the teachers and and students. Priority Charter Schools partner with both the parents and the community. All campuses operate on the philosophy that every child has value. They believe that every child is unique and that each child must be treated accordingly.

Priority Charter Schools were first approved by the Texas State Board of Education in 1999 and operate under contract with the Texas Commissioner of Education. Priority Charter Schools see its obligation as providing a personalized education tailored to the needs of every student.

Temple College – chartered in 1926, Temple College is a fully accredited, full-service community college serving the educational needs of the entire Central Texas area. Approximately 6,100 students are currently enrolled in college credit classes and an additional 3,100 enrolled in non-credit, community education and workforce training classes.

The Business and Continuing Education Division of Temple College offers a variety of continuing education programs and classes designed to prepare students for a new career or enhance current workplace skills. Workforce and Corporate Training programs focus on providing customized training and continuing education for business and industry. Customized courses can be completed at the college or conducted on-site. There are no admission requirements for participation in these classes.

Texas A&M University Central Texas – located approximately thirty minutes west in Killeen, Texas, Texas A&M University Central Texas is an upper-level institution offering 38 undergraduate programs and 26 master's programs. In order to accommodate the schedule of the enrolled 2,500 students, the university provides a flexible course agenda including online, night and weekends.

Texas A&M University Health Science Center and College of Medicine – medical students complete their first two years of basic science study at the Texas A&M University College Station campus, then come to Temple to complete the last two years of education and clinical training at Baylor Scott & White Hospital, clinics and VA Center. Baylor Scott & White's professional staff is on the faculty of the College of Medicine.

University of Mary Hardin Baylor ("UMHB") –is located in Belton, Texas which is adjacent to the city of Temple. UMHB is a private, Christian institution that has grown to nearly 3,000 students and is affiliated with the Baptist General Convention of Texas. UMHB offers 56 undergraduate programs and 14 graduate programs. The beautiful 200-acre campus is conveniently located in Belton off I-35 between Dallas and San Antonio.

Baylor University – a 4-year university in Waco with a strong liberal arts, nursing and pre-professional academic programs offered. Baylor is a private Baptist university, and a nationally ranked liberal arts institution. Baylor is located approximately thirty minutes north of Temple with more than 15,000 students working toward degrees in 151 areas of study, pre-professional tracks, and specialized academic opportunities, Baylor offers an outstanding array of educational opportunities. In addition to the undergraduate program, Baylor offers 76 master's programs, 33 doctoral programs and juris doctor.

Central Texas College, Killeen – a community college strongly aligned with the military at Ft. Hood, offers distance learning and a wide range of programs. Founded over forty years ago, Central Texas College is a public, open-admission community college offering associate degrees and certificate programs in academic, professional and vocational/technical fields. With its main campus in Killeen, Texas and over 100 other locations around the world, Central Texas College serves over 50,000 students on military installations, in correctional facilities, in embassies and on ships at sea.

Texas State Technical College ("TSTC") – is located approximately thirty minutes north of Temple in Waco, Texas. TSTC Waco is a public coeducational institution of higher education offering courses of study in technical education leading to the award of certificates and associate degrees. TSTC is the only state-supported technical college system in Texas. TSTC boasts of more than 40,000 TSTC graduates employed throughout the state and nation. The college is nationally recognized for the number and quality of technology graduates.

Temple also has extensive research facilities aligned with Texas A&M University and the medical complex.

The Blackland Research Center focuses on extensive agriculture-related research and extensive computer-modeling in collaboration with state and national agriculture agencies.

The new Cardiovascular Research Institute, occupying the building next to the Texas A&M College of Medicine and the VA Medical Complex is a recent addition to Temple's growing medical/biotech community. This $12 million building is a joint venture with the Veterans' Administration, Baylor Scott & White, and Texas A&M University.

AIRPORT SERVICES . . . Draughon Miller Regional Airport is a modern, award-winning aviation facility operated by the City of Temple.

The Airport is located approximately six miles northwest of the Temple central business district and 2.6 miles from IH 35.

The Airport property occupies 922 acres, and is primarily devoted to aviation use and support facilities, with additional undeveloped areas available for development.

The Airport has maintained a full Federal Aviation Administration Part 139 Certificate for 25+ years and has an enviable record of discrepancy-free ratings on our annual Certification Safety Inspections.

THE AIRPORT CONSISTS OF:

- Runway/taxiway facilities capable of accommodating aircraft up to DC9/737
- Aircraft Rescue and Firefighting facilities, aircraft traffic control services provided by Unicom
- Jet A single point/over the wing and Avgas full service fueling operation
- Automated Weather Observation System with certified Weather Observers and an aviation weather briefing system from WSI
- Passenger and general aviation terminal facilities with ample free parking
- T-hangars, Corporate hangars, Aircraft parking aprons

Two hard surface Runways are available 24 hours with radio controlled lighting.

RAIL SERVICES

- AMTRAK Passenger Service (daily)
- Union Pacific Railroad
- Burlington Northern Santa Fe Railroad

Piggy-back service is available via Dallas off-loading facility through contractual arrangements with the Santa Fe Line.

BUS LINES

Inter-City Services
- Arrow-Trailways Bus Lines
- Pioneer Charter Bus Services
- Intra-City Services. The City of Temple has implemented a subsidized fixed route and complementary paratransit public transportation service.

UTILITY SERVICES:

Electrical Power Services:	**Natural Gas Services:**
TXU Electric Company	TXU Gas
Water & Wastewater Services:	**Telephone Services:**
City of Temple	AT&T

AMENITIES . . . Temple has a wide variety of amenities to offer its citizens: museums, galleries, local theater, musical and sports events, recreation facilities, public parks and sports fields. The Corp of Engineers built 2 major lakes nearby: Lake Belton (9 miles) and Stillhouse Hollow Reservoir (15 miles).

Temple's Mayborn Convention Center and the Bell County Exposition Center offer convention and meeting facilities for local, statewide and national events. The City has a private country club managed by Club Corp of America, one movie theater, a bowling alley and a skating rink and area restaurants. The community is also diverse in its religious denominations and social organizations.

RECREATIONAL AMENITIES

Playgrounds and Basketball Courts	69
Public Swimming Pools/Water Park	5
Golf Courses	1
Tennis Courts	11
Community and Recreation Centers	6
Soccer Complex and Multi-Purpose Fields	23
Baseball/Softball/Football Fields	26
Picnic Pavilions	34

Area Lakes -
Belton Lake – 9 miles west of Temple:
A 2,000 acre Corp of Engineers lake with a 136 mile shore line.

Stillhouse Hollow Lake – 15 miles southwest of Temple

LABOR MARKET PROFILE

	City of Temple	
	April 2025	April 2024
Total Civilian Labor Force	41,468	40,891
Total Employment	39,996	39,487
Total Unemployment	1,472	1,404
Percent Unemployed	3.5%	3.4%

	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%

APPENDIX B

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

The information contained in this APPENDIX consists of excerpts from the City of Temple, 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.

BGFN
CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Temple, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Temple, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 date, including any currently known information that may raise substantial doubt shortly thereafter.

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WWW.TEMPLECPA.COM

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

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 generally accepted auditing standards 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 generally accepted auditing standards 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.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, and other post employment benefit 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 accompanying combining and individual fund financial statements and schedules, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 February 5, 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 solely 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 the effectiveness of the City's 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 City's internal control over financial reporting and compliance.

Brockway, Gersbach, Franklin & Niemeier, P.C.

Temple, Texas
February 5, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF TEMPLE

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

Our discussion and analysis of the City of Temple's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2024. Please read it in conjunction with the transmittal letter and the basic financial statements provided.

FINANCIAL HIGHLIGHTS

- Primary government net position – As of September 30, 2024, the City's net position of the primary government was $ 442,328,308. This includes $ 16,887,967 in unrestricted funds which may be used to meet the City's future obligations. Of this amount, $ 1,298,483 is related to governmental activities, which includes the General Fund. The $ 15,589,484 balance of unrestricted net position is related to business-type activities, which is the City's enterprise fund (water and wastewater).

- Total net position – During the fiscal year, the City of Temple's total net position increased by $ 26,327,201. The net position of governmental activities rose by $ 19,068,050, from $ 199,580,268, while the net position of business-type activities grew by $ 7,259,151, from $ 216,420,839. The overall increase in both governmental and business-type activities is primarily due to a $ 28,509,353 increase in the City's investment in capital assets. Additionally, the recording of GASB 96 items related to subscription-based information technology arrangements and GASB 87 items related to leases contributed to the net position growth. Infrastructure donations from developers also played a role in this increase.

- Pension liability and deferred inflows/outflows - The decrease in the net pension liability resulted in a corresponding reduction in deferred outflows of resources by $ 10,925,236. Additionally, deferred inflows of resources increased by $ 3,653,197. The comparison between the previous fiscal year's recording of infrastructure donations from developers and the current fiscal year contributed to the decrease in deferred outflows.

- Governmental funds - As of September 30, 2024, the City of Temple's governmental funds reported combined ending fund balances of $ 225,025,085, an increase of $ 43,138,141 in comparison with the prior fiscal year. The capital projects fund had a net increase of $ 36,470,699 due to the issuance and expenditure of bond proceeds from Transportation Capital Improvement Program, Places & Spaces Capital Improvement Program, as well as constructing and equipping City facilities. In addition, there was an increase of $ 4,970,425 in the general fund balance and a $ 136,044 increase in the fund balance of nonmajor governmental funds. The offset to the overall increase is attributable to the increase in the debt service fund of $ 1,560,973.

- General fund stability - At the end of the current fiscal year, the assigned/unassigned fund balance for the general fund was $ 51,784,963 or approximately 23.01% of total general fund expenditures.

- Bonded debt - The City's total net bonded debt increased by $ 51,016,869 during the current fiscal year. This net increase was due to bond issuance of $ 61,460,000 for the Transportation, Places and Spaces, and Facility Capital Improvement Programs in conjunction with the offset of debt payments made during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City of Temple's basic financial statements. The City of Temple's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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 of Temple's finances, in a manner similar to private-sector business reporting. The statement of net position presents information on all of the City of Temple's assets, deferred outflows of resources, liabilities, and deferred inflow of resources with the difference 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 of Temple is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and wastewater lines, etc.), to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but not used vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, library, airport, streets, sanitation, culture and recreation, and general government. Property taxes, sales taxes and franchise fees finance most of these activities.

- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and wastewater system activity are reported here.

- Component units – The City includes two separate legal entities in its report – the Temple Economic Development Corporation and the Reinvestment Zone No. 1 (a tax incremental financing unit). Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements - The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by the City's charter and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's three kinds of funds – governmental, proprietary and fiduciary – utilize different accounting approaches.

- Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

  The City of Temple maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Included in the non-major governmental fund reporting is the Temple Revitalization Corporation which is reported as a special revenue fund as a discretely presented component unit.

- Proprietary funds – The City of Temple maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements. The City uses an enterprise fund to account for its water and wastewater utility.

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 water and wastewater utility. The water and wastewater utility is considered a major fund of the City.

Notes to the Financial Statements

The notes provide additional information that is essential to 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 81 through 148 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's net pension obligation as it relates to Texas Municipal Retirement System and Temple Firefighters' Relief and Retirement Fund as well as the total OPEB liabilities as it relates to the TMRS-SDB and retiree health plan. Required supplementary information can be found on page 150 through 160 of this report.

THE CITY AS A WHOLE – Government-Wide Financial Analysis

The City's combined net position was $ 442,328,308 as of September 30, 2024. The following tables focus on the net position (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II).

By far the largest portion of the City's net position (94.77%) represents its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table I

Summary of Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other assets	$ 271,427,503	$ 229,734,169	$ 81,708,772	$ 108,024,575	$ 353,136,275	$ 337,758,744
Capital assets	415,237,124	376,997,930	381,633,862	357,701,356	796,870,986	734,699,286
Total assets	686,664,627	606,732,099	463,342,634	465,725,931	1,150,007,261	1,072,458,030
Deferred outflows of resources	27,397,196	37,125,768	5,698,563	6,895,227	33,095,759	44,020,995
Long-term liabilities outstanding	447,737,235	396,551,792	234,425,816	248,297,411	682,163,051	644,849,203
Other liabilities	24,077,738	27,719,511	10,310,207	7,338,685	34,387,945	35,058,196
Total liabilities	471,814,973	424,271,303	244,736,023	255,636,096	716,550,996	679,907,399
						6,895,227
Deferred inflows of resources	23,598,532	20,006,296	625,184	564,223	24,223,716	20,570,519
Net Position:						
Net investment in capital assets	213,400,621	194,236,539	205,794,642	196,449,371	419,195,263	390,685,910
Restricted	3,949,214	3,912,235	2,295,864	1,964,777	6,245,078	5,877,012
Unrestricted	1,298,483	1,431,494	15,589,484	18,006,691	16,887,967	19,438,185
Total net position, as restated	$ 218,648,318	$ 199,580,268	$ 223,679,990	$ 216,420,839	$ 442,328,308	$ 416,001,107

An additional portion of the City of Temple's net position (1.41%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position, $ 16,887,967, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Temple is able to report positive balances in all three categories of net position for the government as a whole.

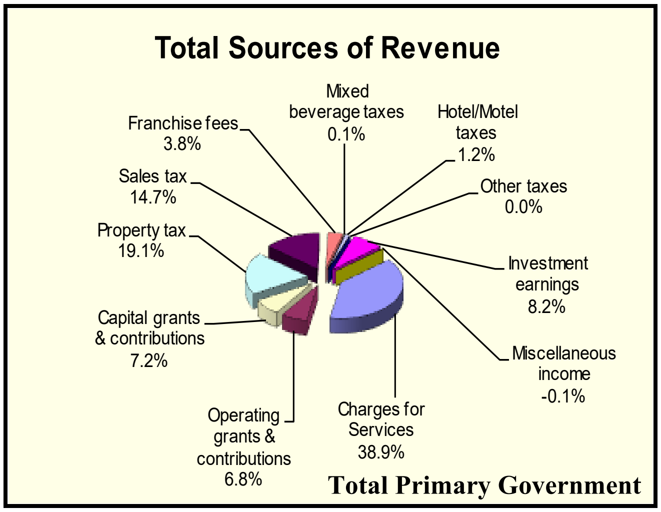
There was an increase of $ 7,259,151 in net position reported in connection with the City of Temple's business-type activities. The net increase is the result of an increase in investments in capital assets in FY 2024.

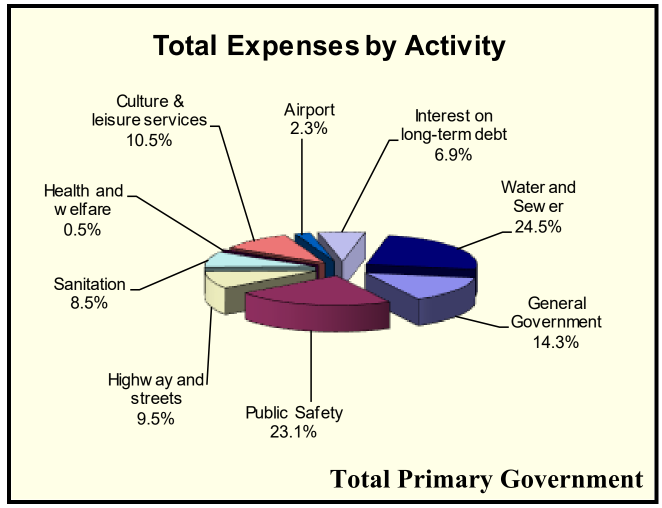
Governmental and business-type activities increased the City's net position by $ 26,327,201. The key elements of this increase are as follows:

Table II

Statement of Activities, Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	$ 45,703,871	$ 43,302,538	$ 54,177,682	$ 52,114,559	$ 99,881,553	$ 95,417,097
Operating grants and contributions	17,463,336	5,323,506	-	-	17,463,336	5,323,506
Capital grants and contributions	16,045,384	47,700,095	2,511,746	19,698,818	18,557,130	67,398,913
General revenues:						
Property tax	49,110,760	42,546,516	-	-	49,110,760	42,546,516
Sales tax	37,769,286	36,496,375	-	-	37,769,286	36,496,375
Franchise fees	9,662,353	8,965,301	-	-	9,662,353	8,965,301
Mixed beverage taxes	275,291	260,833	-	-	275,291	260,833
Hotel/Motel taxes	2,957,668	2,713,494	-	-	2,957,668	2,713,494
Other taxes	30,757	69,809	-	-	30,757	69,809
Investment earnings	14,116,541	8,805,593	6,844,790	6,262,129	20,961,331	15,067,722
Miscellaneous income	(335,378)	1,075,358	9,073	-	(326,305)	1,075,358
Total revenues	192,799,869	197,259,418	63,543,291	78,075,506	256,343,160	275,334,924
Expenses:						
General government	32,966,115	28,947,790	-	-	32,966,115	28,947,790
Public safety	53,165,284	46,304,951	-	-	53,165,284	46,304,951
Highway and streets	21,775,248	14,725,735	-	-	21,775,248	14,725,735
Sanitation	19,627,422	13,550,411	-	-	19,627,422	13,550,411
Health and welfare	1,065,377	1,133,909	-	-	1,065,377	1,133,909
Culture & leisure services	24,118,969	23,810,117	-	-	24,118,969	23,810,117
Airport	5,221,719	5,074,212	-	-	5,221,719	5,074,212
Interest on long-term debt	15,791,685	9,530,691	-	-	15,791,685	9,530,691
Water and sewer	-	-	56,284,140	53,618,040	56,284,140	53,618,040
Total expenses	173,731,819	143,077,816	56,284,140	53,618,040	230,015,959	196,695,856
Increase (decrease) in net position, as restated	19,068,050	54,181,602	7,259,151	24,457,466	26,327,201	78,639,068
Net position - beginning, as restated	199,580,268	145,398,666	216,420,839	191,963,373	416,001,107	337,362,039
Net position - ending	$ 218,648,318	$ 199,580,268	$ 223,679,990	$ 216,420,839	$ 442,328,308	$ 416,001,107





For FY 2024, revenues from governmental activities totaled $ 192,799,869. In comparison to FY 2023, revenues for governmental activities decreased $ 4,459,549 or 2.26%. Property taxes experienced an increase of $ 6,564,244 due to growth in assessed valuations from both new construction and increases in existing values. Sales tax reflected an increase of $ 1,272,911, an increase of 3.49%. Property taxes and sales tax combined are the largest components of revenues (45.06%). In addition, charges for services increased $ 2,401,333 in FY 2024 as compared to FY 2023. This increase can be attributed to an increase of $ 1,016,915 in Sanitation charges for services associated with customer growth in solid waste collection. In addition, Culture and Leisure Services saw an increase of $ 529,308. It should also be noted that charges for services account for 23.71% of total governmental revenue.

Expenses for governmental activities in FY 2024 totaled $ 173,731,819. In comparison to FY 2023, expenses for governmental activities increased $ 30,654,003 or 21.42%. The increase in governmental activities can be attributed to several key factors ranging from higher investments in capital assets, including infrastructure donations from developers to recording of GASB 96 items related to subscription-based information technology arrangements and GASB 87 items related to leases. Additionally, the City of Temple implemented civil service pay adjustments for its employees in FY 2024 as part of a commitment to improving compensation and retaining qualified personnel. These pay increases were strategically funded through the City's budget and contributed to an increase in operating expenditures. The investment in human capital, though adding to costs, was seen as essential for maintaining the quality of public services and supporting employee morale and retention. Finally, in May 2024, tornadoes and storms hit the City of Temple, causing considerable damage to public infrastructure. Despite the destruction, the city showed remarkable resilience in its recovery. Insurance settlements and FEMA assistance helped ease the financial burden, covering a portion of the storm-related expenses.

The five largest program expenses in FY 2024 are public safety ($ 53,165,284), general government ($ 32,966,115), culture and leisure services ($ 24,118,969), highways and streets ($ 21,775,248), and sanitation ($ 19,627,422).

For governmental activities, the Statement of Activities on page 67 shows that $ 45,703,871 was financed by those receiving services, $ 17,463,336 from operating grants and contributions, $ 16,045,384 from capital grants and contributions, with the City's general revenues financing $ 113,587,278 of the remaining program expenses.

The debt service fund has a total fund balance of $ 1,652,395, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was attributable to the use of fund balance for debt service payments and the levy of taxes for debt that was not issued as planned for in FY 2024.

The capital projects fund has a total fund balance of $ 162,000,385. The fund balance increased by $ 36,470,699 during the current fiscal year. This net increase is due to the issuance of bonds and expenditure of bond proceeds during the fiscal year.

Business-type Activities

Revenues of the City's business-type activities were $ 63,543,291 for the fiscal year ended September 30, 2024. Revenues decreased $ 14,532,215 as compared to the prior fiscal year. Expenses for the City's business-type activities were $ 56,284,140, an increase of $ 2,666,100, or 4.97%, compared to the prior fiscal year. The decline in revenues is mainly due to a substantial reduction in infrastructure donations from developers in FY 2024 compared to FY 2023, along with a decrease in water consumption. Water consumption decreased 7.13% in FY 2024 compared to the prior fiscal year. Unrestricted net position of the water and wastewater fund was $ 15,589,484. The water and wastewater fund unrestricted net position decreased in the current fiscal year by $ 2,417,207.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2024, the City had $ 796,870,986 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges and water and wastewater lines.

Table III
Capital Assets at Year-End
(Net of Depreciation/Amortization)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	$ 48,608,236	$ 44,377,469	$ 4,155,932	$ 4,154,314	$ 52,764,168	$ 48,531,783
Construction in progress	51,415,082	29,330,376	92,960,607	70,978,773	144,375,689	100,309,149
Buildings	55,911,329	56,450,000	23,656,957	24,695,820	79,568,286	81,145,820
Infrastructure	216,168,241	216,797,731	254,405,196	252,741,903	470,573,437	469,539,634
Furniture & equipment	12,475,022	9,764,639	227,644	299,059	12,702,666	10,063,698
Machinery & equipment	22,485,705	18,893,109	6,037,149	4,574,207	28,522,854	23,467,316
Right-to-use leased equipment	2,310,927	193,328	6,574	12,209	2,317,501	205,537
Right-to-use subscription	5,862,582	1,191,278	183,803	245,071	6,046,385	1,436,349
	$ 415,237,124	$376,997,930	$381,633,862	$ 357,701,356	$796,870,986	$734,699,286

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

- Extension and Utility Improvements of North Pea Ridge, Phase II - $ 5,912,762
- Repairs to sewer lines in Western Hills Subdivision - $ 1,619,359
- Replacement of a Fire Truck - $1,394,130
- Purchase of an Aircraft Rescue and Firefighting Truck for Airport - $1,283,290
- Extension of water line along Lorraine Avenue and Tower Road, Phase I - $1,270,998
- Reactor Air Project, Phase IV, V, VII at Temple-Belton WWTP – $ 1,156,931
- Utility Improvements for 57th Street to 41st Street, Avenue R to Avenue Z - $ 1,151,615
- Acquisition of 311 East Central Avenue and 4 South MLK Drive - $1,005,960
- Rehabilitation of Apache Elevated Storage Tank - $ 921,634
- Rehabilitation of 25th Street Elevated Storage Tank - $ 816,616

Additional information on the City of Temple's capital assets can be found in Note III on pages 101 through 104 of this report.

Debt

At year-end, the City had $ 591,913,722 in bonds and notes payable outstanding as shown in Table IV.

Table IV
Outstanding Debt, at Year-End

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
General obligation bonds	$ 45,650,000	$ 51,185,000	$ 18,440,000	$ 22,925,000	$ 64,090,000	$ 74,110,000
Certificate of obligation	274,730,000	224,750,000	-	-	274,730,000	224,750,000
Contractual obligations	10,845,000	9,485,000	-	-	10,845,000	9,485,000
Revenue bonds	-	-	186,540,000	194,945,000	186,540,000	194,945,000
Notes payable	1,875,834	2,048,770	139,242	152,079	2,015,076	2,200,849
Lease liability	2,327,872	108,365	5,869	11,559	2,333,741	119,924
Subscription liability	5,689,314	963,043	191,641	250,125	5,880,955	1,213,168
Premiums/discounts	25,088,218	22,506,706	20,390,732	22,014,148	45,478,950	44,520,854
Totals	$ 366,206,238	$ 311,046,884	$ 225,707,484	$ 240,297,911	$ 591,913,722	$ 551,344,795

The City of Temple maintains an "AA" rating from Standard & Poor's for general obligation debt and revenue bonds.

The City is permitted by State law and provisions of the City Charter to levy taxes up to $ 1.20 per $ 100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to assessed value of all taxable property is 4.10%.

Additional information on the City of Temple's long-term debt can be found in Note III, on pages 110 through 118 of this report.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Governmental Funds - The focus of the City of Temple'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. For example, the unassigned fund balance may serve as a useful measure of a government's available net resources for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Temple's governmental funds reported combined ending fund balances of $ 225,025,085. Approximately 23.01% of this total amount, $ 51,784,963, constitutes assigned/unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending. It is either nonspendable for inventory, prepaid items, and leases totaling $ 2,541,442, or has already been restricted for the following purposes: 1) debt service, $ 1,652,395; 2) drug enforcement, $ 173,845; 3) library collection enhancement and other, $ 821,309; 4) bond-funded construction projects,

$ 162,000,385; 5) museum expenditures, $ 17,581; 6) other purposes, $ 2,936,479; 7) drainage, $ 2,939,514; or 8) economic and community development, $ 157,172.

In the general fund, the City budgeted for a decrease in the fund balance of $ 9,316,390, which was primarily resulting from transfers of $ 7,389,488 to capital project funds, debt service fund, grant fund, and Temple Revitalization Corporation. This decrease was a reduction of excess fund balance to fund "pay as you go" capital projects. The actual fund balance increased for FY 2024 by $ 4,970,425 due to a net variance with the final adopted budget of $ 14,286,815. The increase was primarily attributed to revenue from sales tax and property tax.

- Sales tax – There was a 3.49% increase in sales tax revenue as compared to FY 2023, largely driven by the rising cost of goods. The City continues to see new economic growth in construction, retail, food, and information sectors due to population growth and new industries establishing themselves in Temple. Sales tax revenue for FY 2024 came in $ 1,550,714 under budget.

- Property tax - As compared to FY 2023, property tax revenue in FY 2024 saw significant growth due to an approximate 18.48% increase in market values along with a 17.98% increase in taxable property values, driven by increased local real estate market values. Additionally, the City had approximately $ 314,342,683 of new value for all property types added to the tax roll, which was a 38.52% increase in FY 2024 as compared to FY 2023. Property tax revenue for FY 2024 ended $ 540,658 under budget for property tax revenues in the general fund.

It is important to note that the following netted revenues also affect fund balance: franchise fees were $ 368,802 over budget, charges for services were $ 116,833 under budget, licenses and permits were $ 427,877 over budget, interest income was $ 612,892 over budget, sale of assets were $ 293,061 over budget, fines were $ 227,538 under budget, intergovernmental revenues were $166,045 under budget, and all other revenues were under budget by $ 1,572,118. In addition, total expenditures in the general fund came in $ 16,592,044 under budget. Expenditures coming in under budget aligns with our budgetary philosophy of estimating expenditures high. Hiring lag is the primary factor contributing to expenditures coming in under budget. Other expenditures that came in under budget include repairs and maintenance, supplies, professional services, capital under $5,000, travel and training, and golf course operations. Operating expenditures spread across all departments accounted for $ 6,484,585 of expenditures that came in under budget.

Debt service fund balance increased in FY 2024 by $ 1,560,973 for an ending balance of $ 1,652,395. The net increase in fund balance during the current year in the debt service fund was attributable to the use of fund balance for debt service payments and the levy of taxes for debt that was not issued as planned for in FY 2024. Capital projects fund balance had a net increase in FY 2024 of $ 36,470,699 due to the issuance of bonds and the expenditure of prior bond proceeds.

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 Water and Wastewater fund is $ 15,589,484, a decrease of $ 2,417,207. The water and wastewater fund unrestricted net position decrease in the current fiscal year can be attributed to decreases in contributed capital and consumption, as well as an increase in the "pay as you go" capital expenses.

General Fund Budgetary Highlights – The City revised the original appropriations approved by the City Council, resulting in a 24.98% increase in budgeted expenditures, or $30,662,719, compared to the original budget. The key factors contributing to this increase are as follows:

- $ 2,326,002 increase in personnel services for various departments. Of this amount,
  - $ 456,327 was appropriated for salaries and benefits associated to two authorized but unfunded over hires, as well as more overtime than budgeted.
  - Approximately $ 443,700 was supplemental funding for personnel services for Purchasing ($ 19,810), Planning ($ 21,065), and Fire ($ 402,825).
  - $ 306,868 was carried forward from FY 2023 to fund hiring incentives for Police, as well as the reclassification of a Marketing Specialist to a Multi-Media Specialist in Communications & Marketing.
  - $ 305,925 was appropriated into Fire's salary and benefit accounts based on the anticipated reimbursement from Texas Division of Emergency Management for firefighters being deployed to assist in the field for various weather events.
  - $ 259,511 was appropriated into several General Fund departments based on the anticipated reimbursement from FEMA related to the tornadic event that occurred in May 2024.
  - $ 220,000 was supplemental funding for Special Services to cover the additional separation pay, as well as vacation and sick leave accrual in FY 2024.
  - $ 109,158 was appropriated to fund salary expense associated to golf lessons provided at Sammons Golf Course.
  - $ 99,600 was appropriated for extra help/seasonal salaries associated to aquatics programming.
  - $ 69,237 was supplemental funding was provided for salaries and benefits associated with the implementation of Temple 311
  - $ 67,349 was supplemental funding was allocated for employment agreements for Council-appointed positions, as authorized by the City Council in April 2024.
  - $ 54,040 was appropriated for salaries and benefits for Housing & Community Development staff who did not work as many Community Development Block Grant hours as budgeted.

  - $ 116,211 was unappropriated from salaries and benefits of police officers associated to the COPS Hiring Program through the Community Oriented Policing Services due to hiring challenges in the fiscal year.
- $ 5,883,001 was appropriated for capitalization of new subscription-based information technology arrangements under GASB 96 – Police's Axon ($ 5,121,795), Police's Flock Safety ($ 332,310), Solid Waste's Rubicon ($ 359,311), and Fire's Axon ($ 69,585).
- $ 4,412,504 in supplemental funding for services agreement with D&J Enterprises, Inc. for brush debris removal services related to the tornadic event that occurred in May 2024.
- $ 3,698,056 in supplemental funding for capital to various departments within the General Fund for projects that were not completed in the previous year.
- $ 2,483,778 was appropriated for capitalization of leases under GASB 87 – Police's Axon ($ 2,428,859) and Fire's Axon ($ 54,919).
- $ 2,234,448 in supplemental funding for transfers out for capital projects and grants that were not completed in the previous year.
- $ 2,068,032 in supplemental funding for operations to various departments within the General Fund for projects that were not completed in the previous year.
- $ 1,470,289 in supplemental funding for the professional services agreement with Randall Scott Architects for the design of the new municipal building.
- $ 1,367,656 in supplemental funding for services agreement with Tetra Tech, Inc. for FEMA compliance monitoring services for brush and debris removes services, as well as public assistance grant consulting services.
- Appropriation of $ 1,289,903 in insurance proceeds, with $1,084,286 specifically allocated for storm damage caused by the May 2024 storms.
- $ 443,470 was appropriated for landfill tipping fees for Solid Waste, as well as $83,387 for contracted related to residential single stream recycling.
- $ 389,034 in supplemental funding for purchase of 0.458-acre property for South Temple Library Branch.
- $ 226,902 in supplemental funding for the software system integration and operational items for the implementation of Temple 311.
- $ 197,360 in supplemental funding for the acquisition of election equipment, along with the annual post-warranty license and maintenance/support fees.
- $ 192,000 in supplemental funding for an agreement with Salvation Army to deliver housing and case management services to individuals facing homelessness.
- $ 190,000 was appropriated for waived permit fees surrounding applications associated to damages caused by the tornadoes and storms in May 2024.
- $ 199,987 in supplemental funding for replacement of three Police vehicles and one truck for Parks that were totaled in accidents.
- $ 180,696 in supplemental funding for rental of seven sanitation vehicles from Big Truck Renal, LLC.

- $ 157,834 in supplemental funding for repair & maintenance to sanitation vehicles for Solid Waste.
- $ 153,416 in supplemental funding to assist with six homes associated to HOME Reinvestment Homeowner Reconstruction Assistance Program that provides homeowners with reconstruction of substandard housing owned and occupied by extremely low, very low, and low-income households.
- $ 125,000 in supplemental funding for repair & maintenance to Fire's fleet.
- $ 120,000 in supplemental funding for the second contract amendment to the professional consulting services agreement with Cent-Tex Alcoholic Rehabilitation Center, Inc. to assist with residential substance use disorder treatment for indigent citizens in Temple experience homelessness.
- $ 115,463 in supplemental funding to Temple Revitalization Corporation to purchase 2.643-acre property to support future redevelopment efforts in the Ferguson Park Neighborhood District.
- $ 105,000 was appropriated for merchandise, non-alcoholic beverages, alcoholic beverages, and food to be sold at Sammons Golf Course.
- $ 82,357 in supplemental funding for the purchase of truck for an Animal Control Officer position that was accelerated in the Business Plan.
- $ 65,728 in supplemental funding for the interlocal agreement with Hill Country Transit District for transit services.
- $ 64,666 was appropriated into Fire's operational accounts based on the anticipated reimbursement from Texas Division of Emergency Management for firefighters being deployed to assist in the field for various weather events.
- $ 48,273 in supplemental funding for the purchase of two police vehicles that came in over budget.
- $ 48,000 in supplemental funding for legal services to be provided by Lloyd Gosselink Attorneys at Law for review and assessment of the provisions of the gas rights agreement with Waste Management.
- $ 47,525 was appropriated to upgrade school flasher signals at four locations.
- $ 40,000 was appropriated for food and beverage resale at Lions Junction Family Water Park.
- $ 38,809 was appropriated to initiate the transition of firearms within the Police Department.
- $ 30,000 in supplemental funding for the construction manager at risk contract with Cloud Construction Company, Inc. for the municipal building expansion project.
- $ 19,403 was appropriated for equipment to be used by Communications & Marketing for the government access channel.
- $ 18,510 in supplemental funding for a grant match for the purchase of two trailers for glass recycling.

- $ 15,000 in supplemental funding for the City's match for a TxDOT grant to replace the automated weather observing system at Draughon-Miller Central Texas Regional Airport.

The increase in expenditure appropriations were possible because of additional anticipated revenues. The net increases in revenues included various charges for services to cover increases in services provided ($ 1,400,237), an increase in licenses and permits ($ 190,000), an increase in insurance proceeds ($ 1,289,903), an increase in intergovernmental revenues ($ 14,366,471), and an increase in other income from various sources ($ 742,089). The remaining increases in expenditure appropriations were funded with Assigned General Fund Balance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

As part of the American Rescue Plan Act of 2021, the City was awarded funding in the amount of $ 14,170,861 during FY 2022 and FY 2023 through the Coronavirus State and Local Fiscal Recovery Funds to provide a substantial infusion of resources to help turn the tide on the COVID-19 pandemic, address the economic fallout, and lay the foundation for a strong and equitable recovery. In FY 2022, the City utilized approximately $ 4,264,601 of the funding for premium pay to essential workers, as well as supporting and retaining public sector workers through a retention pay program. From FY 2022 through FY 2024, the City utilized $ 642,025 for a professional services agreement with Randall Scott Architects for the design of the new municipal building. The remainder of the funding of $ 9,264,235 was used during FY 2024 for Public Safety salaries and benefits.

The City's elected and appointed officials considered many factors when setting the FY 2025 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The population growth experienced by the City has stimulated local business and development activity, and the community has placed additional demands on the City to maintain or enhance services provided to our citizens. Temple's greatest economic strength is the diversified employment base. The three largest job sectors are health and medical, distribution and manufacturing. It is anticipated that future growth for the region will focus on healthcare and small businesses. Temple's unemployment rate is 4.01%, representing one of the lowest rates in the State of Texas. The reasonable costs of living and homes priced below the national average continue to make Temple an attractive area for new business locations and re-locations. The City continues to attract new and existing companies due to the strategy of working diligently with corporations on relocation incentives.

These economic indicators were considered when adopting the General Fund budget for fiscal year 2025. The total 2024-2025 combined budget appropriation totals $ 240,302,309 for six operating funds.

The 2024-2025 General Fund budget of $ 130,340,706 represents an increase of 6.18% or $ 7,584,828 in comparison to the adopted 2023-2024 budget. The focus of the FY 2025 Budget is on enhancing our service levels while responding to the growth of our community and doing so in a way that maintains the financial health of the City. The adopted budget reflects a fiscally responsible approach to improving the City's infrastructure and maintaining quality City services to a growing population. The FY 2025 Budget allocates resources based on the five focus areas as identified in the Strategic Plan: High-Performing Organization, Communication and Collaboration, Places and Spaces, Public Safety, and Smart Growth.

Overall, the City Council was presented with a budget that requires $ 3,928,000 from fund balance to assist in the funding of $ 2,933,700 in capital outlay, $700,000 supplement to health insurance increases, $ 194,300 in funding for the Temple Revitalization Corporation, and $ 100,000 for a GIS Master Plan. The budget assesses a tax rate of $ 0.6265 per $ 100 valuation, which reflects an increase of $0.0135 as compared to the FY 2024 tax rate. The budget recognizes increases in ad valorem taxes, franchise fees, solid waste charges, and culture & recreation charges for services.

As a cost of service for the Enterprise Fund, Water & Wastewater rates must be sufficiently set to cover total operations and maintenance, debt, depreciation, and to fulfill bond covenant coverage requirements. During FY 2019, the City engaged the services of a consultant to develop a six-year cost of service study. One of the key elements of the study was to develop the revenue requirement for a six-year capital improvement program to construct, replace or rehabilitate facilities and infrastructure in the City of Temple distribution and collection systems. This also includes addressing additional staffing needs and other operational and maintenance expenditures.

Several scenarios were evaluated during they study. The chosen rate proposal includes:

- Increasing the current water volumetric rate;
- Increasing the current wastewater monthly minimum service charge and increasing the volumetric rate; and
- Adding an additional class for water and wastewater.

Rates for FY 2020 were increased effective October 4, 2019. There were no rate adjustments to the water and wastewater rates in FY 2021. FY 2022 included a rate adjustment of $ 0.25 per 1,000 gallons to volumetric rate for both water and wastewater. In FY 2023, water rates were adjusted approximately 3.86% and wastewater rates were adjusted approximately 13.83%, effective October 1, 2022. FY 2024 included an adjustment of approximately 7.00% for water rates, effective October 1, 2023. The FY 2025 Budget included an adjustment of approximately 8.50% for water rates and an approximate 25.50% adjustment for wastewater rates, effective October 1, 2024. The current rate model for FY 2026 through FY 2030 includes proposed rate adjustments. The rate model will be updated annually to determine if future rate adjustments will be necessary to support the revenue requirement.

Over the past years, the City has faced demands from Federal and State regulators to develop a more aggressive schedule to system improvements. Combined with the demands from regulatory agencies and the necessities of line relocations linked with TxDOT projects, the City has developed a revised Capital Improvement Program.

The City updated the Water and Wastewater Master Plan in 2019. The Master Plan included evaluation of system demand and improvements through 2070. The plan also included an assessment of current infrastructure, a water and wastewater system hydraulic analysis, and a plan for implementing future improvements. The total estimated cost for the projects identified in the 2019 Water and Wastewater Master Plan is $ 171,935,000. Many of the projects have been reviewed and prioritized in the FY 2025 through FY 2030 Utility Capital Improvement Program.

The FY 2025 Water and Wastewater Fund operating budget of $ 67,987,777, is an increase of 15.65% compared with the prior year. Cost drivers for the increase include cash capital outlays and debt service associated with the water and wastewater capital improvement plan.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Director of Finance, at City of Temple, 2 North Main, Suite 302, Temple, TX 76501.

CITY OF
TEMPLE

BASIC FINANCIAL STATEMENTS

CITY OF TEMPLE, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Reinvestment Zone No. 1	Temple Economic Development Corporation
ASSETS					
Cash	$ 9,800	$ 8,050	$ 17,850	$ -	$ 4,348,423
Investments	228,494,863	20,454,115	248,948,978	21,834,416	-
Property taxes, net of allowance for uncollectibles	995,277	-	995,277	1,471,656	-
Receivables, net of allowance for uncollectibles	5,493,109	4,215,075	9,708,184	16,983	3,435
Lease receivable	20,081,862	-	20,081,862	-	3,524,752
Due from other governments	13,455,858	9,073	13,464,931	-	-
Inventories	455,876	397,184	853,060	-	-
Prepaids	816,150	317,840	1,133,990	-	71,000
Other assets	18,561	-	18,561	-	-
Restricted assets:					
Cash and investments	1,606,147	56,307,435	57,913,582	61,814,345	3,737,816
Land held for investment	-	-	-	-	49,157,379
Capital assets not being depreciated:					
Land	48,608,236	4,155,932	52,764,168	25,317,199	-
Construction in progress	51,415,082	92,960,607	144,375,689	47,877,171	-
Capital assets, net of accumulated depreciation:					
Buildings	55,911,329	23,656,957	79,568,286	33,208,878	4,489,007
Infrastructure	216,168,241	254,405,196	470,573,437	114,578,597	-
Furniture and equipment	12,475,022	227,644	12,702,666	23,281	40,016
Machinery and equipment	22,485,705	6,037,149	28,522,854	-	-
Right-to-use capital assets	8,173,509	190,377	8,363,886	-	-
Total assets	686,664,627	463,342,634	1,150,007,261	306,142,526	65,371,828
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts on refunding	2,369,348	3,256,132	5,625,480	810,148	-
Deferred amounts of contributions	8,321,841	977,342	9,299,183	-	-
Difference in investment experience	6,098,385	667,760	6,766,145	-	-
Difference in expected and actual experience	8,565,770	658,082	9,223,852	-	-
Changes in assumptions	2,041,852	139,247	2,181,099	-	-
Total deferred outflows of resources	27,397,196	5,698,563	33,095,759	810,148	-
LIABILITIES					
Vouchers and contracts payable	11,629,916	5,729,454	17,359,370	5,267,254	104,530
Retainage payable	1,075,832	1,914,798	2,990,630	1,380,554	-
Accrued payroll	3,833,221	454,427	4,287,648	-	-
Deposits	150,188	935,075	1,085,263	-	-
Accrued interest payable	1,894,128	1,196,174	3,090,302	1,121,504	-
Unearned revenues	5,494,453	80,279	5,574,732	-	-
Noncurrent liabilities:					
Due within one year	21,647,730	15,223,115	36,870,845	5,612,662	87,840
Due in more than one year	426,089,505	219,202,701	645,292,206	172,714,304	3,216,303
Total liabilities	471,814,973	244,736,023	716,550,996	186,096,278	3,408,673
DEFERRED INFLOWS OF RESOURCES					
Lease related	18,809,877	-	18,809,877	-	3,483,327
Difference in expected and actual experience	1,858,780	230,736	2,089,516	-	-
Changes in assumptions	2,929,875	394,448	3,324,323	-	-
Total deferred inflows of resources	23,598,532	625,184	24,223,716	-	3,483,327
NET POSITION					
Net investment in capital assets/right-to-use assets	213,400,621	205,794,642	419,195,263	94,614,541	1,224,880
Restricted for:					
Debt service	-	2,295,864	2,295,864	5,195,000	-
Promotion of tourism	2,936,479	-	2,936,479	-	-
Other	1,012,735	-	1,012,735	-	-
Economic development incentives	-	-	-	-	49,334,393
Unrestricted	1,298,483	15,589,484	16,887,967	21,046,855	7,920,555
Total net position	$ 218,648,318	$ 223,679,990	$ 442,328,308	$ 120,856,396	$ 58,479,828

The notes to the financial statements are an integral part of this statement.

CITY OF TEMPLE, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Reinvestment Zone No. 1	Temple EDC
Primary government:									
Governmental activities:									
General government	$ 32,966,115	$ 7,221,499	$ 2,147,954	$ 110,095	$ (23,486,567)	$ -	$ (23,486,567)	$ -	$ -
Public safety	53,165,284	4,534,070	10,334,159	86,135	(38,210,920)	-	(38,210,920)	-	-
Highways and streets	21,775,248	3,507,123	92,832	15,526,824	(2,648,469)	-	(2,648,469)	-	-
Sanitation	19,627,422	20,364,710	4,020,838	242,000	5,000,126	-	5,000,126	-	-
Health and welfare	1,065,377	-	838,792	-	(226,585)	-	(226,585)	-	-
Culture and leisure services	24,118,969	6,363,791	28,761	-	(17,726,417)	-	(17,726,417)	-	-
Airport	5,221,719	3,712,678	-	80,330	(1,428,711)	-	(1,428,711)	-	-
Interest on long-term debt	15,791,685	-	-	-	(15,791,685)	-	(15,791,685)	-	-
Total governmental activities	173,731,819	45,703,871	17,463,336	16,045,384	(94,519,228)	-	(94,519,228)	-	-
Business-type activities:									
Water and sewer	56,284,140	54,177,682	-	2,511,746	-	405,288	405,288	-	-
Total business-type activities	56,284,140	54,177,682	-	2,511,746	-	405,288	405,288	-	-
Total primary government	$ 230,015,959	$ 99,881,553	$ 17,463,336	$ 18,557,130	(94,519,228)	405,288	(94,113,940)	-	-
Component units:									
Reinvestment Zone No. 1	$ 31,005,785	$ 322,967	$ -	$ 80,330	-	-	-	(30,602,488)	-
Temple Economic Development Corporation	6,960,730	-	17,463,697	-	-	-	-	-	10,502,967
Total component units	$ 37,966,515	$ 322,967	$ 17,463,697	$ 80,330	-	-	-	(30,602,488)	10,502,967
General Revenues:									
Property taxes					49,110,760	-	49,110,760	30,624,404	-
Sales taxes					37,769,286	-	37,769,286	-	-
Franchise fees					9,662,353	-	9,662,353	-	-
Mixed beverage taxes					275,291	-	275,291	-	-
Hotel/Motel taxes					2,957,668	-	2,957,668	-	-
Other taxes					30,757	-	30,757	-	-
Investment income					14,116,541	6,844,790	20,961,331	4,942,603	497,191
Miscellaneous income					(335,378)	9,073	(326,305)	4,458,310	20,993
Total general revenues					113,587,278	6,853,863	120,441,141	40,025,317	518,184
Change in net position					19,068,050	7,259,151	26,327,201	9,422,829	11,021,151
Net position-beginning					199,580,268	216,420,839	416,001,107	111,433,567	47,458,677
Net position-ending					$ 218,648,318	$ 223,679,990	$ 442,328,308	$ 120,856,396	$ 58,479,828

The notes to the financial statements are an integral part of this statement.

CITY OF TEMPLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 5,300	$ -	$ -	$ 4,500	$ 9,800
Investments	52,971,910	1,641,195	167,878,754	6,003,004	228,494,863
Property taxes, net	437,094	558,183	-	-	995,277
Other receivables, net	4,957,598	-	100,253	435,258	5,493,109
Lease receivable	20,081,862	-	-	-	20,081,862
Due from other governments	4,658,220	3,564,467	-	5,233,171	13,455,858
Due from other funds	3,834,814	-	-	-	3,834,814
Inventories, at cost	447,839	-	-	8,037	455,876
Prepaid items	792,743	-	-	23,407	816,150
Restricted cash and investments	1,606,147	-	-	-	1,606,147
Other assets	-	-	-	18,561	18,561
Total assets	$ 89,793,527	$ 5,763,845	$ 167,979,007	$ 11,725,938	$ 275,262,317
LIABILITIES					
Vouchers and contracts payable	$ 5,162,021	$ -	$ 5,374,276	$ 1,093,619	$ 11,629,916
Retainage payable	21,481	-	596,154	458,197	1,075,832
Accrued payroll	3,693,150	-	8,192	131,879	3,833,221
Vacation and sick leave payable	851,371	-	-	36,601	887,972
Deposits	58,983	-	-	91,205	150,188
Due to other funds	-	-	-	3,834,814	3,834,814
Unearned revenues	5,903,962	4,111,450	-	-	10,015,412
Total liabilities	15,690,968	4,111,450	5,978,622	5,646,315	31,427,355
DEFERRED INFLOWS OF RESOURCES					
Lease related	18,809,877	-	-	-	18,809,877
Total deferred inflows of resources	18,809,877	-	-	-	18,809,877
FUND BALANCES					
Fund Balances:					
Nonspendable:					
Inventories, prepaid items, and leases	2,512,565	-	-	28,877	2,541,442
Restricted for:					
Debt service	-	1,652,395	-	-	1,652,395
Drug enforcement	173,845	-	-	-	173,845
Library and other	821,309	-	-	-	821,309
Construction	-	-	162,000,385	-	162,000,385
Museum	-	-	-	17,581	17,581
Other purposes	-	-	-	2,936,479	2,936,479
Committed to:					
Drainage	-	-	-	2,939,514	2,939,514
Economic and community development	-	-	-	157,172	157,172
Assigned to:					
Capital technology acquisition	575,000	-	-	-	575,000
Capital projects	12,592,170	-	-	-	12,592,170
Purchases on order	8,624,907	-	-	-	8,624,907
Unassigned	29,992,886	-	-	-	29,992,886
Total fund balances	55,292,682	1,652,395	162,000,385	6,079,623	225,025,085
Total liabilities, deferred inflows of resources, and fund balances	$ 89,793,527	$ 5,763,845	$ 167,979,007	$ 11,725,938	$ 275,262,317

The notes to the financial statements are an integral part of this statement.

CITY OF TEMPLE, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total fund balances-governmental funds		$ 225,025,085
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 48,608,236	
Construction in progress	51,415,082	
Buildings	107,443,062	
Infrastructure	399,271,117	
Furniture and equipment	41,396,528	
Machinery and equipment	56,909,976	
Right-to-use leased equipment	3,733,703	
Right-to-use subscriptions	7,823,711	
Accumulated depreciation and amortization	(301,364,291)	
Total capital assets	$ 415,237,124	415,237,124
Deferred outflows of resources represent the consumption of net position that applies to future periods and will not be recognized as an expense until then:		
Deferred amounts on refunding	$ 2,369,348	
Deferred amounts of contributions	8,321,841	
Difference in expected and actual experience	6,098,385	
Deferred amounts of changes in assumptions	2,041,852	
Difference in projected and actual investment earnings	8,565,770	
	$ 27,397,196	27,397,196
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized of when they are collected.		
Maintenance & operations taxes not collected	$ 409,509	
Interest & sinking fund taxes not collected	546,983	
Pass-through toll agreement	3,564,467	
Total deferred revenue reclassified	$ 4,520,959	4,520,959
Interest and arbitrage interest payable on long-term debt does not require current financial resources. Therefore, interest and arbitrage interest payable is not reported as a liability in the governmental funds balance sheet.		(5,960,871)
Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Due within one year	$ 20,096,220	
Long-term debt, including premium/discount	422,686,300	
Total long-term liabilities	$ 442,782,520	(442,782,520)
Deferred inflow of resources represent an acquisition of net position that applies to future periods and so will not be recognized as revenue until then:		
Difference in expected and actual experience	$ (1,858,780)	
Changes in assumptions	(2,929,875)	
	$ (4,788,655)	(4,788,655)
Net position of governmental activities		$ 218,648,318

The notes to the financial statements are an integral part of this statement.

CITY OF TEMPLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended September 30, 2024

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 61,894,578	$ 25,211,002	$ -	$ 2,957,668	$ 90,063,248
Franchise fees	9,662,354	-	-	-	9,662,354
Licenses and permits	1,864,977	-	-	-	1,864,977
Intergovernmental	14,242,426	1,422,034	-	12,436,330	28,100,790
Drainage fees	-	-	-	3,099,572	3,099,572
Charges for services	38,871,966	-	-	569,008	39,440,974
Fines	1,219,810	-	-	-	1,219,810
Interest and other	5,339,458	677,925	7,606,831	338,423	13,962,637
Total revenues	133,095,569	27,310,961	7,606,831	19,401,001	187,414,362
Expenditures:					
Current:					
General government	26,034,540	-	5,079,157	2,434,840	33,548,537
Public safety	57,615,926	-	5,958,279	242,331	63,816,536
Highways and streets	5,812,231	-	24,203,049	11,186,381	41,201,661
Sanitation	18,271,232	-	132,851	15,000	18,419,083
Health and welfare	-	-	-	1,001,880	1,001,880
Culture and leisure services	18,711,544	-	1,922,186	3,692,571	24,326,301
Airport	3,959,980	-	1,412,376	-	5,372,356
Debt service:					
Principal retirement	1,364,149	17,527,936	-	40,060	18,932,145
Interest and fiscal charges	302,239	11,225,777	262,568	3,432	11,794,016
Total expenditures	132,071,841	28,753,713	38,970,466	18,616,495	218,412,515
Excess (deficiency) of revenues over expenditures	1,023,728	(1,442,752)	(31,363,635)	784,506	(30,998,153)
Other financing sources (uses):					
Transfers in	334,630	3,003,725	2,064,816	534,575	5,937,746
Transfers out	(4,754,709)	-	-	(1,183,037)	(5,937,746)
Issuance of loans and bonds	-	-	61,460,000	-	61,460,000
Discount on bond issuance	-	-	(551,730)	-	(551,730)
Original issue premium	-	-	4,861,248	-	4,861,248
Leases (as lessee)	2,483,777	-	-	-	2,483,777
Subscription proceeds	5,882,999	-	-	-	5,882,999
Total other financing sources (uses)	3,946,697	3,003,725	67,834,334	(648,462)	74,136,294
Net change in fund balances	4,970,425	1,560,973	36,470,699	136,044	43,138,141
Fund balances, beginning of year	50,322,257	91,422	125,529,686	5,943,579	181,886,944
Fund balances, end of year	$ 55,292,682	$ 1,652,395	$ 162,000,385	$ 6,079,623	$ 225,025,085

The notes to the financial statements are an integral part of this statement.

CITY OF TEMPLE, 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		$ 43,138,141
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures	$ 60,431,853	
Depreciation and amortization expense	(24,934,933)	
Net adjustment	$ 35,496,920	35,496,920
Capital contributions of infrastructure that do not provide current financial resources to governmental funds.		3,278,235
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals and donations) is to decrease net position.		(535,961)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment is to recognize the net change in "unavailable" revenues. Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period; accrual- basis recognition is not limited to availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year.		(1,081,800)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of certificate and contractual obligation bonds	$ (63,160,000)	
Increase in subscription and lease obligations	(8,393,321)	
Discount/(premium) on issuance	(4,309,518)	
Principal payments to bond and note holders	17,527,936	
Amortize right of use obligations	1,447,543	
Amortization of bond premiums/discounts	1,728,006	
Amortization of bond refunding amounts	(386,459)	
Net adjustment	$ (55,545,813)	(55,545,813)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in compensated absences liability	$ (877,216)	
Total adjustment	$ (877,216)	(877,216)
Governmental funds report contributions to the pension and OPEB plans as expenditures. However, in the Statement of Activities, pension and OPEB expense is determined by an actuary as of the measurement period.		
Decrease in net pension liability	$ 8,202,108	
Increase in OPEB liability	(212,584)	
Difference in investment experience - outflow	699,488	
Difference in expected and actual experience - outflow	(10,767,863)	
Difference in changes in assumptions - outflow	(353,205)	
Difference in expected and actual experience - inflow	267,447	
Difference in changes in assumptions - inflow	(664,677)	
Increase in deferred pension and OPEB contributions	1,079,467	
	$ (1,749,819)	(1,749,819)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. This amount is the change in accrued interest.		(3,054,637)
Change in net position of governmental activities		$ 19,068,050

The notes to the financial statements are an integral part of this statement.

CITY OF
TEMPLE

CITY OF TEMPLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the year ended September 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	$ 63,977,702	$ 63,977,702	$ 61,894,578	$ (2,083,124)
Franchise fees	9,249,257	9,293,552	9,662,354	368,802
Licenses and permits	1,247,100	1,437,100	1,864,977	427,877
Intergovernmental	42,000	14,408,471	14,242,426	(166,045)
Charges for services	37,588,562	38,988,799	38,871,966	(116,833)
Fines	1,395,514	1,447,348	1,219,810	(227,538)
Interest and other	3,911,963	5,847,826	5,339,458	(508,368)
Total revenues	117,412,098	135,400,798	133,095,569	(2,305,229)
Expenditures:				
Current:				
General government:				
City council	370,510	352,390	338,270	14,120
City manager	1,503,055	1,560,527	1,413,242	147,285
Housing & community development	587,535	649,292	637,647	11,645
Finance	2,751,539	3,120,136	2,906,686	213,450
Purchasing	760,018	804,251	802,230	2,021
City secretary	440,371	449,887	405,186	44,701
Special services	1,161,481	1,775,217	1,465,292	309,925
City attorney	1,515,636	1,524,478	1,337,962	186,516
City planning	1,191,665	1,510,516	1,274,196	236,320
Information technology services	5,926,412	5,381,393	4,960,888	420,505
People operations	1,829,536	1,796,794	1,649,862	146,932
Economic development	932,068	879,483	766,592	112,891
Fleet services	2,363,114	2,428,742	1,936,022	492,720
Inspections/Permits	1,416,784	1,652,695	1,476,475	176,220
Customer care	-	337,777	233,914	103,863
Facility services	2,399,505	3,051,687	2,374,995	676,692
Strategy & innovation	478,919	481,984	421,610	60,374
Marketing and communications	1,627,504	1,743,931	1,633,471	110,460
Total general government	27,255,652	29,501,180	26,034,540	3,466,640
Public safety:				
Municipal court	1,114,645	1,100,928	922,000	178,928
Police	27,044,786	37,181,550	34,125,149	3,056,401
Animal services	887,721	1,104,226	846,492	257,734
Fire	17,341,013	19,021,875	18,578,869	443,006
Communications	1,160,134	1,160,134	1,160,134	-
Code Enforcement	1,847,166	2,774,767	1,983,282	791,485
Total public safety	49,395,465	62,343,480	57,615,926	4,727,554
Highways and streets:				
Streets	4,580,934	4,847,460	4,253,179	594,281
Traffic control	739,337	887,739	747,498	140,241
Engineering	951,020	926,020	811,554	114,466
Totals highways and streets	6,271,291	6,661,219	5,812,231	848,988
Sanitation:	11,816,502	19,008,461	18,271,232	737,229
Parks & Recreation:				
Parks	8,826,756	9,958,795	7,878,518	2,080,277
Recreation	6,798,634	6,376,448	5,463,392	913,056
Administration	1,008,977	1,090,706	1,001,060	89,646
Golf course	2,035,190	2,265,237	2,029,589	235,648
Education	2,495,156	2,791,922	2,338,985	452,937
Total parks & recreation	21,164,713	22,483,108	18,711,544	3,771,564
Airport:	4,293,711	4,365,268	3,959,980	405,288
Debt service:				
Principal	45,997	1,364,151	1,364,149	2
Interest	2,368	302,242	302,239	3
Total debt service	48,365	1,666,393	1,666,388	5
Total expenditures	120,245,699	146,029,109	132,071,841	13,957,268
Excess (deficiency) of revenues over expenditures	(2,833,601)	(10,628,311)	1,023,728	11,652,039
Other financing sources (uses):				
Transfers in	334,630	334,630	334,630	-
Transfers out	(2,510,179)	(7,389,488)	(4,754,709)	2,634,779
Lease proceeds	-	2,483,778	2,483,777	(1)
Subscription proceeds	-	5,883,001	5,882,999	(2)
Total other financing sources (uses)	(2,175,549)	1,311,921	3,946,697	2,634,776
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(5,009,150)	(9,316,390)	4,970,425	14,286,815
Fund balance, beginning of period	50,322,257	50,322,257	50,322,257	-
Fund balance, end of period	$ 45,313,107	$ 41,005,867	$ 55,292,682	$ 14,286,815

The notes to the financial statements are an integral part of this statement.

CITY OF TEMPLE, TEXAS
STATEMENTS OF NET POSITION
WATER AND WASTEWATER FUND
September 30, 2024 and 2023

	2024	2023	Increase (Decrease)
ASSETS			
Current assets:			
Cash	$ 8,050	$ 8,050	$ -
Investments	20,454,115	19,965,942	488,173
Restricted cash and investments:			
Revenue bond debt service	3,492,038	3,231,983	260,055
Customer deposits	935,075	902,984	32,091
Construction account	51,880,322	79,528,340	(27,648,018)
Customer receivables	4,215,075	3,557,749	657,326
Accounts receivable	9,073	-	9,073
Inventories	397,184	533,357	(136,173)
Prepaid items	317,840	296,170	21,670
Total current assets	81,708,772	108,024,575	(26,315,803)
Noncurrent assets:			
Capital assets:			
Land	4,155,932	4,154,314	1,618
Buildings	60,383,190	60,275,895	107,295
Improvements other than buildings	393,587,095	381,533,236	12,053,859
Machinery, furniture and equipment	19,907,568	17,622,305	2,285,263
	478,033,785	463,585,750	14,448,035
Less accumulated depreciation	(189,550,907)	(177,120,447)	(12,430,460)
Construction in progress	92,960,607	70,978,773	21,981,834
Total capital assets (net of accumulated depreciation)	381,443,485	357,444,076	23,999,409
Right-to-use leased/subscription assets:			
Machinery, furniture and equipment	22,540	22,540	-
Subscriptions	306,339	306,339	-
Less accumulated amortization	(138,502)	(71,599)	(66,903)
Total right-to-use assets (net of accumulated amortization)	190,377	257,280	(66,903)
Total noncurrent assets	381,633,862	357,701,356	23,932,506
Total assets	463,342,634	465,725,931	(2,383,297)
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding	3,256,132	3,637,639	(381,507)
Deferred amounts of contributions	977,342	878,983	98,359
Difference in investment experience	667,760	548,513	119,247
Difference in expected and actual experience	658,082	1,681,597	(1,023,515)
Changes in assumptions	139,247	148,495	(9,248)
Total deferred outflows of resources	5,698,563	6,895,227	(1,196,664)

The notes to the financial statements are an integral part of this statement.

	2024	2023	Increase (Decrease)
LIABILITIES			
Current liabilities:			
Vouchers and contracts payable	$ 5,729,454	$ 2,911,490	$ 2,817,964
Retainage payables	1,914,798	1,797,700	117,098
Accrued payroll	454,427	388,664	65,763
Unearned revenues	80,279	70,641	9,638
Customer deposits	935,075	902,984	32,091
Accrued interest - revenue bonds	1,196,174	1,267,206	(71,032)
Current maturities of long-term liabilities	15,223,115	14,704,367	518,748
Total current liabilities	25,533,322	22,043,052	3,490,270
Noncurrent liabilities:			
Arbitrage payable	2,334,122	782,872	1,551,250
Revenue bonds payable	210,342,316	225,370,732	(15,028,416)
Compensated absences payable	625,339	613,763	11,576
Other post-employment benefits payable	541,335	528,854	12,481
Net supplemental death benefits payable	271,727	254,386	17,341
Net pension liability	4,831,124	5,705,685	(874,561)
Notes payable	126,276	139,242	(12,966)
Lease payable	-	5,869	(5,869)
Subscription payable	130,462	191,641	(61,179)
Total noncurrent liabilities	219,202,701	233,593,044	(14,390,343)
Total liabilities	244,736,023	255,636,096	(10,900,073)
DEFERRED INFLOWS OF RESOURCES			
Difference in expected and actual experience	230,736	256,016	(25,280)
Changes in assumptions	394,448	308,207	86,241
Total deferred inflows of resources	625,184	564,223	60,961
NET POSITION			
Net investment in capital assets	205,794,642	196,449,371	9,345,271
Restricted for:			
Debt service	2,295,864	1,964,777	331,087
Unrestricted	15,589,484	18,006,691	(2,417,207)
Total net position	$ 223,679,990	$ 216,420,839	$ 7,259,151

The notes to the financial statements are an integral part of this statement.

CITY OF
TEMPLE

CITY OF TEMPLE, TEXAS
WATER AND WASTEWATER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended September 30, 2024
(With comparative amounts for the year ended September 30, 2023)

	2024	2023	Increase (Decrease)
Operating revenues:			
Charges for sales and services:			
Water service	$ 28,068,873	$ 29,020,846	$ (951,973)
Sewer service	23,374,623	20,496,684	2,877,939
Other	2,734,186	2,597,029	137,157
Total operating revenues	54,177,682	52,114,559	2,063,123
Operating expenses:			
Personnel services	9,697,051	9,188,441	508,610
Supplies	3,400,955	3,233,315	167,640
Repairs and maintenance	2,000,870	1,869,930	130,940
Depreciation/amortization	12,748,663	11,589,290	1,159,373
Other services and charges	16,930,756	16,905,147	25,609
Total operating expenses	44,778,295	42,786,123	1,992,172
Operating income	9,399,387	9,328,436	70,951
Nonoperating revenues (expenses):			
Intergovernmental revenues	9,073	-	9,073
Interest income	6,844,790	6,262,129	582,661
Interest expense	(8,460,743)	(8,388,423)	72,320
Arbitrage expense	(1,551,250)	(782,872)	768,378
Other expense	(1,493,852)	(1,660,622)	(166,770)
Total nonoperating revenues (expenses)	(4,651,982)	(4,569,788)	82,194
Income (loss) before contributions	4,747,405	4,758,648	(11,243)
Contributed capital	2,511,746	19,698,818	(17,187,072)
Change in net position	7,259,151	24,457,466	(17,198,315)
Total net position - beginning	216,420,839	191,963,373	24,457,466
Total net position - ending	$ 223,679,990	$ 216,420,839	$ 7,259,151

The notes to the financial statements are an integral part of this statement.

CITY OF TEMPLE, TEXAS
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
For the year ended September 30, 2024
(With comparative amounts for the year ended September 30, 2023)

	Water and Wastewater	
	2024	**2023**
Cash flows from operating activities:		
Cash received from customers	$ 53,562,085	$ 51,613,133
Cash paid to suppliers	(9,622,851)	(14,414,450)
Cash paid to employees	(9,479,004)	(9,133,843)
Cash paid to other funds for administration, franchise fees and data processing	(9,786,335)	(9,010,075)
Net cash provided by operating activities	24,673,895	19,054,765
Cash flows from noncapital financing activities:		
Subsidy from federal grants	9,073	-
Net cash provided by noncapital financing activities	9,073	-
Cash flows from capital and related financing activities:		
Capital expenses	(35,767,997)	(32,559,369)
Interest paid on debt	(9,773,684)	(9,185,563)
Debt principal payments	(12,890,000)	(11,840,000)
Proceeds from other governmental entities	36,224	5,376
Proceeds from debt issuance	-	38,800,000
Net cash provided (used) by capital and related financing activities	(58,395,457)	(14,779,556)
Cash flows from investing activities:		
Interest received on investments	6,844,790	6,262,129
Net cash provided by investing activities	6,844,790	6,262,129
Net change in cash and cash equivalents	(26,867,699)	10,537,338
Cash and cash equivalents, beginning of year	103,637,299	93,099,961
Cash and cash equivalents, end of year	$ 76,769,600	$ 103,637,299

(Continued)

	Water and Wastewater	
	2024	2023
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 9,399,387	$ 9,328,436
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization	12,748,663	11,589,290
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Change in accounts receivable	(666,399)	(529,265)
Change in inventory	136,173	(86,195)
Change in prepaids	(21,670)	(65,692)
Change in vouchers payable	2,817,965	(1,264,246)
Change in accrued liabilities	65,763	68,545
Change in OPEB liability	12,481	(188,802)
Change in supplemental death benefit liability	17,341	(128,651)
Change in net pension liability	110,886	228,866
Change in customer deposits	32,091	27,839
Change in accrued vacation and sick leave	11,576	74,640
Change in unearned revenue	9,638	-
Total adjustments	15,274,508	9,726,329
Net cash provided by operating activities	$ 24,673,895	$ 19,054,765
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION		
Cash	$ 8,050	$ 8,050
Investments	20,454,115	19,965,942
Restricted assets - debt service, and bond proceeds:		
Cash and investments	56,307,435	83,663,307
Total cash and cash equivalents	$ 76,769,600	$ 103,637,299

During the fiscal years ended September 30, 2024, and 2023, the estimated value of water and wastewater infrastructure contributed by developers was $ 2,511,746 and $ 19,698,818, respectively.

The notes to the financial statements are an integral part of this statement.

CITY OF
TEMPLE

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING MODEL AND ENTITY

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of a "management's discussion and analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Fund and the General Long-Term Obligations Fund (such as building and infrastructure, including bridges and roads and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure. In addition to the government-wide financial statements, the City has prepared governmental fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, Capital Projects Fund, and Debt Service Fund, the City's major governmental funds are similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of the government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Activities **-** The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Financial Reporting Entity

The City of Temple, Texas (the "City"), a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas, adopted its first charter March 27, 1907. The City operates under a council-manager form of government and as authorized by its charter, provides the following services: economic development; education; police, fire and other public safety; highways, streets and engineering; sanitation; health and welfare; parks, recreation and civic center; library; and airport facilities.

In evaluating the City's financial reporting entity, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14. The following legally separate entities are noted as discretely presented component units of the City in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable or whose relationship with the City are such that exclusion would be misleading or incomplete.

Blended Component Unit

The Temple Revitalization Corporation (TRC) serves all the citizens of the City of Temple and is governed by a board composed of the City of Temple's elected Council. The City of Temple has operational responsibility for the TRC. There is also a financial relationship between the City and the TRC. It was created to aid, assist, and act on behalf of the City in the performance of its governmental functions, to promote the common good and general welfare of the City, including the sale, purchase, development, redevelopment, and revitalization of real property to help promote, develop, encourage, and maintain employment, commerce, economic development, and public facility development in the City. The Corporation is reported as a special revenue fund and does not issue separate financial statements.

Discretely Presented Component Units

The Reinvestment Zone No. 1 (Zone) was established during 1982 to provide funds for development and improvement projects within the Zone. The receipt of property taxes from taxing units with property within the boundaries of the Zone provides the funding for projects. The Zone 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, approves the budget and maintains the ability to impose its will on the board.

The Zone is audited as part of the City of Temple; however, separately issued unaudited financial statements are available through the City of Temple Finance Department, 2 North Main, Suite 302, Temple, Texas 76501.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temple Economic Development Corporation (TEDC) is a legally separate entity from the City. TEDC was created for the purpose of promoting economic development within the City of Temple. The Board of Directors consist of fifteen voting members. Five of those members are appointed by TEDC. The remaining eight of those voting members are appointed by the City, acting through its City Council. Three of the eight voting members of the Board are the Mayor of the City Council, the City Manager, and the Chairman of the Board of Directors for the City of Temple Reinvestment Zone No. 1. The remaining five of the voting members the City appoints to the TEDC Board, the City Council appoints from the public at large. TEDC 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 and provides a majority of funding for the board.

Separately issued audited financial statements are available from TEDC, 201 Santa Fe Way, Suite 103, Temple, Texas 76501.

Related Organizations

The Mayor appoints the governing board of the Temple Housing Authority, but cannot remove members or appoint the director, and the Council exercises no control over the governing board. The Authority's operating and capital expenditures, including debt service, are financed entirely from federal grants and rentals and the City is not involved in the determination of the Authority's budget and rental rates or any obligation for the Authority's outstanding debt. The Temple Independent School District and Temple College have their own elected officials and governing board. They are not responsible to the elected officials of the City of Temple and the City is not responsible for their financial matters. The City has no financial accountability for any of these three entities. Accordingly, these entities are excluded from the accompanying financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Temple's nonfiduciary activities of the primary government and its component units with most of the interfund activities removed. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer and solid waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities,* which are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

Likewise, the primary government is reported separately from component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate fund based financial statements are provided for governmental funds and proprietary funds Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. An emphasis is placed on major funds within the governmental and proprietary categories. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The major governmental funds are the general fund, the debt service fund, and the capital projects fund. The nonmajor funds are combined in a separate column in the fund financial statements.

Because the principal users are the City's governmental activities, financial statements of the internal service fund are consolidated into the governmental column when presented at the government-wide level. The costs of these services are reflected in the appropriate functional activity (general government, public safety, highways and streets, etc.).

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In applying the susceptible to accrual concept under 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 City 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.

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 City's enterprise fund are charges to customers for sales and services. The City 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 the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. FUND ACCOUNTING

The government reports the following major governmental funds:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Capital projects are funded primarily by general obligation bonds and certificates of obligation.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the water and sewer services provided to residents of the City.

Additionally, the City reports the following fund types:

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue, other than major capital projects and major special revenue funds that are legally restricted to expenditures for specified purposes. These funds consist of the Hotel/Motel Fund, Federal/State Grant Fund, Drainage Fund, and the Temple Revitalization Corporation.

Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the difference between net changes in fund balances as reflected on the governmental funds statement of revenues, expenditures and changes in fund balances and change in net position for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balance. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

1. Deposits and Investments

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

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position as "Investments". Income from the cash and investment pool is allocated to the various funds in accordance with the ratio of the funds' investment. In addition, investments are separately held by several of the City's funds.

Investments are stated at fair value or amortized cost in accordance with GASB Statement No. 31. Money market investments, including U. S. Treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are stated at amortized cost. Methods used to determine fair value are as follows: securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. Security transactions and any resulting gains or losses are accounted for by the specific identification method. The investment policies of the City are governed by State Statute and an adopted City Investment Policy. Major provisions of the City's investment policy include: responsibility for investments, authorized investments, bank and security dealer selection and qualifying procedures, safekeeping and custodial procedures, statement of investment objectives and investment reporting procedures. This policy permits investment in U. S. Treasury or U. S. Agency issues, mutual funds, public funds investment pools and repurchase agreements. Statutes require that securities underlying repurchase agreements be limited to federal government securities having a fair value of at least 102% of the cost of the repurchase agreement.

2. Receivables

Receivables are presented net of allowances for doubtful accounts. The amounts of the allowances by fund are as follows:

General Fund	$	208,676
Special Revenue Funds		38,336
Debt Service Fund		90,057
Enterprise Fund		538,717

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Inventories and Prepaid Items

Inventories which are expended as they are consumed are stated at cost. Cost is determined for inventories of supplies using the moving-average method.

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year 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.

Reported inventories and prepaid items in governmental funds are offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current position.

4. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

5. 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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $ 5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was $19,992,191.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Building improvements	20
Infrastructure	20 - 50
Vehicles	5 - 7
Office equipment	5 - 7
Computer equipment	5 - 7

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences

Full-time employees accumulate eight to twelve hours per month for vacation and can accumulate a maximum credit of two years. Sick leave benefits are earned by full-time employees at a rate of eight hours per month and may be accumulated without limit. In the event of termination, an employee with at least one-year continuous service is reimbursed for all accumulated vacation days up to a maximum of one year's accrued credit. If the terminating employee has at least five years continuous service, reimbursement is also made for all accrued sick leave up to ninety working days.

All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured, for example, as a result of employee resignations or retirements.

7. Net Pension Liability

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – amendment of GASB Statement No. 27.*

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources and pension expense, City specific information about its Fiduciary Net Position in the Temple Firefighters' Relief and Retirement Fund and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by the Temple Firefighters' Relief and Retirement Fund. 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. Information regarding the City's Total Pension Liability is obtained from the Temple Firefighters' Relief and Retirement Fund through a report prepared for the City by the Temple Firefighters' Relief and Retirement Fund consulting actuary, Definiti-LLC, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pensions Plans – amendment of GASB Statement No. 25*, and Statement No. 68, *Accounting and Financial Reporting for Pensions – amendment of GASB Statement No. 27.*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Other Post-Employment Benefits

For purposes of measuring the Other Post-Employment (OPEB) liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit Plan and additions to/deductions from the City'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.

No assets have been accumulated in a trust to pay related benefits for the plan. Information regarding the City's Total OPEB Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.*

For purposes of measuring the Other Post-Employment (OPEB) liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, City specific information about its Fiduciary Net Position in the City's Retiree Health Care Plan and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by the City. 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.

No assets have been accumulated in a trust to pay related benefits for the plan. Information regarding the City's Total OPEB Liability is obtained from a report prepared for the City by consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.*

9. Interfund Transactions

During normal business operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, or satisfy certain obligations. These transactions are generally reflected as transfers. Subsidies between funds are recorded as transfers.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed as incurred per GASB 65.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences in expected and actual experience – The change is deferred and amortized over the average of the remaining service lives.
- Changes in assumptions – The result of changes in actuarial assumptions used to measure the total OPEB or net pension liability. The change is deferred and amortized over the average of the remaining service lives.

In addition to liabilities, the statement of financial position and/or balance sheet 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 the following type of item that qualifies for reporting in this category.

- Lease related – Lease revenue is deferred and will be recognized over the term of the individual leases.
- Difference in expected and actual pension experience – The difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in assumptions – The result of changes in actuarial assumptions used to measure the total OPEB or net pension liability. The change is deferred and amortized over the average of the remaining service lives.
- Difference in projected and actual investment earnings – The difference is deferred and amortized over a closed five-year period.

12. Net Position

Net position in government-wide and proprietary financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statue.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Fund Balance

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by a government itself, by the adoption of resolution by The using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body. The City Council authorizes the assignment of fund balance by resolution.

Purchases on order are amounts that are available for purchases authorized prior to the end of the fiscal year, but that have not been received or delivered.

Unassigned Fund Balance – amounts that are available for any purpose; positive amounts are reported in the General Fund. The General Fund is the only fund that can report a positive unassigned fund balance amount.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance, the highest level of action. This is typically done through adoption of the budget for the next fiscal year. A fund balance commitment is further indicated in the budget document of the next fiscal year as a commitment of the fund. Assigned fund balance is established by City Council by passage of a resolution either through adoption or amendment of the budget as intended for specific purposes.

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

In the General Fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of at least 33% of the annual operating expenditures. This percentage is equal to four months operational expenditures.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Leases

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

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

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

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

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

The City is a lessor for noncancellable leases of buildings, hangars, parcels of land, and a landfill.

The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

15. Subscription-Based Information Technology Arrangements (SBITAs)

The City is a lessee for some noncancellable lease of certain subscription-based information technology arrangements. The City recognizes a SBITA liability and an intangible right-to-use lease asset (SBITA asset) in the governmentwide financial statements.

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

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

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITA arrangements.

The subscription term includes the noncancellable period of the SBITA arrangement. Subscription payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. In determining the subscription term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the subscription term if the SBITA arrangement is reasonably certain to be extended (or not terminated).

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets and liabilities arising from a SBITA arrangement are initially measured on a present value basis. SBITA liabilities include the net present value of the following contract payments:

- Fixed payments,
- Amounts expected to be payable by the City under residual value guarantees,
- The exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- Payments of p penalties for terminating the subscription arrangement, if the subscription term reflects the City exercising that option.

Subscription payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in some of subscription arrangements across the City.

The subscription payments are discounted using the interest rate implicit in the subscription contract. If that rate cannot be readily determined, which is generally the case for subscription arrangements in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the subscription term.

16. Comparative Data/Reclassification

Comparative total data for the prior year have been presented only for individual enterprise funds and in the fund financial statements in order to provide an understanding of changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

17. Estimates

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

F. NEW AND FUTURE FINANCIAL REPORTING REQUIREMENTS

The GASB has issued the following statement which will become effective in the current year:

Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62* – This statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant,

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

consistent, and comparable information for making decisions or assessing accountability. This statement was implemented in fiscal year 2024.

The GASB has issued the following statements which will become effective in future years:

Statement No. 101, *Compensated Absences* – This statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a model and by amending certain previously required disclosures. This statement will be implemented in fiscal year 2025.

Statement No. 102, *Certain Risk Disclosures* – This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within twelve months of the date the financial statements are issued. This statement will be implemented in fiscal year 2025.

Statement No. 103, *Financial Reporting Model Improvements* – This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. This statement will be implemented in fiscal year 2026.

Statement No. 104, *Disclosure of Certain Capital Assets* – This statement requires certain type of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement 87, *Leases*, intangible right-to-use assets recognized in accordance with Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capita assets note disclosures. Subscription assets recognized in accordance with Statement 96, *Subscription-Based Information Technology Arrangements*, also should be disclosed separately. In addition, this statement requires intangible assets other than those three types to be disclosed separately by major class. This statement will be implemented in fiscal year 2026.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects fund, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

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

- Prior to August 1, the City Manager submits a proposed operating budget to the City Secretary, who in turn submits it 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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- On or before September 30, the budget is legally adopted by the Council.
- The City Manager has the authority to transfer appropriation balances from one expenditure category to another within a department. The City Council must approve transfers of appropriations between departments, and any revisions that alter the total expenditures of any fund. Although costs are monitored on an expenditure category level, legal level of control (level at which expenditures may not exceed budget) is the department level. The reported budgetary data has been revised for amendments authorized during the year. Significant amendments were to provide carry forwards from previous year for projects not complete, appropriations offset by revenues, and capital projects funds from designated fund balance to project funds.
- Formal budgetary integration is employed as a management control device by expenditure category during the year for the general fund, special revenue funds, and debt service fund. Formal budgetary integration is not employed for the capital projects fund because effective budgetary control is provided by the small number of contracts and projects in this fund, significant costs are subject to bidding and projects usually span more than one fiscal year.
- Budgets for the general fund, special revenue funds, and debt service fund are adopted on a basis consistent with the modified accrual basis of accounting.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported within restricted, committed, or assigned fund balance depending upon the specific purpose of the purchase order and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Encumbrances by major funds and nonmajor funds in the aggregate are shown below:

Major Funds:	Encumbrances
General Fund	$ 8,624,907
Capital Projects Fund	55,187,108
Nonmajor Funds:	5,207,203
Totals	$ 69,019,218

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investments

III. DETAILED NOTES ON ALL FUNDS (Continued)

contracts, and (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. 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.

Deposits

As of September 30, 2024, the City's deposit balances were as follows:

	Primary Government	Component Units	Total Reporting Entity
Total Deposits	$ 51,829,634	$ 22,701,161	$74,530,795
Carrying Amount	$ 48,254,581	$ 21,627,075	$69,881,656
Petty Cash	$ 17,850	$ -	$ 17,850

Foreign Currency Risk – The City's deposits are not exposed to foreign currency risk.

Custodial Credit Risk – The City's policy is to be collateralized. The City was fully collateralized during the year for deposits. The policies of the Temple Economic Development Corporation, discretely presented component unit, also require full collateralization. As of September 30, 2024, the Temple Economic Development Corporation had a total of $ 8,147,381 in deposits. Of this amount, $ 192,823 was insured, and $ 7,954,558 was collateralized with securities held by pledging financial institution's agent in the entity's name. Certain land closings, that were scheduled to close before year end, were delayed until the next fiscal year which resulted in a temporary period of uninsured and uncollateralized cash. After these transactions closed, all cash and cash equivalents are either insured or collateralized.

III. DETAILED NOTES ON ALL FUNDS (Continued)

Investments

The City evaluated all its investment positions and determined that it had no investments subject to recurring fair value recognition or disclosures. As of September 30, 2024, the City had the following investments:

	Carrying Amount	Fair Value
Primary Government		
Investment pools:		
Texpool	$ 9,891,104	$ 9,891,104
TexSTAR	243,891,755	243,891,755
Texas CLASS	6,066,176	6,066,176
Total investment in pools:	259,849,035	259,849,035
Total investments	$ 259,849,035	$ 259,849,035
Discretely Presented Component Units		
Investment pools:		
Texpool	7,333,844	7,333,844
TexSTAR	59,814,255	59,814,255
Texas CLASS	1,718,771	1,718,771
Total investment in pools:	68,866,870	68,866,870
Total investments	$ 68,866,870	$ 68,866,870
Reporting Entity		
Total investments	$ 328,715,905	$ 328,715,905

Foreign Currency Risk – The City's investments are not exposed to foreign currency risk.

Custodial Credit Risk – The City's policy requires investments, other than investment pools and money market mutual funds, to be held by a third-party custodian bank. All the City's investments, other than investment pools, were held by the City's third-party custodian bank in the City's name.

Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than nine months. As of September 30, 2024, the weighted average maturity of the City's investment portfolio was 55.74 days.

Credit Risk – In compliance with the City's Investment Policy, as of September 30, 2024, the City minimized credit risk losses due to default of a security issuer or backer, by; limiting investments to the safest types of securities; limiting Certificates of Deposit that are insured by the Federal Deposit Insurance Corporation (FDIC); limiting the City's investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities; pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

III. DETAILED NOTES ON ALL FUNDS (Continued)

TexPool has been established for governmental entities 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. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. Finally, TexPool is rated AAAm by Standard & Poor's. TexPool carries investments at amortized cost, which approximates fair value. The City's fair value position is the same as the value of TexPool shares.

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR's governing body consists of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. The Board holds legal title to all money, investments and assets and has the authority to employ personnel, contract for services and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. TexSTAR is rated AAAm by Standard & Poor's. TexSTAR uses amortized cost to compute share price. The City's fair value position is the same as the value of TexSTAR shares.

Texas CLASS has been established for governmental entities pursuant to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects the consultants for Texas CLASS, including the Program Administrator and the Custodian. Texas CLASS is rated AAAm by Standard & Poor's. Texas Class reports the amortized cost of investments, which approximates fair value, to its participants. The City's fair value position is the same as the value of Texas CLASS shares.

The local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Concentration Risk – The City's investment in investment pools in divided among three different pools.

III. DETAILED NOTES ON ALL FUNDS (Continued)

A reconciliation of cash and investments as shown on the Statement of Net Position for the City follows:

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
Cash and investments (from above):			
Cash on hand	$ 17,850	$ -	$ 17,850
Carrying amount of deposits	48,254,581	21,627,075	69,881,656
Carrying amount of investments	259,849,035	68,866,870	328,715,905
Total	$ 308,121,466	$ 90,493,945	$ 398,615,411
Statement of Net Position:			
Cash	$ 17,850	$ 4,348,423	$ 4,366,273
Investments	248,948,978	21,834,416	270,783,394
Restricted cash and investments	57,913,581	65,552,162	123,465,743
Total	$ 306,880,409	$ 91,735,001	$ 398,615,410

B. PROPERTY TAXES AND RECEIVABLES

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 business personal property located in the City. The assessed value at January 1, 2023, upon which the fiscal year 2024 levy was based, was $ 7,762,481,688. This amount is the net taxable value adjusted for frozen taxable value. The amount of the levy attributable to frozen taxes was $ 4,048,822. The total levy assessed was $ 50,938,518. The total taxable value before the adjustment for frozen taxable value was $ 8,683,508,717.

The tax assessment of October 1, 2023, set a tax levy at $ 0.6130 per $ 100 of assessed valuation at 100% of assumed market value. The City may levy a tax of up to $ 1.20 per $ 100 of assessed valuation. Taxes are due by January 31 following the October 1 levy date, at which time a lien attaches to the property.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. At September 30, 2024, delinquent property taxes receivable is $ 995,277, net of an allowance for doubtful accounts of $ 265,400.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods.

In addition, this legislation creates a Property Tax Code and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operations in January 1980. Since 1982, the appraisal of property within the City has been the responsibility of the Tax Appraisal District of Bell County. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district based on 100 percent of its appraised

III. DETAILED NOTES ON ALL FUNDS (Continued)

value and is prohibited from applying any assessment ratios. The value of property within the Appraisal District must be reviewed at least every three years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the no-new-revenue tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the rate of the previous year by more than three and one-half percent, the taxing unit is required to hold an election so that the voters may accept or reject the proposed tax rate. If a majority of voters reject the proposed tax rate, the tax rate will be the voter-approval tax rate. The governing body shall order that the election be held in the taxing unit on the uniform election date prescribe by Section 41.001, Election Code, that occurs in November of the applicable tax year.

C. CAPITAL ASSETS

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

	Balance October 1, 2023	Additions Net of CIP Reclassifications	Transfers/ Retirements	Balance September 30, 2024
Primary government:				
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 44,377,469	$ 4,394,282	$ (163,515)	$ 48,608,236
Construction in progress	29,330,376	60,470,386	(38,385,680)	51,415,082
Total capital assets not being depreciated	73,707,845	64,864,668	(38,549,195)	100,023,318
Capital assets being depreciated				
Buildings	105,513,033	1,978,529	(48,500)	107,443,062
Infrastructure	384,812,603	14,737,993	(279,479)	399,271,117
Furniture & equipment	36,925,410	4,587,545	(116,427)	41,396,528
Machinery & equipment	51,571,759	7,533,789	(2,195,572)	56,909,976
Total capital assets being depreciated	578,822,805	28,837,856	(2,639,978)	605,020,683
Less accumulated depreciation for:				
Buildings	(49,063,033)	(2,517,200)	48,500	(51,531,733)
Infrastructure	(168,014,872)	(15,139,242)	51,238	(183,102,876)
Furniture & equipment	(27,160,771)	(1,877,162)	116,427	(28,921,506)
Machinery & equipment	(32,678,650)	(3,807,664)	2,062,043	(34,424,271)
Total accumulated depreciation	(276,917,326)	(23,341,268)	2,278,208	(297,980,386)
Total capital assets being depreciated, net	301,905,479	5,496,588	(361,770)	307,040,297
Capital assets being amortized				
Right-to-use leased equipment	1,249,926	2,483,777	-	3,733,703
Right-to-use subscription	1,946,271	5,909,467	(32,027)	7,823,711
Total capital assets being amortized	3,196,197	8,393,244	(32,027)	11,557,414
Less accumulated amortization for:				
Right-to-use leased equipment	(1,056,598)	(366,178)	-	(1,422,776)
Right-to-use subscription	(754,993)	(1,227,487)	21,351	(1,961,129)
Total accumulated amortization	(1,811,591)	(1,593,665)	21,351	(3,383,905)
Total capital assets being amortized, net	1,384,606	6,799,579	(10,676)	8,173,509
Total capital assets being depreciated/amortized, net	303,290,085	12,296,167	(372,446)	315,213,806
Governmental Activities capital assets, net	$ 376,997,930	$ 77,160,835	$ (38,921,641)	$ 415,237,124

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance October 1, 2023	Additions	Transfers/ Retirements	Balance September 30, 2024
Business-type Activities:				
Capital assets not being depreciated				
Land	$ 4,154,314	$ 1,618	$ -	$ 4,155,932
Construction in progress	70,978,773	36,713,370	(14,731,536)	92,960,607
Total capital assets not being depreciated	75,133,087	36,714,988	(14,731,536)	97,116,539
Capital assets being depreciated				
Buildings	60,275,895	107,295	-	60,383,190
Infrastructure	381,533,236	12,053,859	-	393,587,095
Furniture & equipment	3,172,085	24,412	-	3,196,497
Machinery & equipment	14,450,220	2,544,351	(283,500)	16,711,071
Total capital assets being depreciated	459,431,436	14,729,917	(283,500)	473,877,853
Less accumulated depreciation for:				
Buildings	(35,580,075)	(1,146,158)	-	(36,726,233)
Infrastructure	(128,791,333)	(10,390,566)	-	(139,181,899)
Furniture & equipment	(2,873,026)	(95,827)	-	(2,968,853)
Machinery & equipment	(9,876,013)	(1,049,209)	251,300	(10,673,922)
Total accumulated depreciation	(177,120,447)	(12,681,760)	251,300	(189,550,907)
Total capital assets being depreciated, net	282,310,989	2,048,157	(32,200)	284,326,946
Capital assets being amortized				
Right-to-use leased equipment	22,540	-	-	22,540
Right-to-use subscription	306,339	-	-	306,339
Total capital assets being amortized	328,879	-	-	328,879
Less accumulated amortization for:				
Right-to-use leased equipment	(10,331)	(5,635)	-	(15,966)
Right-to-use subscription	(61,268)	(61,268)	-	(122,536)
Total accumulated amortization	(71,599)	(66,903)	-	(138,502)
Total capital assets being amortized, net	257,280	(66,903)	-	190,377
Total capital assets being depreciated/amortized, net	282,568,269	1,981,254	(32,200)	284,517,323
Business-type Activities capital assets, net	$ 357,701,356	$ 38,696,242	$ (14,763,736)	$ 381,633,862

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities:		
General government	$	1,398,092
Public safety		3,759,807
Highways and streets		12,945,132
Sanitation		1,897,786
Health and welfare		114,081
Culture and leisure services		3,525,034
Airport		1,295,001
Total depreciation/amortization expense - Governmental Activities	$	24,934,933
Business-type activities:		
Water and sewer	$	12,748,663
Total depreciation/amortization expense - Business-type Activities	$	12,748,663

The City has active construction projects as of September 30, 2024. Total accumulated commitments for ongoing capital projects are composed of the following:

General Fund	$	123,198
Capital Projects Fund		26,388,212
Water and Sewer Fund		13,720,506
Special Revenue Fund-Federal/State Grants		4,614,628
Total	$	44,846,544

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance October 1, 2023	Additions	Transfers/ Retirements	Balance September 30, 2024
Discretely presented component units:				
Reinvestment Zone No 1:				
Capital assets not being depreciated				
Land	$ 25,757,352	$ 558,611	$ (998,764)	$ 25,317,199
Construction in progress	61,204,496	38,640,686	(51,968,011)	47,877,171
Total capital assets not being depreciated	86,961,848	39,199,297	(52,966,775)	73,194,370
Capital assets being depreciated				
Buildings	3,461,083	30,990,147	-	34,451,230
Infrastructure	155,427,459	20,419,252	-	175,846,711
Furniture & equipment	33,862	-	-	33,862
Machinery & equipment	42,559	-	-	42,559
Total capital assets being depreciated	158,964,963	51,409,399	-	210,374,362
Less accumulated depreciation for:				
Buildings	(769,650)	(472,702)	-	(1,242,352)
Infrastructure	(53,264,239)	(8,003,875)	-	(61,268,114)
Furniture & equipment	(8,888)	(1,693)	-	(10,581)
Machinery & equipment	(42,559)	-	-	(42,559)
Total accumulated depreciation	(54,085,336)	(8,478,270)	-	(62,563,606)
Total capital assets being depreciated, net	104,879,627	42,931,129	-	147,810,756
Reinvestment Zone No.1 capital assets, net	$ 191,841,475	$ 82,130,426	$ (52,966,775)	$ 221,005,126
Temple Economic Development Corporation:				
Capital assets being depreciated				
Buildings & improvements	$ 5,432,772	$ -	$ -	$ 5,432,772
Office equipment	95,811	19,932	-	115,743
Total capital assets being depreciated	5,528,583	19,932	-	5,548,515
Less accumulated depreciation for:				
Buildings & improvements	(786,521)	(157,244)	-	(943,765)
Office equipment	(60,549)	(15,178)	-	(75,727)
Total accumulated depreciation	(847,070)	(172,422)	-	(1,019,492)
Total capital assets being depreciated, net	4,681,513	(152,490)	-	4,529,023
Temple Economic Development Corp. capital assets, net	$ 4,681,513	$ (152,490)	$ -	$ 4,529,023

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2024, in the Statement of Net Position were as follows:

	Property (Net of Allowance)	Other (Net of Allowance)	Leases	Other Governments	Total Receivables
General Fund	$ 437,094	$ 4,957,598	$ 20,081,862	$ 4,658,220	$ 30,134,774
Debt Service Fund	558,183	-	-	3,564,467	4,122,650
Capital Projects Fund	-	100,253	-	-	100,253
Nonmajor Governmental Funds	-	435,258	-	5,233,171	5,668,429
Total Governmental Funds	995,277	5,493,109	20,081,862	13,455,858	40,026,106
Water & Sewer Fund	-	4,215,075	-	9,073	4,224,148
Total	$ 995,277	$ 9,708,184	$ 20,081,862	$ 13,464,931	$ 44,250,254

Payables at September 30, 2024, in the Statement of Net Position were as follows:

	Vouchers & Contracts	Retainages	Accrued Payroll	Deposits	Total Payables
General Fund	$ 5,162,021	$ 21,481	$ 3,693,150	$ 58,983	$ 8,935,635
Capital Projects Fund	5,374,276	596,154	8,192	-	5,978,622
Nonmajor Governmental Funds	1,093,619	458,197	131,879	91,205	1,774,900
Total Governmental Funds	11,629,916	1,075,832	3,833,221	150,188	16,689,157
Water and Sewer Fund	5,729,454	1,914,798	454,427	935,075	9,033,754
Total	$ 17,359,370	$ 2,990,630	$ 4,287,648	$ 1,085,263	$ 25,722,911

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. DEFERRED AMOUNT ON REFUNDING

The amounts reported for deferred amount of refunding balances of the City for the year ended September 30, 2024:

	Balance October 1, 2023	Additions	Retirements	Balance September 30, 2024
Governmental Activities				
General obligation bonds	$ 2,755,807	$ -	$ 386,459	$ 2,369,348
Total governmental activities	2,755,807	-	386,459	2,369,348
Business-Type Activities				
General obligation bonds	3,637,639	-	381,507	3,256,132
Total business-type activities	3,637,639	-	381,507	3,256,132
Total government	$ 6,393,446	$ -	$ 767,966	$ 5,625,480
Component Units				
Reinvestment Zone No. 1	$ 900,164	$ -	$ 90,016	$ 810,148
Total component units	$ 900,164	$ -	$ 90,016	$ 810,148

F. DEFERRED INFLOWS OF RESOURCES – LEASE RELATED

The amounts reported for lease related deferred inflows of resources for the year ended September 30, 2024, were as follows:

	Balance October 1, 2023	Additions	Retirements	Balance September 30, 2024
Governmental Activities				
Building leases	$ 1,752,221	$ -	$ 143,213	$ 1,609,008
Hangar leases	514,924	9,083	46,209	477,798
Land leases	403,253	62,555	21,364	444,444
Landfill lease	12,944,473	4,158,683	824,529	16,278,627
Total governmental activities	$ 15,614,871	$ 4,230,321	$ 1,035,315	$ 18,809,877

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The amounts reported for deferred outflows/inflows of resources related to pensions and other post-employment benefits of the City for the year ended September 30, 2024:

	Balance October 1, 2023	Additions	Retirements	Balance September 30, 2024
Deferred Outflows of Resources related to pensions and other post-employment benefits				
Contributions subsequent to the measurement date				
Texas Municipal Retirement System	$ 6,154,463	$ 7,176,386	$ (6,154,463)	$ 7,176,386
Firemen's Pension	1,772,374	1,942,082	(1,772,374)	1,942,082
Texas Municipal Retirement System-Supplemental Death Benefits	65,941	61,794	(65,941)	61,794
Retiree Health Care Plan	128,579	118,921	(128,579)	118,921
Total contributions subsequent to the measurement date	$ 8,121,357	$ 9,299,183	$ (8,121,357)	$ 9,299,183
Differences between expected and actual plan experience				
Texas Municipal Retirement System	$ 4,698,878	$ 3,969,174	$ (2,946,033)	$ 5,722,019
Firemen's Pension	1,247,248	-	(203,122)	1,044,126
Texas Municipal Retirement System-Supplemental Death Benefits	1,284	-	(1,284)	-
Total differences between expected and actual plan experience	$ 5,947,410	$ 3,969,174	$ (3,150,439)	$ 6,766,145
Changes in assumptions				
Texas Municipal Retirement System	$ 16,376	$ -	$ (16,376)	$ -
Firemen's Pension	1,305,646	-	(284,938)	1,020,708
Texas Municipal Retirement System-Supplemental Death Benefits	358,888	114,595	(181,416)	292,067
Retiree Health Care Plan	862,642	196,731	(191,049)	868,324
Total differences between changes in assumptions	$ 2,543,552	$ 311,326	$ (673,779)	$ 2,181,099
Differences between projected and actual investment earnings				
Texas Municipal Retirement System	$ 14,409,571	$ (10,105,999)	$ 1,335,518	$ 5,639,090
Firemen's Pension	6,605,659	(2,142,603)	(878,294)	3,584,762
Total differences between projected and actual investment earnings	$ 21,015,230	$ (12,248,602)	$ 457,224	$ 9,223,852
Deferred Inflows of Resources related to pensions and other post-employment benefits				
Differences between expected and actual plan experience				
Texas Municipal Retirement System	$ 257,480	$ -	$ (237,521)	$ 19,959
Firemen's Pension	241,695	-	(75,531)	166,164
Texas Municipal Retirement System-Supplemental Death Benefits	114,234	40,184	(54,759)	99,659
Retiree Health Care Plan	1,768,834	360,018	(325,118)	1,803,734
Total differences between expected and actual plan experience	$ 2,382,243	$ 400,202	$ (692,929)	$ 2,089,516
Changes in assumptions				
Texas Municipal Retirement System	$ -	$ 1,626,493	$ (431,431)	$ 1,195,062
Firemen's Pension	5,017	-	(627)	4,390
Texas Municipal Retirement System-Supplemental Death Benefits	926,242	-	(225,455)	700,787
Retiree Health Care Plan	1,642,146	-	(218,062)	1,424,084
Total differences between changes in assumptions	$ 2,573,405	$ 1,626,493	$ (875,575)	$ 3,324,323

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. UNEARNED REVENUE

Governmental funds report unearned revenues in connection with receivables of revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred	Unearned	Total
Governmental Activities			
General Fund:			
Delinquent property taxes	$ 409,509	$ -	$ 409,509
Street escrow	-	25,392	25,392
Parks escrow	-	1,098,360	1,098,360
Police escrow	-	192,015	192,015
Child safety fees	-	140,195	140,195
Electric franchise	-	2,801,764	2,801,764
Gas franchise	-	407,513	407,513
Other	-	829,214	829,214
Total General Fund	409,509	5,494,453	5,903,962
Debt Service Fund:			
Delinquent property taxes	546,983	-	546,983
Pass-through toll agreement	3,564,467	-	3,564,467
Total Debt Service Fund	4,111,450	-	4,111,450
Total Governmental Funds	$ 4,520,959	$ 5,494,453	$ 10,015,412

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. LEASES

Lease receivable

During the current fiscal year, the City leased various buildings to third parties. The lease terms range from fifteen to fifty years. The City will receive monthly payments ranging from $ 1,138 to $ 7,680. The City recognized $ 143,214 in lease revenue and $ 36,708 in interest revenue during the current fiscal year related to the building leases.

During the current fiscal year, the City leased various hangars to third parties. The lease terms range from five to twenty-five years. The City will receive monthly payments ranging from $ 360 to $ 4,692. The City recognized $ 46,209 in lease revenue and $ 9,464 in interest revenue during the current fiscal year related to the hangar leases.

During the current fiscal year, the City leased various parcels of land to third parties. The lease terms range from twenty to forty years. The City will receive monthly or annual payments ranging from $ 178 to $ 10,043. The City recognized $ 21,364 in lease revenue and $ 9,687 in interest revenue during the current fiscal year related to the land leases.

During the current fiscal year, the City leased a landfill to two third parties. The lease term is for forty years for one lease and twenty years for the second lease. The City will receive monthly payments ranging from $ 25,000 to $ 66,101. The City recognized $ 824,528 in lease revenue and $ 350,260 in interest revenue during the current fiscal year related to the landfill leases.

As of September 30, 2024, the City's receivable for all lease payments was $ 20,081,862. The City also has a deferred inflow of resources associated with leases that will be recognized as revenue over the lease terms. As of September 30, 2024, the balance of the deferred inflow of resources was $ 18,809,877.

Lease payable

During the current fiscal year, the City leased fire equipment, police equipment, and copiers. The lease terms range from four to five years. As of September 30, 2024, the value of the lease liability was $ 2,333,741. The value of the right-to-use assets as of the end of the current fiscal year was $ 2,700,865 and had accumulated amortization of $ 402,148.

Detailed information related to the leases can be found in Note III, K for Long-Term Debt.

J. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRAGEMENTS (SBITAs)

In the current fiscal year, the City has entered into four new SBITA contracts, bringing the total number of SBITA contracts for information technology (IT) software to 15. The SBITA terms range from three to five years. As of September 30, 2024, the value of the SBITA liability was $ 5,880,956. The value of the right-to-use assets as of the end of the current fiscal year was $ 8,130,050 and had accumulated amortization of $ 2,083,665.

Detailed information related to the SBITAs can be found in Note III, K for Long-Term Debt.

III. DETAILED NOTES ON ALL FUNDS (Continued)

K. LONG-TERM DEBT

The following is a summary of long-term debt transactions, including current portion of the City for the year ended September 30, 2024:

	Balance October 1, 2023	Additions	Retirements	Balance September 30, 2024	Due within one year
Governmental Activities					
General obligation bonds	$ 51,185,000	$ -	$ 5,535,000	$ 45,650,000	$ 5,820,000
Certificates of obligation	224,750,000	60,130,000	10,150,000	274,730,000	9,445,000
Contractual obligations	9,485,000	3,030,000	1,670,000	10,845,000	2,115,000
Notes payable	2,048,770	-	172,936	1,875,834	174,671
Lease liability	108,365	2,483,778	264,271	2,327,872	265,551
Subscription liability	963,043	5,909,543	1,183,272	5,689,314	838,619
Plus deferred amount:					
Issuance premium	24,523,171	4,861,248	1,880,815	27,503,604	2,063,489
Issuance discount	(2,016,465)	(551,730)	(152,809)	(2,415,386)	(178,253)
Total bonds payable	311,046,884	75,862,839	20,703,485	366,206,238	20,544,077
Compensated absences	9,884,637	1,566,271	625,764	10,825,144	887,972
Net pension liability -TMRS	42,620,616	-	6,619,537	36,001,079	-
Net pension liability - FP	26,042,466	-	1,582,571	24,459,895	-
OPEB liability - RHCP	4,031,357	73,345	-	4,104,702	134,914
OPEB liability - SDBF	1,934,195	139,239	-	2,073,434	80,767
Arbitrage rebate	991,637	3,159,878	84,772	4,066,743	-
Total governmental activities	396,551,792	80,801,572	29,616,129	447,737,235	21,647,730
Business-Type Activities					
General obligation bonds	22,925,000	-	4,485,000	18,440,000	4,715,000
Revenue bonds	194,945,000	-	8,405,000	186,540,000	8,690,000
Notes payable	152,079	-	12,837	139,242	12,966
Lease liability	11,559	-	5,690	5,869	5,869
Subscription liability	250,125	-	58,484	191,641	61,179
Plus deferred amount:					
Issuance premium	23,894,764	-	1,767,125	22,127,639	1,767,124
Issuance discount	(1,880,616)	-	(143,709)	(1,736,907)	(143,708)
Total bonds payable	240,297,911	-	14,590,427	225,707,484	15,108,430
Compensated absences	697,458	88,238	75,083	710,613	85,274
Net pension liability - TMRS	5,705,686	-	874,562	4,831,124	-
OPEB liability - RHCP	549,731	10,001	-	559,732	18,397
OPEB liability - SDBF	263,753	18,988	-	282,741	11,014
Arbitrage rebate	782,872	1,551,250	-	2,334,122	-
Total business-type activities	248,297,411	1,668,477	15,540,072	234,425,816	15,223,115
Component Units					
Reinvestment Zone No. 1	182,127,763	975,369	4,776,166	178,326,966	5,612,662
Temple Economic Development Corp.	3,383,641	-	79,498	3,304,143	87,840
Total component units	185,511,404	975,369	4,855,664	181,631,109	5,700,502
Total government	$ 830,360,607	$ 83,445,418	$ 50,011,865	$ 863,794,160	$ 42,571,347

III. DETAILED NOTES ON ALL FUNDS (Continued)

The General Fund, Hotel/Motel Fund, Federal/State Grant Fund and the Drainage Fund are responsible for liquidating the liability for compensated absences, the net pension liability for employees employed in the corresponding governmental funds. The General Fund has been responsible for liquidating the total OPEB liability for all employees in the corresponding governmental funds.

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

	Governmental Activities	Business-type Activities
General obligation bonds:		
$ 24,895,000 2012 refunding bonds due in annual installments of $ 10,000 to $ 3,820,000 through 2026; interest at 2.00% to 5.00%	$ -	$ 6,435,000
$ 21,360,000 2014 refunding bonds due in annual installments of $ 535,000 to $ 3,460,000 through 2026; interest at 2.00% to 5.00%	4,105,000	940,000
$ 36,780,000 2015 refunding & improvement bonds due in annual installments of $ 590,000 to $ 4,480,000 through 2035; interest at 2.00% to 5.00%	21,850,000	3,195,000
$ 9,500,000 2016 refunding bonds due in annual installments of $ 705,000 to $ 1,090,000 through 2029; interest at 2.00% to 5.00%	4,895,000	-
$ 17,780,000 2017 refunding bonds due in annual installments of $ 400,000 to $ 2,255,000 through 2034; interest at 2.00% to 5.00%	14,120,000	-
$ 20,320,000 2019 refunding bonds due in annual installments of $ 565,000 to $ 3,650,000 through 2030; interest at 5.00%	-	7,870,000
$ 685,000 2020 refunding bonds due in annual installments of $ 5,000 to $ 660,000 through 2031; interest at 0.35% to 1.78%	680,000	-
	45,650,000	18,440,000
Certificates of obligation:		
$ 9,420,000 2012 certificates due in annual installments of $ 400,000 to $ 685,000 through 2033; interest at 2.00% to 3.00%	5,380,000	-
$ 4,645,000 2012 taxable certificates due in annual installments of $ 50,000 to $ 410,000 through 2032; interest at 1.50% to 3.50%	2,875,000	-
$ 21,230,000 2014 certificates due in annual installments of $ 255,000 to $ 1,815,000 through 2034; interest at 1.00% to 3.00%	15,595,000	-
$ 18,285,000 2016 certificates due in annual installments of $ 295,000 to $ 1,520,000 through 2036; interest at 2.00% to 5.00%	14,270,000	-
$ 33,900,000 2017 certificates due in annual installments of $ 770,000 to $ 2,485,000 through 2037; interest at 3.00% to 5.00%	25,695,000	-
$ 17,820,000 2019 certificates due in annual installments of $ 595,000 to $ 2,230,000 through 2039; interest at 2.00% to 4.00%	13,060,000	-
$ 20,935,000 2020 certificates due in annual installments of $ 790,000 to $ 2,875,000 through 2040; interest at 2.00% to 3.00%	15,610,000	-
$ 50,280,000 2021 certificates due in annual installments of $ 1,205,000 to $ 3,490,000 through 2041; interest at 2.00% to 5.00%	45,885,000	-
$ 39,865,000 2022A certificates due in annual installments of $ 1,095,000 to $ 2,810,000 through 2042; interest at 4.00% to 5.00%	36,960,000	-
$ 41,340,000 2023A certificates due in annual installments of $ 455,000 to $ 3,090,000 through 2043; interest at 4.00% to 5.00%	39,270,000	-
$ 60,130,000 2024 certificates due in annual installments of $ 370,000 to $ 4,510,000 through 2043; interest at 4.00% to 5.00%	60,130,000	-
	274,730,000	-

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Governmental Activities	Business-type Activities
Contractual obligations:		
$ 1,210,000 2019 limited tax notes due in annual installments of $ 160,000 to $ 190,000 through 2026; interest at 3.00% to 4.00%	$ 375,000	$ -
$ 2,725,000 2020 limited tax notes due in annual installments of $ 355,000 to $ 425,000 through 2027; interest at 2.00% to 4.00%	1,250,000	-
$ 2,940,000 2021 limited tax notes due in annual installments of $ 390,000 to $ 455,000 through 2028; interest at 2.00% to 4.00%	1,740,000	-
$ 2,575,000 2022 limited tax notes due in annual installments of $ 315,000 to $ 425,000 through 2029; interest at 5.00%	1,930,000	-
$ 2,890,000 2023 limited tax notes due in annual installments of $ 370,000 to $ 470,000 through 2030; interest at 5.00%	2,520,000	-
$ 3,030,000 2024 limited tax notes due in annual installments of $ 385,000 to $ 495,000 through 2031; interest at 5.00%	3,030,000	-
	10,845,000	-
Revenue bonds:		
$ 12,990,000 2014 bonds due in annual installments of $ 90,000 to $ 790,000 through 2044; interest at 0.45% to 5.05%	-	665,000
$ 23,685,000 2015 bonds due in annual installments of $ 830,000 to $ 1,755,000 through 2035; interest at 2.00% to 5.00%	-	5,145,000
$ 32,755,000 2017 bonds due in annual installments of $ 1,085,000 to $ 2,245,000 through 2037; interest at 3.00% to 5.00%	-	24,200,000
$ 20,705,000 2019 bonds due in annual installments of $ 710,000 to $ 1,335,000 through 2039; interest at 2.00% to 5.00%	-	16,890,000
$ 68,145,000 2021 bonds due in annual installments of $ 2,060,000 to $ 4,470,000 through 2041; interest at 3.00% to 5.00%	-	58,510,000
$ 26,445,000 2021A bonds due in annual installments of $ 905,000 to $ 1,700,000 through 2041; interest at 2.00% to 5.00%	-	23,670,000
$ 23,145,000 2021 refunding bonds due in annual installments of $ 335,000 to $ 2,250,000 through 2044; interest at 0.31% to 3.01%	-	22,020,000
$ 17,695,000 2022 bonds due in annual installments of $ 575,000 to $ 1,275,000 through 2042; interest at 4.00% to 5.00%	-	16,365,000
$ 19,775,000 2023 bonds due in annual installments of $ 625,000 to $ 1,495,000 through 2043; interest at 4.25% to 5.00%	-	19,075,000
	-	186,540,000
Notes payable:		
$ 2,836,634 2020 loan agreement due in quarterly installments of $ 44,680 to $ 51,642 through 2034; interest at 1.00%	1,875,834	139,242
	1,875,834	139,242
Lease liability:		
$ 182,654 2021 copier lease with quarterly payments of $ 12,091 through 2025; interest at 3.102%	47,561	-
$ 11,894 2021 copier lease with quarterly payments of $ 787 through 2025; interest at 3.102%	3,097	-
$ 22,540 2021 copier lease with quarterly payments of $ 1,492 through 2025; interest at 3.102%	-	5,869
$ 54,919 2023 fire equipment lease with annual payments of $ 6,520 through 2023; interest at 3.96%	50,352	-
$ 2,428,858 2023 police equipment lease with annual payments of $ 288,317 through 2033; interest at 3.96%	2,226,862	-
	2,327,872	5,869

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Governmental Activities	Business-type Activities
SBITA liability:		
$ 13,256 2021 TargetSolutions LMS subscription with annual payments of $ 13,780 through 2026; interest at 3.85%	$ 27,040	$ -
$ 113,994 2023 ESRI subscription with annual payments of $ 58,723 through 2026; interest at 3.05%	57,689	-
$ 93,871 2021 CentralSquare Cloud subscription with annual payments of $ 31,500 through 2026; interest at 0.67%	62,790	-
$ 36,760 2021 CentralSquare Learning subscription with annual payments of $ 12,000 through 2026; interest at 0.67%	23,920	-
$ 66,714 2021 Visual Lease subscription with annual payments of $ 22,500 through 2026; interest at 0.67%	22,387	-
$ 57,033 2023 Crowdriff subscription with annual payments of $ 19,680 through 2026; interest at 2.78%	39,502	-
$ 44,384 2022 Leads Online subscription with annual payments of $ 11,695 through 2027; interest at 3.37%	33,842	-
$ 82,205 2022 Building Blocks subscription with annual payments of $ 21,600 through 2027; interest at 3.37%	62,679	-
$ 127,620 2023 CalAmp subscription with monthly payments of $ 2,591 through 2028; interest at 2.57%	99,416	-
$ 359,310 2024 Rubicon subscription with annual payments of $ 110,553 through 2026; interest at 2.59%	216,875	-
$ 5,121,795 2024 Axon-Police subscription with annual payments of $ 607,980 through 2033; interest at 3.96%	4,695,841	-
$ 69,585 2024 Axon-Fire subscription with annual payments of $ 8,260 through 2033; interest at 3.96%	63,798	-
$ 332,309 2024 Flock Safety subscription with annual payments of $ 75,000 through 2028; interest at 3.83%	283,535	-
$ 306,339 2023 Selectron subscription with annual payments of $ 65,999 through 2027; interest at 3.37%	-	191,641
	5,689,314	191,641
Issuance premium	27,503,604	22,127,639
Issuance discount	(2,415,386)	(1,736,907)
Total bonds payable	366,206,238	225,707,484
Accrual for compensated absences	10,825,144	710,613
Accrual for net pension liability - TMRS	36,001,079	4,831,124
Accrual for net pension liability - FP	24,459,895	-
Accrual for OPEB liability - RHCP	4,104,702	559,732
Accrual for OPEB liability - SDBF	2,073,434	282,741
Accrual for arbitrage rebate	4,066,743	2,334,122
Total primary government debt	447,737,235	234,425,816

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Governmental Activities	Business-type Activities
Component Units:		
Reinvestment Zone No 1:		
$ 16,750,000 2020 general obligation bonds due in annual installments of $ 205,000 to $ 1,910,000 through 2033, interest at 0.35% to 1.98%; guaranteed by the City of Temple	$ 15,895,000	$ -
$ 40,560,000 2022B certificates of obligation due in annual installments of $ 520,000 to $ 2,755,000 through 2047, interest at 4.00% to 5.00%; guaranteed by the City of Temple	40,560,000	-
$ 12,145,000 2022C certificates of obligation due in annual installments of $ 170,000 to $ 860,000 through 2047, interest at 3.51% to 5.17%; guaranteed by the City of Temple	12,145,000	-
$ 38,360,000 2023B certificates of obligation due in annual installments of $ 1,025,000 to $ 2,625,000 through 2048, interest at 4.125% to 5.00%; guaranteed by the City of Temple	38,360,000	-
$ 23,565,000 2018 revenue bonds due in annual installments of $ 140,000 to $ 1,990,000 through 2038, interest at 5.00%; guaranteed by the City of Temple	20,675,000	-
$ 25,455,000 2021A revenue bonds due in annual installments of $ 865,000 to $ 1,890,000 through 2041, interest at 4.00% to 5.00%; guaranteed by the City of Temple	23,685,000	-
$ 19,160,000 2021B taxable revenue bonds due in annual installments of $ 835,000 to $ 1,280,000 through 2041, interest at 0.75% to 3.25%; guaranteed by the City of Temple	17,480,000	-
Issuance premium	9,602,802	-
Issuance discount	(1,423,307)	-
Accrual for arbitrage rebate	1,347,471	-
Total Reinvestment Zone No 1	178,326,966	-
Temple Economic Development Corporation:		
$ 3,864,000 note due in monthly payments of $ 31,424 through July 2027, interest at 6.00%; this represents the corporation's 69% portion of the note which is shared with another entity	3,304,143	-
Total Temple Economic Development Corporation	3,304,143	-
Total component units debt	181,631,109	-
Total debt - reporting entity	$ 629,368,344	$234,425,816

III. DETAILED NOTES ON ALL FUNDS (Continued)

The annual requirements to amortize debt outstanding as of September 30, 2024, are shown on the following schedules. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable and have not been included in the following summary.

General Obligation Bonds

	Governmental Activities		Business-type Activities		Component Units		
Year Ending September 30,	Principal	Interest	Principal	Interest	Principal	Interest	Total
2025	$ 5,820,000	$ 2,039,095	$ 4,715,000	$ 761,350	$ 1,650,000	$ 241,960	$ 15,227,405
2026	6,090,000	1,760,545	4,930,000	589,000	1,680,000	227,110	15,276,655
2027	6,475,000	1,495,295	2,590,000	418,050	1,705,000	208,966	12,892,311
2028	5,545,000	1,204,083	2,715,000	299,200	1,730,000	187,653	11,680,936
2029	4,030,000	971,111	3,490,000	264,000	1,750,000	162,914	10,668,025
2030-2034	15,780,000	2,695,380	-	-	7,380,000	351,237	26,206,617
2035	1,910,000	95,500	-	-	-	-	2,005,500
Total	$ 45,650,000	$ 10,261,009	$ 18,440,000	$ 2,331,600	$ 15,895,000	$ 1,379,840	$ 93,957,449

Certificates of Obligations

	Governmental Activities		Component Units		
Year Ending September 30,	Principal	Interest	Principal	Interest	Total
2025	$ 9,445,000	$ 11,194,018	$ 690,000	$ 4,119,838	$ 25,448,856
2026	9,545,000	10,388,176	1,395,000	4,087,871	25,416,047
2027	11,010,000	9,996,783	2,480,000	4,022,844	27,509,627
2028	12,690,000	9,540,208	2,600,000	3,903,364	28,733,572
2029	14,980,000	8,995,320	2,730,000	3,777,468	30,482,788
2030-2034	87,460,000	34,773,565	15,770,000	16,756,972	154,760,537
2035-2039	81,010,000	17,903,013	20,050,000	12,466,747	131,429,760
2040-2044	48,590,000	4,669,317	25,045,000	7,470,798	85,775,115
2045-2048	-	-	20,305,000	1,943,630	22,248,630
Total	$ 274,730,000	$ 107,460,400	$ 91,065,000	$ 58,549,532	$ 531,804,932

Contractual Obligations

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total
2025	$ 2,115,000	$ 447,542	$ 2,562,542
2026	2,180,000	374,175	2,554,175
2027	2,070,000	287,375	2,357,375
2028	1,720,000	200,225	1,920,225
2029	1,325,000	138,000	1,463,000
2030-2031	1,435,000	96,500	1,531,500
Total	$ 10,845,000	$ 1,543,817	$ 12,388,817

III. DETAILED NOTES ON ALL FUNDS (Continued)

Revenue Bonds

	Business-type Activities		Component Units		
Year Ending September 30,	Principal	Interest	Principal	Interest	Total
2025	$ 8,690,000	$ 6,731,460	$ 2,855,000	$ 2,516,763	$ 20,793,223
2026	9,090,000	6,324,611	2,970,000	2,404,613	20,789,224
2027	9,525,000	5,886,073	3,090,000	2,285,955	20,787,028
2028	9,990,000	5,434,113	3,215,000	2,158,580	20,797,693
2029	10,435,000	4,982,079	3,350,000	2,024,233	20,791,312
2030-2034	58,320,000	18,778,157	18,980,000	7,899,168	103,977,325
2035-2039	55,940,000	9,187,382	21,155,000	3,648,791	89,931,173
2040-2044	24,550,000	1,746,338	6,225,000	347,300	32,868,638
Total	$ 186,540,000	$ 59,070,213	$ 61,840,000	$ 23,285,403	$ 330,735,616

Notes Payable

	Governmental Activities		Business-type Activities		Component Units		
Year Ending September 30,	Principal	Interest	Principal	Interest	Principal	Interest	Total
2025	$ 174,671	$ 18,105	$ 12,966	$ 1,344	$ 87,840	$ 198,666	$ 493,592
2026	176,425	16,351	13,096	1,214	86,047	192,565	485,698
2027	178,196	14,581	13,227	1,082	91,430	186,358	484,874
2028	179,984	12,792	13,360	950	97,150	180,273	484,509
2029	181,791	10,985	13,494	815	102,453	172,789	482,327
2030-2034	936,694	27,186	69,530	2,018	2,839,223	1,382,042	5,256,693
2035	48,074	120	3,569	9	-	-	51,772
Total	$ 1,875,835	$ 100,120	$ 139,242	$ 7,432	$ 3,304,143	$ 2,312,693	$ 7,739,465

Lease Liability

	Governmental Activities		Business-type Activities		
Year Ending September 30,	Principal	Interest	Principal	Interest	Total
2025	$ 265,551	$ 80,798	$ 5,869	$ 99	$ 352,317
2026	223,559	71,277	-	-	294,836
2027	232,574	62,261	-	-	294,835
2028	241,953	52,883	-	-	294,836
2029	251,710	43,125	-	-	294,835
2030-2033	1,112,525	66,818	-	-	1,179,343
Total	$ 2,327,872	$ 377,162	$ 5,869	$ 99	$ 2,711,002

III. DETAILED NOTES ON ALL FUNDS (Continued)

Subscription Liability

	Governmental Activities		Business-type Activities		
Year Ending September 30,	Principal	Interest	Principal	Interest	Total
2025	$ 838,619	$ 185,738	$ 61,179	$ 4,317	$ 1,089,853
2026	786,233	157,885	63,793	2,206	1,010,117
2027	622,017	133,605	66,669	-	822,291
2028	591,039	110,564	-	-	701,603
2029	526,104	90,137	-	-	616,241
2030-2034	2,325,302	139,657	-	-	2,464,959
Total	$ 5,689,314	$ 817,586	$ 191,641	$ 6,523	$ 6,705,064

(1) General Obligation Bonds and Certificates of Obligation -

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement. Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate excess arbitrage earnings from bond proceeds to the federal government.

(2) Revenue Bonds -

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The Revenue Bonds are collateralized by the revenue of the water and sewer system 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. 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 amounts and certain financial ratios are met. The City is in compliance with all significant financial requirements as of September 30, 2024.

(3) Taxable Revenue Bonds –

Taxable Revenue Bonds constitute special obligations of the City and are payable from and secured by an irrevocable first lien on and pledge of the net revenues of the Reinvestment Zone No. 1.

The Taxable Revenue Bonds, Series 2008, are collateralized by the tax increment generated by the Reinvestment Zone No.1 (a discretely presented component unit) by the First Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program. The ordinance provides that the revenue of the Reinvestment Zone No. 1 be used to meet all financial obligations related to the bonds. The City is in compliance with all significant requirements as of September 30, 2024.

III. DETAILED NOTES ON ALL FUNDS (Continued)

(4) 2024 Issuances -

On June 6, 2024, the City issued $ 60,130,000 of Combination Tax and Revenue Certificates of Obligation bonds. The interest rate of the bonds ranges from 4.00% to 5.00% and the maturity date of the bonds is August 1, 2044. These bonds were issued to design, acquire and construct streets, roads, bridges, trails, sidewalks, intersections, traffic signalization and other transportation improvement projects, constructing and equipping City buildings, public safety facilities, and parks facilities, public safety equipment and vehicles, neighborhood planning district plans and related improvements and other costs associated with these projects.

On September 5, 2024, the City issued $ 3,030,000 of Limited Tax notes. The interest rate of the notes is 5.00% and the maturity date of the bonds is August 1, 2031. The notes were sold to purchase sanitation, parks, and street equipment and vehicles.

In the debt service fund, a fund balance of $ 1,652,395 is available to service general long-term debt.

The bond indentures require the establishment and maintenance of interest and sinking funds and reserve funds in varying amounts. Restricted cash on the accompanying combined balance sheet represents these amounts. The enterprise fund has restricted cash of $ 56,307,435, of which $ 3,492,038 will be used to pay accrued interest and current maturities of bond indentures, $ 51,880,322 represents remaining bonds proceeds, and the remaining $ 935,075 represents customer security deposits. 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 bondholders. The City is in compliance with all significant requirements and restrictions contained in the bond indentures.

L. INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2024 were as follows:

	Transfers In	Transfers Out
Major Funds:		
General	$ 334,630	$ 4,754,709
Debt Service	3,003,725	-
Capital Projects	2,064,816	
Nonmajor Governmental Funds:		
Special Revenue	534,575	1,183,037
Total	$ 5,937,746	$ 5,937,746

Transfers between major funds and other nonmajor governmental funds were primarily to support capital projects and operation of funds.

IV. OTHER INFORMATION

A. COMMITMENTS AND CONTINGENCIES

Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Grants

Amounts received or receivable from grant 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 amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Long-Term Agreements

The City has the following long-term agreements which represent significant commitments:

Operation of Doshier Farm and Temple-Belton Wastewater Treatment Plants – Two different commercial entities have provided operations and maintenance of the Doshier Farm and Temple-Belton Wastewater Plants (WWTP), twenty-nine (29) lift stations (serving the Doshier Farm WWTP and the Temple-Belton WWTP) and the City's industrial pretreatment program since October 1, 1994. In September 2003, the City added the operations and maintenance of the reuse system that delivers treated wastewater effluent to irrigate City owned ball fields and the service the Panda Power Plant.

On August 7, 2014, the City entered into an agreement with Brazos River Authority (BRA) to provide the operations listed above for the period October 1, 2014, through September 30, 2019. On January 17, 2019, the agreement was extended for an additional 10 years. This extension will expire on September 30, 2029.

The City retains ownership of the Doshier Farm WWTP and the City's 75.00% share of the Temple-Belton WWTP and all associated equipment. The City of Belton owns the remaining 25.00%. The City also retains all relevant permits in its name.

The City's major responsibility is paying the contractor the agreed annual compensation in monthly installments due on the first of each month. The base fee for eleventh year (2025) of the agreement is $ 2,722,969 for the Temple-Belton WWTP, $ 1,904,456 for the Doshier Farm WWTP and Lift Stations, and $ 211,229 for the City's industrial pretreatment program. On or before May 1st of each year, BRA will provide the City with an annual budget which will include an estimate of all operation and maintenance expenses plus a management fee of 3.00% for the Doshier WWTP, Temple-Belton WWTP and the lift stations. The budget will be calculated based on the estimated amount of wastewater to be delivered to the plants in the next fiscal year. The City must approve the proposed budget by July 15th of each year. Operation and maintenance expenses and the maintenance fee for

IV. OTHER INFORMATION (Continued)

the Temple-Belton WWTP will be allocated based upon the annual flow percentages of each City. Any capital expenses for the Temple-Belton WWTP (costs of capital improvements) will be allocated to the Cities based on ownership – 75.00% to Temple and 25.00% to Belton. Payments to BRA will be made monthly and will equal 1/12 of the approved annual budget.

Landfill Operations - On March 16, 2011, the City renegotiated its agreement with the commercial entity to operate the City's solid waste landfill. Under the terms of the agreement, the contractor pays the City $ 827,256 annually ($ 68,938 per month). In addition, the contractor pays a fee for each ton of solid waste disposed at the landfill, regardless of the source or point of origin of the waste, with a guaranteed minimum surcharge equivalent to 200,000 tons per year. The fee per ton is calculated as follows on waste disposed at the landfill each year:

$ 3.49/ton up to 200,000 tons
$ 4.35/ton over 200,000 tons

The new agreement is for a period of thirty years, or the life of the landfill, if less and may be extended by mutual agreement of the parties for additional ten (10) year period. Under the terms of the agreement, the contractor is responsible for all costs of operating the landfill, including the costs of closure, post-closure care cost and compliance with federal and state requirements.

Lease and Operating Agreement - Public Library - Effective September 7, 1995, the City entered into a ninety-nine (99) year lease and operating agreement with the Foundation of the Temple Public Library to use the E. Rhodes and Leona B. Carpenter Plaza for the location of the public library.

Under the lease agreement, the City will pay no rent or deposit in consideration of its operation of the public library and management of the commercial office spaces on the third floor. As part of the agreement, the City funded $ 500,000 as its share of the cost of renovating the building for the library and applied the funds from a $ 300,000 grant to the purchase of an automation system.

Pass-Through Toll Agreement - On September 16, 2010, City Council authorized a pass-through financing agreement with the Texas Department of Transportation (Department) for improvements to Northwest Loop 363. On September 30, 2010, the Texas Transportation commission passed Minute Order 112305, authorizing the Department to enter a pass-through toll agreement with the City for the construction of the Loop 363 north frontage road, from the BNSF railroad overpass to FM 2305 and construction of interchanges at Wendland Road and SH 36/SH 53.

As of September 30, 2016, the total cost of this project was $ 44.9 million of which the Department reimbursed the City $ 20,000,000 during fiscal years 2012 – 2014. The City issued pass-through agreement revenue and limited tax bonds on May 24, 2012, totaling $ 24.7 million to fund its share of the cost.

On February 18, 2015, this project was substantially complete and was inspected and accepted as complete by the Department. At this time, the City became eligible to receive annual toll reimbursements from the state at each anniversary date of its completion. The agreement states that under no circumstance will the annual payment be less than $ 752,500 over 20 years or more than $ 1,505,000 over 10 years. The maximum amount of the toll agreement reimbursement is $ 16,555,000.

IV. OTHER INFORMATION (Continued)

In February 2016, on the first anniversary of the project's completion, the City received its first reimbursement totaling $ 1,339,427. On the second anniversary of the project's completion, the City received its second reimbursement totaling $ 1,462,140 and received $ 1,505,000 on its third through fifth reimbursement. The City received $ 1,280,286 on its sixth reimbursement, $ 1,344,934 on its seventh reimbursement, and $ 1,348,047 on its eighth reimbursement. These lower amounts are due to less travel during the pandemic which has continued into FY 2024. During FY 2024, the City received its ninth reimbursement, which was $ 1,422,034. Based on these reimbursements, as well as original projections based on state traffic counts on the loop, the City anticipates collecting the full $ 16,555,000 over a period of approximately twelve years.

Effective February 2015, the City recorded the total anticipated receivable, net of implied interest at 4.783%, for a net receivable of $ 12,013,000. Based on the payments received, the anticipated collection period was revised, and as of September 30, 2024, the net receivable is $ 3,564,467.

Administrative Order with the United States Environmental Protection Agency - On August 27, 2018, the United States Environmental Protection Agency (EPA) issued an Administrative Order for violations of the Clean Water Act. Violations were identified based on their review. The violations alleged stem from unauthorized discharges due to sewer system overflows (SSOs) from the City's sewer collection system.

The Administrative Order does not assess a monetary penalty; however, it does require compliance with the applicable Federal regulations. The compliance deadlines included in the order section of the Administrative Order were agreed to by the City on March 3, 2018. The EPA Region 6 is committed to ensuring compliance with the requirements of the National Pollutant Discharge Elimination System (NPDES) program.

The Administrative Order is a ten-year negotiated agreement meeting milestones set forth in the agreement. It requires the City to work with experienced partners in developing and implementing programs and activities specifically focused on EPA expectations, comprehensively addressing overall system needs. The agreement is effective through September 30, 2028.

The Administrative Order is tailored to specific situations through negations between the City and the EPA. It requires a Capacity, Management, Operation and Maintenance (CMOM) program development and implementation of the CMOM program is required. Components of the CMOM program include (capacity) – monitoring and modeling; (management) - staff training, effective fats, oils and grease program, and evaluating staffing and resources; (operations) - flow metering and overflow emergency response; and (maintenance) - maintenance system management, condition assessment and sewer cleaning.

Specific CMOM program requirements and associated timeline of the ten-year negotiated agreement are shown below.

- March 2020 - Develop and implement an electronic asset management program.
- September 2022 - Develop 5-year and 10-year design storm hydraulic collection system model, calibrated to reflect actual and existing system conditions.

IV. OTHER INFORMATION (Continued)

- September 2024 - Address power source redundancy for plants and lift stations; implement CMOM program.
- September 2025 - Complete system evaluation capacity and assurance plan (SECAP); evaluate all private non-plastic lateral lines.
- September 2027 - Address defective private lateral lines.
- September 2028 - Complete projects addressing system deficiencies.

Gas Rights Agreement - On May 3, 2024, the City authorized a gas rights agreement with WM Renewable Energy, LLC to construct and operate a renewable natural gas production facility at the Temple Landfill for the sale and distribution of the renewable natural gas processed from landfill gas.

The City has an agreement with Waste Management of Texas, Inc. to operate and lease the Temple Landfill. The lease gives Waste Management of Texas, Inc the rights to the methane gas or other gases produced as a result of solid waste disposal (landfill gases) and the right of first refusal to recover, process, and market the renewable natural gas converted from landfill gases. Pursuant to the lease, the City and Waste Management of Texas, Inc have agreed to provide WM Renewable Energy, LLC the exclusive use of the landfill gases in connection with the construction, development, and operation of a renewable natural gas facility on the Landfill. Waste Management of Texas, Inc is an independently owned affiliate of WM Renewable Energy, LLC.

The term of the agreement is twenty (20) years after WM Renewable Energy, LLC achieves full operating capacity and begins producing renewable natural gas sale and distribution, WM Renewable Energy, LLC. Full operating capacity and production of renewable natural gas sale and distribution began on December 10, 2024. WM Renewable Energy, LLC is solely responsible for the production, sale, and distribution of the renewable natural gas. In turn, WM Renewable Energy, LLC will pay the City monthly, either $25,000 or an amount calculated in an industry-standard formula using the renewable natural gas sold that month, whichever is greater.

B. RISK MANAGEMENT

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for the purpose of providing coverage against risks which are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide through commercial companies' reinsurance contracts. The Pool agrees to handle all liability, property and workers' compensation claims and provide any defense as is necessary. The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the

IV. OTHER INFORMATION (Continued)

Pool. The City also carries commercial insurance on all other risks of loss including employee health and accident insurance.

The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the past three years.

C. TAX ABATEMENTS

(1) Property Tax

Through the City's Economic Development Policy, revised July 7, 2016, adopted by Ordinance 2016-4783, the City has entered into contractual agreements with property owners (or lessee's) in which the City has agreed to reduce the amount of ad valorem taxes payable through a reduction of the taxable value on certain improvements constructed after the date the agreement was reached in accordance with Chapter 312 of the State of Texas Tax Code. The policy has minimum standards for eligible facilities and required investment. There are additional or enhancement factors that are also taken into consideration when determining the percentage value to be abated and the term of the abatement. The property owner, in return for the abatement, contractually agreed to construct and maintain certain identifiable improvements within a definite period or repay the abated taxes if the improvements are not maintained. The following is a list of property owners (or lessee's) with which the City has entered into tax abatement agreements.

Date of Abatement Agreement	First Year of Abatement	Firm	2024 Abated Value	Term of Abatement	Abatement Percentage	Commitment by Recipient
05/11	FY 2016	BKV-BPP Power, LLC	$ 124,684,850	10 years	50%	Construct new electric power generating facility; create 20 new jobs
12/12	FY 2017	CXA Temple 2, LLC	103,177,025	10 years	12% to 65%	Construct new electric power generating facility
05/13	FY 2017	Buc-ee's, LTD	5,122,658	10 years	50%	Construct new travel center; create 150 new jobs
10/17	FY 2022	Cargill, Inc.	14,620,537	10 years	50% to 100%	Construct new real property improvements; create 10-33 new jobs
01/18	FY 2023	Palladio Industries, Inc.	1,890,684	5 years	50%	Construct new real property improvements; create 30 new jobs
12/18	TBD	Turner Behringer Temple One, LLC {Hawn & Arcadia}	-	10 years	50% to 100%	Construct new real property improvements
12/18	FY 2024	East Penn Manufacturing Co.	38,500,000	5 years	50%	Construct new real and personal property improvements; create 266 new jobs
02/19	FY 2022	Niagara Bottling, LLC and Tanglefoot Properties, LLC	88,647,274	10 years	50% to 100%	Construct new real and personal property improvements; create 70 new jobs
11/19	TBD	Turner Behringer Temple One, LLC {102 East Central Ave, Sears Bldg}	-	10 years	50% to 100%	Construct new real property improvements
08/20	TBD	VKDM Investment, LLC	-	10 years	50% to 100%	Construct new real property improvements
11/20	FY 2023	Sunbelt Transformer, LTD	1,349,695	5 years	50%	Construct new real property improvements; retain 48 jobs; create 100 new jobs
12/21	TBD	Polmer, LLC	-	10 years	75%	Construct new real and personal property improvements; create 40 new jobs
05/22	TBD	Temple Green Data, LLC	-	10 years	20%	Construct new real and personal property improvements; create 20 new jobs
03/23	TBD	H-E-B, LP	-	10 years	60% to 100%	Construct new real property improvements; create 100 new jobs

IV. OTHER INFORMATION (Continued)

During fiscal year 2024, the total amount of abated property value was $ 377,992,723. Based on the city tax rate of $ 0.6130 per $ 100 of value, the foregone tax levy due to abatement agreements was $ 2,317,095.

(2) Sales Tax

The City has entered into a Chapter 380 Economic Development Agreement with Buc-ee's, LTD. The City's participation in the agreement is authorized under Chapter 380 of the Texas Local Government Code, and under City Ordinance Number 2011-4504, Section III, B. This agreement provided an incentive to Buc-ee's, LTD in amount not to exceed 75% of the sales tax collected by Buc-ee's, LTD during each calendar year of the agreement. Per the agreement, Buc-ee's, LTD agreed to invest approximately $ 16,000,000 to construct the Travel Center with approximately 60,000 square feet, employ 150 people by the end of the first full calendar year of operation and to start construction of the Travel Center no later than twelve months after the public utilities were constructed and available for connection by the Travel Center. The term of the agreement is 10 years beginning January 1 of the year following the date the travel center opened to the public. The travel center opened in 2015; therefore, the agreement began January 1, 2016, and will expire December 31, 2025. Under the terms of the agreement, the total amount of the incentive for fiscal year 2024 was $ 743,593.

The City has entered into a Chapter 380 Economic Development Agreement with Spare Time Family Entertainment, LLC. The City's participation in the agreement is authorized under Chapter 380 of the Texas Local Government Code, and under City Ordinance Number 2020-5026, Section III, B. This agreement provides an incentive to Spare Time Family Entertainment, LLC to rebate any sales tax generated and paid to the City that exceeds $ 36,000 in one calendar year. Rebate payments will not exceed a total of $ 100,000. Per the agreement, Spare Time Family Entertainment, LLC agreed to invest approximately $ 4,700,000 to construct an outdoor expansion including go karts, ropes course, batting cages, sand volleyball, outdoor bar and grill, and other similar amenities and to start construction of the outdoor expansion no later than twelve months after the execution of the agreement. The agreement was executed on April 17, 2020, and shall remain in effect for five years from January 1 of the year following the date the outdoor expansion opens for business to the public. The outdoor expansion was completed in March 2021. Based on terms of the agreement, year one of the sales tax rebate begins January 2022, with the first payment due March 15, 2023. Under the terms of the agreement, the total amount of the incentive for fiscal year 2024 was $ 22,999.

D. EMPLOYEE BENEFITS

(1) Retirement Plans

The City participates in two retirement plans. The Texas Municipal Retirement System covered 787 employees as of December 31, 2023. The Temple Firefighters' Relief and Retirement Fund covered 118 employees as of September 30, 2024.

The Texas Municipal Retirement System

Plan Description

The City participates as one of 936 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency

IV. OTHER INFORMATION (Continued)

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 the System with a six-member Board of Trustees. 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 that can be obtained at www.tmrs.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Beginning in 1992, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1992, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating, Transfers
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

IV. OTHER INFORMATION (Continued)

Employees Covered by Benefit Terms –

At the December 31, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	497
Inactive employees entitled to but not yet receiving benefits	594
Active employees	787
	1,878

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 consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Temple were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2024, the City made required contributions of 16.80% for the months in 2023 and required contributions of 17.42% for the months in 2024. The City's contributions for the year ended September 30, 2024, were $ 9,588,132, and were equal to the required contributions.

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 Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions –

The Total Pension Liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Salary increases	3.60% to 11.85% per year including inflation
Investment rate of return	6.75%

Salary increases were based on a service-related table.

Retirement age is based on the experience table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality rates for service retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Males 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

IV. OTHER INFORMATION (Continued)

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) to account for future mortality improvements.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic 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)
Global equity	35.0%	6.70%
Core fixed income	6.0%	4.70%
Non-core fixed income	20.0%	8.00%
Other public and private markets	12.0%	8.00%
Real estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private equity	10.0%	11.60%
Total	100.0%	

Discount Rate –

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

IV. OTHER INFORMATION (Continued)

Changes in the Net Pension Liability –

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2022	$258,240,126	$209,913,824	$ 48,326,302
Changes for the year:			
Service cost	9,060,808	-	9,060,808
Interest	17,357,418	-	17,357,418
Change of benefit terms	-	-	-
Difference between expected and actual experience	3,969,174	-	3,969,174
Changes of assumptions	(1,626,493)	-	(1,626,493)
Contributions - employer	-	8,566,208	(8,566,208)
Contributions - employee	-	3,569,255	(3,569,255)
Net investment income	-	24,275,183	(24,275,183)
Benefit payments, including refunds employee contributions	(11,247,192)	(11,247,192)	-
Administrative expense	-	(154,560)	154,560
Other changes	-	(1,080)	1,080
Net changes	17,513,715	25,007,814	(7,494,099)
Balance at December 31, 2023	$275,753,841	$234,921,638	$ 40,832,203

Sensitivity of the Net Pension Liability to Changes in the Discount Rate –

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 78,774,162	$ 40,832,203	$ 9,614,853

IV. OTHER INFORMATION (Continued)

Pension Plan Fiduciary Net Position –

Detailed information about the pension plan'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.

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

For the year ended September 30, 2024, the City recognized pension expense of $ 9,793,370.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,722,019	$ 19,959
Changes in assumptions	-	1,195,062
Differences between projected and actual investment earnings	5,639,090	-
Contributions subsequent to the measurement date	7,176,386	-
Total	$ 18,537,495	$ 1,215,021

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $ 7,176,386 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2024 (i.e., recognized in the City's financial statements September 30, 2025). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31	
2024	$ 3,983,529
2025	3,369,123
2026	4,814,635
2027	(2,021,199)
2028	-
Total	$ 10,146,088

IV. OTHER INFORMATION (Continued)

Temple Firefighters' Relief and Retirement Fund

Plan Description

The City contributes to the retirement plan for firefighters in the Temple Fire Department known as the Temple Firefighters' 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 plan is administered by the Board of Trustees of the Temple Firefighters' Relief and Retirement Fund. The City does not have access to, nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Temple Firefighters' Relief and Retirement Fund at 3615 S. 31st Street, Temple, Texas 76504. See that report for all information about the plan fiduciary net position.

Benefits Provided

Firefighters in the Temple Fire Department are covered by the Temple Firefighters' Relief and Retirement Fund which provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, he may retire starting on the date he would have both completed 20 years of service if he had remained a Temple firefighter and attained age 50. The plan effective April 1, 2015 (the most recently restated and amended plan) provided a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 65.75% of Highest Five Year Average Monthly Salary plus $98.00 per month for each year of service in excess of 20.

A retiring firefighter who is at least age 53 with at least 23 years of service has the option to elect the Deferred Retirement Option Plan (DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest Five Year Average Monthly Salary as if he had terminated employment on his selected DROP benefit calculation date, which is no earlier than the later of the date he meets the age 53 and 23 years of service requirements 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 DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

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

IV. OTHER INFORMATION (Continued)

Members Covered by the Fund –

In the September 30, 2023, actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	105
Inactive employees entitled to but not yet receiving benefits	6
Active employees	118
	229

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.

The funding policy of the Temple Firefighters' Relief and Retirement Fund requires contributions equal to 16% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes according to a city ordinance either the same percentage of payroll that the City contributes to the Texas Municipal Retirement System for other employees or the firefighter contribution rate (16% of payroll) if lesser. The City has also agreed to contribute an additional 0.24% of payroll. The actuarial valuation includes the assumption that the City contribution rate will be 16.24% over the UAAL amortization period. 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 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, 2023, the annual money-weighted rate of return on pension plan investments was 12.34%. 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.

IV. OTHER INFORMATION (Continued)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2023.

Total pension liability	$ 76,145,689
Plan fiduciary net position	(51,685,794)
City's net pension liability	$ 24,459,895

Plan fiduciary net position as a percentage of the total pension liability	67.88%

Actuarial Assumptions –

The total pension liability in the September 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Payroll growth	3.75% per annum
Salary increases	9.46% the first five years of service grading down to an ultimate rate of 3.75% per annum after 15 years of service. This equates to an average salary increase of 5.71% over a full career.
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the SOA Public Safety Mortality tables with generational mortality projection using Scale MP-2021.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which best-estimate ranges of 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 ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed 2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, are summarized in the following table:

IV. OTHER INFORMATION (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap Domestic Equity	25.0%	6.00%
Small/Mid Cap Domestic Equity	13.0%	6.00%
International Equity	27.5%	6.00%
Real Estate	5.0%	4.00%
Alternatives	13.5%	7.00%
Commodities	0.0%	7.00%
Fixed Income	15.0%	1.50%
Money market or equivalent	1.0%	1.50%
Total	100.0%	

Discount Rate –

The discount rate used to measure the total pension liability was 7.75% net of investment expense. The projection of cash flows was used to determine the discount rate assumed the City contribution would equal the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate –

The following presents the net pension liability of the City of Temple, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease in Discount Rate (6.75%)	Current Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
City's net pension liability	$ 33,500,033	$ 24,459,895	$ 16,888,179

Pension Plan Fiduciary Net Position –

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

IV. OTHER INFORMATION (Continued)

Changes in the Net Pension Liability –

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at September 30, 2022	$ 73,457,556	$ 47,415,090	$ 26,042,466
Changes for the year:			
Service cost	1,957,670	-	1,957,670
Interest	5,653,897	-	5,653,897
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	1,771,257	(1,771,257)
Contributions - employee	-	1,744,510	(1,744,510)
Net investment income	-	5,759,576	(5,759,576)
Benefit payments, including refunds of employee contributions	(4,923,434)	(4,923,434)	-
Administrative expense	-	(81,205)	81,205
Changes in benefit terms	-	-	-
Net changes	2,688,133	4,270,704	(1,582,571)
Balance at September 30, 2023	$ 76,145,689	$ 51,685,794	$ 24,459,895

The net pension liability was $ 24,459,895 as of September 30, 2023, which is the City's measurement date associated with its September 30, 2024, reporting date. The results are based on the Fund's September 30, 2023, actuarial valuation.

IV. OTHER INFORMATION (Continued)

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

For the year ended September 30, 2024, the City's GASB 68 pension expense was $ 3,621,481.

Components of Pension Expense for the Fiscal Year Ended September 30, 2024 –

Service cost	$ 1,957,670
Interest	5,653,897
Firefighter contributions	(1,744,510)
Projected earnings on pension plan investments	(3,616,976)
Amortization of differences between projected and actual earnings on plan investments	878,293
Amortization of changes of assumptions	284,311
Amortization of differences between expected and actual experience	127,591
Pension plan administrative expenses	81,205
Total pension expense	$ 3,621,481

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
Differences between expected and actual experience	$ 1,044,126	$ 166,164
Changes in assumptions	1,020,708	4,390
Differences between projected and actual investment earnings	3,584,762	-
Contributions subsequent to the measurement date	1,942,082	-
Total	$ 7,591,678	$ 170,554

IV. OTHER INFORMATION (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources to be Recognized in Pension Expense in Future Years –

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

Measurement Year Ended September 30		
2025	$	1,164,568
2026		1,362,087
2027		2,667,343
2028		(88,696)
2029		309,907
Thereafter		63,833
Total	$	5,479,042

The total of the contributions by the City to the Fund contributed subsequent to the measurement date of the net pension liability September 30, 2023, through September 30, 2024, is a deferred outflow of resources that will be recognized as a reduction in the net pension liability in the fiscal year ending September 30, 2025.

IV. OTHER INFORMATION (Continued)

(1) Retirement Plans Combined Data

For the year ended September 30, 2024, the City's total net pension liability and pension expense is as follows:

Net Pension Liability		
Texas Municipal Retirement System	$	40,832,203
Temple Firefighters' Relief and Retirement Fund		24,459,895
Total Net Pension Liability	$	65,292,098
Net Pension Assets		
Texas Municipal Retirement System	$	234,921,638
Temple Firefighters' Relief and Retirement Fund		51,685,794
Total Net Pension Assets	$	286,607,432
Deferred Outflows of Resources Related to Pensions		
Texas Municipal Retirement System	$	18,537,495
Temple Firefighters' Relief and Retirement Fund		7,591,678
Total Deferred Outflows of Resources Related to Pensions	$	26,129,173
Deferred Inflows of Resources Related to Pensions		
Texas Municipal Retirement System	$	1,215,021
Temple Firefighters' Relief and Retirement Fund		170,554
Total Deferred Inflows of Resources Related to Pensions	$	1,385,575
Pension Expense		
Texas Municipal Retirement System	$	9,793,370
Temple Firefighters' Relief and Retirement Fund		3,621,481
Total Pension Expense	$	13,414,851

The detail of deferred outflows and inflows related to pensions can be found in Note III, G.

(2) Deferred Compensation Fund

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Plan is administered by one trustee; Mission Square Retirement and is classified as pension plan under the provisions of GASB 97. All assets and income are held in trust for the exclusive benefit of eligible employees and their beneficiaries. The City does have limited fiduciary responsibilities over the plan offerings and design; this plan is not reported in the financial statements of the City.

The plan, available to all full time City employees, permits them to defer until future years up to 100% of annual gross earnings not to exceed $ 23,000. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not make contributions to the plan.

IV. OTHER INFORMATION (Continued)

E. OTHER POST- EMPLOYMENT BENEFITS

(1) The Texas Municipal Retirement System - Supplemental Death Benefit Fund

Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Benefits Provided

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 other postemployment benefit (OPEB) and is a fixed amount of $ 7,500.

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

Employees Covered by Benefit Terms –

At the December 31, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	380
Inactive employees entitled to but not yet receiving benefits	136
Active employees	787
	1,303

Total OPEB Liability - SDBF

The City's total OPEB liability for SDBF of $ 2,356,174 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions –

The total OPEB liability for SDBF in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

IV. OTHER INFORMATION (Continued)

Inflation	2.50% per year
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	$ 0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements for GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% 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 MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Discount Rate –

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The discount rate changed from 4.05% as of December 31, 2022, to 3.77% as of December 31, 2023.

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

IV. OTHER INFORMATION (Continued)

Changes in the Total OPEB Liability – SDBF

	Increase (Decrease) Total OPEB Liability
Balance at December 31, 2022	$ 2,197,948
Changes for the year:	
Service cost	86,682
Interest	88,915
Change of benefit terms	-
Difference between expected and actual experience	(40,184)
Changes of assumptions	114,595
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds employee contributions *	(91,781)
Administrative expense	-
Other changes	-
Net changes	158,227
Balance at December 31, 2023	$ 2,356,175

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated being equal to the employer's yearly contributions for the retirees.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease in Discount Rate (2.77%)	Current Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability - SDBF	$ 2,808,328	$ 2,356,175	$ 2,003,060

IV. OTHER INFORMATION (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB - SDBF

For the year ended September 30, 2024, the City recognized OBEB expense of $ 78,082.

Components of OPEB Expense for the Fiscal Year Ended September 30, 2024 –

Service cost	$	86,682
Interest		88,914
Projected earnings on pension plan investments		-
Amortization of differences between projected and actual earnings on plan investments		(53,475)
Amortization of changes of assumptions		(44,039)
Amortization of differences between expected and actual experience		-
Administrative expenses		-
Changes in benefit terms		-
Total Supplemental Death Benefit expense	$	78,082

At September 30, 2024, the City reported deferred outflows of resources related to OBEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and and actual experience	$	-	$	99,659
Changes in assumptions		292,067		700,787
Contributions subsequent to the measurement date		61,794		-
Total	$	353,861	$	800,446

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $ 61,794 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2024 (i.e., recognized in the City's financial statements September 30, 2025). Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Measurement Year Ended December 31		
2024	$	(98,321)
2025		(151,292)
2026		(189,250)
2027		(74,517)
2028		5,001
Total	$	(508,379)

IV. OTHER INFORMATION (Continued)

(1) Retiree Health Care Plan (RHCP)

Plan Description

The City offers its retired employees medical and dental insurance through a single employer defined benefit OPEB plan, under City policy. This plan is administered by the City and no separate audited financial statements are available. The OPEB plan is an unfunded OPEB plan (i.e., no assets are accumulated).

Benefits Provided

An employee leaving the employment of the City, who is eligible to receive retirement benefits from a municipal retirement plan, is entitled to purchase continued health and/or dental benefits for the employee and the employee's dependents (if covered by the City's plan at the time of separation) from the City unless the employee is eligible, or becomes eligible at a later date, for group health and/or dental benefits through another employer. To avail themselves of this opportunity to purchase health and/or dental benefits through the City, the employee must notify the City of his or her intent to continue to purchase health and/or dental benefit coverage no later than the date on which the person leaves employment with the City. The City will make coverage available to eligible retirees under the health care and/or dental coverage plan provided by the City to its employees or through a substitute Medicare Supplement Plan for over age 65 retirees for health insurance. A retired employee who elects to continue health and/or dental benefit coverage under this section prior to retirement, and who subsequently enters employment with another employer who offers group health and/or benefits to its employees (regardless of whether or not the retired employee elects such coverage), is no longer eligible for coverage under this policy. A retired employee who elects to continue health and/or dental benefit coverage under this section prior to retirement, and who subsequently elects to discontinue such coverage, is no longer eligible for coverage under this policy. A retired employee who elects to continue coverage for any of the retired employee's dependents, and who then subsequently elects to discontinue such coverage for any of his dependents, abandons his right to obtain future coverage for the dependent for whom coverage was discontinued.

Contribution by City Towards Cost of Health and/or Dental Benefits for Certain Employees

Employees who retire prior to May 1, 2007:

a. The City will pay an amount to be determined each fiscal year by the City offered actuarially calculated, non-blended, standard option health and/or dental insurance premium toward the City offered plan selected by a retired employee, who:

    1. was hired by the City prior to February 1, 2002;
    2. is not eligible to receive Medicare benefits;
    3. had not less than 10 years of continuous service with the City at the time of his or her retirement;
    4. notifies the City of his or her intent to continue health benefit and/or dental coverage with the City no later than the date on which he or she retires; and
    5. is eligible and elects to receive a monthly retirement annuity from the Texas Municipal Retirement System (TMRS) or the Temple Firefighters' Relief and Pension Fund commencing within 60 days of his or her retirement from the City.

IV. OTHER INFORMATION (Continued)

b. The City will pay an amount to be determined each fiscal year of the City offered actuarially calculated, non-blended, standard option health and/or dental insurance premium toward the City offered plan selected by a retired employee, who:

   1. was hired by the City after January 31, 2002;
   2. is not eligible to receive Medicare benefits;
   3. had not less than 25 years of continuous service with the City at the time of his or her retirement;
   4. notifies the City of his or her intent to continue health and/or dental benefit coverage with the City no later than the date on which he or she retires; and
   5. is eligible and elects to receive a monthly retirement annuity from the Texas Municipal Retirement System (TMRS) or the Temple Firefighters' Relief and Pension Fund commencing within 60 days of his or her retirement from the City.

Employees who retire on or after May 1, 2007:

a. The City will pay an amount to be determined each fiscal year of the City offered actuarially calculated, non-blended, standard option health and/or dental insurance premium of retired employees who:

   1. had not less than 25 years of continuous service with the City of Temple at the time of his or her retirement;
   2. is not eligible to receive Medicare benefits;
   3. notifies the City of his or her intent to continue health and/or dental benefit coverage with the City no later than the date on which he or she retires; and
   4. is eligible and elects to receive a monthly retirement annuity from the Texas Municipal Retirement System (TMRS) or the Temple Firefighters' Relief and Pension Fund commencing within 60 days of his or her retirement from the City.

b. Employees who retire with less than 25 years of continuous service with the City of Temple will be required to pay 100% of the actuarially calculated, non-blended rate for retirees.

c. Employees who leave the employment of the City with retirement eligibility, but less than 25 years of continuous service at the City of Temple, may purchase health and/or dental benefit coverage for themselves or their dependents through COBRA continuation, subject to the terms contained herein, but are responsible for 100% of the cost of such coverage.

Provisions Regarding Medicare for Retirees Over the Age of 65

a. An individual who retires from the City of Temple, and who informed the City not later than their date of retirement, upon attaining age 65 is no longer eligible for benefits under the City-sponsored plan for employees. Upon attaining age 65, such retiree is eligible to enroll in the Medicare Supplement Plan adopted by the City as a substitute for coverage under the Plan offered to employees.

IV. OTHER INFORMATION (Continued)

The City will pay an amount to be determined each fiscal year for retirees selecting one of the City adopted substitute Medicare Supplement Plans not to exceed 50% of the City adopted standard option substitute Medicare Supplement for retirees who had at least 25 years of continuous service with the City of Temple.

b. A retiree who retired from the City prior to 1998, is over 68 years old, and who is not eligible to receive Medicare benefits, will not be required to enroll in the City-adopted substitute Medicare Supplement program. The City will continue to pay an amount to be determined each fiscal year of the actuarially calculated, non-blended, standard option premium of health insurance for these retirees.

c. The retiree will be responsible for 100% of the premium for any elected dependent coverage.

d. To retain health and/or dental insurance benefits through the City, the retiree must pay the premium for the retiree coverage and any dependent coverage within 45 days of the date on which any premium is due. The City reserves the right to withdraw the eligibility to purchase health and/or dental insurance benefits through the City if a retiree fails to make a premium payment as required.

Dependents not on the employee's health and/or dental insurance at the time of the employee's retirement cannot be added at a later date. Once a covered individual (including the retiree) elects to drop coverage, or coverage is dropped due to lack of payment, they are no longer eligible to be enrolled in the City's health plan or substitute Medicare Supplement plan.

The City is under no obligation, statutory or otherwise to offer other post-employment benefits or pay any portion of the cost of other post-employment benefits to any retirees. Allocation of city funds to pay other post-employment benefits or to make other post-employment benefits available is determined on an annual basis by the City Council as part of the budget approval process.

Employees Covered by Benefit Terms –

At the December 31, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	0
Active employees	884
	985

Total OPEB Liability - RHCP

The City's total OPEB liability for Retiree Health Care Plans of $ 4,664,435 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions –

The total OPEB liability for RHCP in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

IV. OTHER INFORMATION (Continued)

Inflation	2.50% per year
Salary increases	3.60% to 11.85% for TMRS and 3.75% to 9.46% for firefighters, including inflation
Discount rate	3.77% as of December 31, 2023
Demographic assumptions	TMRS - Based on the December 31, 2022, experience study conducted for the Texas Municipal Retirement System (TMRS). Fire – Based on the September 30, 2022, actuarial valuation report for the City of Temple Firefighters' Relief and Retirement Fund.
Health Care Trend Rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.
Mortality rates – TMRS	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality improvement tables are used. Male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Mortality rates – Firefighters	The gender-distinct PubS-2010 Public Retirement Plans mortality tables are used. The rates are projected on a fully generational basis scale MP-2021 to account for future mortality improvements.

Participation Rates –

Age at Retirement	TMRS, eligible for subsidy	Firefighters, eligible for subsidy
Less than 50	10%	50%
Between 50 and 65	40%	50%
65 and over	50%	50%

Discount Rate –

The discount rate changed from 4.05% as of December 31, 2022, to 3.77% as of December 31, 2023. The discount rate equals the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the valuation, the municipal bond rate is 3.77% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 4.05% as of the prior measurement date.

Additionally, the demographic and salary increase assumptions were updated to reflect the 2023 TMRS Experience Study, the mortality assumption for firefighters was updated, and the health care trend rates were updated to better reflect the plan's anticipated experience.

IV. OTHER INFORMATION (Continued)

Changes in the Total OPEB Liability – RHCP

	Increase (Decrease) Total OPEB Liability
Balance at December 31, 2022	$ 4,581,088
Changes for the year:	
Service cost	213,198
Interest	186,747
Change of benefit terms	-
Difference between expected and actual experience	(360,018)
Changes of assumptions	196,731
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(153,311)
Administrative expense	-
Changes in benefit terms	-
Net changes	83,347
Balance at December 31, 2023	$ 4,664,435

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

The following presents the total OPEB liability for RHCP of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability for RHCP would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease in Discount Rate (2.77%)	Current Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	$ 5,336,504	$ 4,664,435	$ 4,102,221

Sensitivity of the Total OPEB Liability – RHCP to Changes in the Healthcare Trend Rate –

Regarding the sensitivity of the total OPEB liability for RHCP of the City to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the City's total OPEB liability would be if it were calculated using healthcare trends that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rate:

	1% Decrease in Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Trend Rate
City's total OPEB liability	$ 3,982,878	$ 4,664,435	$ 5,524,231

IV. OTHER INFORMATION (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB - RHCP

For the year ended September 30, 2024, the City recognized OBEB expense of $ 47,814.

Components of OPEB Expense for the Fiscal Year Ended September 30, 2024 –

Service cost	$	213,198
Interest		186,747
Projected earnings on pension plan investments		-
Amortization of differences between projected and actual earnings on plan investments		-
Amortization of changes of assumptions		(27,013)
Amortization of differences between expected and actual experience		(325,118)
Administrative expenses		-
Changes in benefit terms		-
Total OPEB expense	$	47,814

At September 30, 2024, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	-	$	1,803,734
Changes in assumptions		868,324		1,424,084
Contributions subsequent to the measurement date		118,921		-
Total	$	987,245	$	3,227,818

Deferred outflows of resources related to OPEB for RHCP resulting from contributions subsequent to the measurement date of $ 118,921 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2024 (i.e., recognized in the City's financial statements September 30, 2025). Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Measurement Year Ended December 31		
2024	$	(352,131)
2025		(352,131)
2026		(390,693)
2027		(361,440)
2028		(279,960)
Thereafter		(623,139)
Total	$	(2,359,494)

IV. OTHER INFORMATION (Continued)

(1) Other Post-Employment Benefits Combined Data

For the year ended September 30, 2024, the City's total OPEB liability and OPEB expense is as follows:

Total OPEB Liability		
Texas Municipal Retirement System - SDBF	$	2,356,175
Retiree Health Care Plan		4,664,435
Total OPEB Liability	$	7,020,610
Deferred Outflows of Resources Related to OPEB		
Texas Municipal Retirement System - SDBF	$	353,861
Retiree Health Care Plan		987,245
Total Deferred Outflows of Resources Related to OBEB	$	1,341,106
Deferred Inflows of Resources Related to OPEB		
Texas Municipal Retirement System - SDBF	$	800,446
Retiree Health Care Plan		3,227,818
Total Deferred Inflows of Resources Related to OBEB	$	4,028,264
OPEB Expense		
Texas Municipal Retirement System - SDBF	$	78,082
Retiree Health Care Plan		47,814
Total OPEB Expense	$	125,896

The detail of deferred outflows and inflows related to OPEB can be found in Note III, G.

F. RELATED PARTY TRANSACTIONS

On October 5, 2023, the City awarded a construction contract to construct the Lorraine Avenue and Tower Road Water Line Extension to a council member in the amount of $ 1,154,557. The actual cost of the construction contract was $ 1,146,121. All payments except for retainage were paid by March 15, 2024. The final payment for retainage only was made on October 15, 2024.

G. SUBSEQUENT EVENTS

Management has reviewed and evaluated events and transactions through February 5, 2025, the date the financials statements were avaialbe to be issued. No events occurred that required recognition or disclosure in the financial statements.

APPENDIX C

SELECTED PROVISIONS OF THE ORDINANCE

APPENDIX C

DEFINITIONS AND SELECTED PROVISIONS OF THE ORDINANCE

The following are excerpts of certain provisions of the Master Ordinance and the Thirteenth Supplement. Such excerpts do not purport to be complete or verbatim and reference should be made to the Master Ordinance and the Thirteenth Supplement respectively, for the entirety thereof. Copies of the Master Ordinance and the Thirteenth Supplement are available upon request to the City.

The following capitalized terms appearing in this Official Statement have the meanings set forth below, unless the context otherwise requires. A reference to any of these terms in the singular number includes the plural and vice versa.

Excerpted Definitions from the Master Ordinance and the Thirteenth Supplement

"Annual Debt Service Requirements" means, for any Fiscal Year, (i) the principal of, premium, if any, and interest on all Parity Debt coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such Parity Debt, or be payable in respect of any required purchase of such Parity Debt by the City) plus (ii) all payments required to be made by the City under each Credit Agreement constituting Parity Debt (net of any credits as provided in (7) below) in such Fiscal Year, and minus (iii) all amounts on deposit to the credit of the Interest and Sinking Account from original proceeds from the sale of Parity Debt or from any other lawfully available source (other than moneys that would constitute Pledged Revenues in the subject annual period) and, for such purposes, any one or more of the following rules shall apply at the election of the City; provided, however, that this definition shall never be applied in a manner which results in Annual Debt Service Requirements for any Fiscal Year being an amount that is less than the aggregate amount actually required to be paid in such Fiscal Year with respect to Outstanding Parity Debt:

(1) Committed Take Out. If the City has entered into a Credit Agreement constituting Parity Debt and constituting a binding commitment within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such debt is subject to required purchase, all pursuant to arrangements whereby the City's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharge or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added to such calculation, and the remaining provisions of this definition shall be applied to such added Funded Debt;

(2) Balloon Debt. If the principal, including the accretion of interest resulting from original issue discount or compounding of interest (collectively, "Principal"), of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the City) in any Fiscal Year either is equal to at least 25% of the total Principal of such Funded Debt or exceeds by more than 50% the greatest amount of Principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such Principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of Principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the Principal of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if an Authorized Representative shall deliver to the City an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other payments due on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the City has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of, premium, if any, and interest on Parity Debt, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, if any, or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including, without limitation, capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Parity Debt;

(5) Variable Rate. As to any Parity Debt that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement, at the election of the City, the interest rate

for such Parity Debt shall be determined to be either (i) an interest rate equal to the average rate borne by such Parity Debt (or by comparable debt in the event that such Parity Debt has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, (ii) if the Parity Debt bears interest at tax-exempt rates, an interest rate equal to the 24 month average of the Bond Market Association Bond Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the City determines most closely replicates such index as set forth in a certificate of an Authorized Representative, (iii) if the Parity Debt bears interest at taxable rates, an interest rate equal to the rate of the 30 day London Interbank Offered Rate, (iv) that interest rate which, in the judgment of the Chief Financial Officer, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Parity Debt, is the average rate anticipated to be in effect with respect to such Parity Debt or (v) that interest rate which, in the judgment of the Chief Financial Officer, based upon the interest rate methodology in the applicable Credit Agreement if calculating payments under a Credit Agreement in accordance with paragraph 7 of this definition, is the average rate anticipated to be in effect;

(6) Short-Term Obligations. Notwithstanding anything in the foregoing to the contrary, with respect to any Parity Debt issued as Short-Term Obligations, the debt service on such Parity Debt shall be calculated assuming that such Parity Debt will be refunded and refinanced to mature over a 20-year period with level principal requirements and bearing interest at then current market rates; provided, however, that to the extent permitted by law, if in the judgment of the Chief Financial Officer, as set forth in an Officer's Certificate delivered to the City, the result of the foregoing calculation is inconsistent with the reasonable expectations of the City, the interest on such Parity Debt shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(7) Credit Agreement Payments. If the City has entered into a Credit Agreement in connection with an issue of Parity Debt, payments due under any such Credit Agreement (other than payments for fees and expenses) from either the City or the provider of a Credit Agreement shall be included in such calculation, except to the extent that the payments are already taken into account under clauses (1) through (6) above and any payments otherwise included under clauses (1) through (6) above which are to be replaced by payments under such a Credit Agreement, from either the City or the provider under a Credit Agreement, shall be excluded from such calculation.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Authorized Representative" means the City Manager, Assistant City Manager and Chief Financial Officer or such other individuals so designated by the City to perform the duties of an Authorized Representative under the Master Ordinance or Thirteenth Supplement.

"Bond Insurer" means one or more companies, if any, insuring all or any portion of the Bonds (or any portion thereof) or any successor thereof or assignee thereof.

"Bond Proceeds Account" has the meaning assigned to that term in Section 3(d) of the Master Ordinance.

"Bonds" means the Bonds issued pursuant to and governed by the Thirteenth Supplement, as described in Article II thereof.

"Certified Public Accountant" means a certified public accountant or firm or corporation of certified public accountants, selected by the City, which in the case of an individual is not a member of the City Council or an employee of the City, and in the case of a firm or corporation does not have a partner, director, officer, or employee who is a member of the City or a director, officer, or employee of the City.

"Chief Financial Officer" means the Director of Finance or such other officer or employee of the City or such other individual so designated by the City to perform the duties of Chief Financial Officer under the Master Ordinance or Thirteenth Supplement.

"City" means the City of Temple, Texas.

"Credit Agreement" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Debt, purchase or sale agreements, interest rate swap, cap and/or floor agreement or commitment, or other contract or agreement authorized, recognized, and approved by the City as a Credit Agreement in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of Debt, the interest on Debt, or both.

"Current Interest Bonds" means the Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Thirteenth Supplement.

"Debt" means all indebtedness of the City payable from all or part of the Security that is also:

(1) indebtedness incurred or assumed by the City for borrowed money (including all obligations arising under Credit Agreements) and all other financial obligations of the City that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge, or other security interest upon property owned by the City whether or not the City has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the City, only outstanding Debt shall be included. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the City in prior Fiscal Years.

"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 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 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.

"Defeased Debt" means any Parity Debt and the interest thereon deemed to be paid, retired, and no longer Outstanding pursuant to the provisions of the applicable Supplement authorizing such Parity Debt; and thus, no longer secured by, payable from, or entitled to the benefits of the Security.

"DTC" menas The Depository Trust Company, New York, New York, or any successor securities depository.

"DTC Participant" means securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Enabling Act" means Chapter 1502, Texas Government Code, as amended.

"Federal Securities" 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).

"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 defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with Rule.

"Financing Program" means the "City of Temple, Texas Utility System Revenue Financing Program."

"Fiscal Year" means the twelve-month accounting period used by the City in connection with the operation of the Utility System, currently ending on September 30 of each year, which may be any twelve consecutive month period established by the City, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

"Funded Debt" means all Parity Debt created, assumed, or guaranteed by the City that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of the City to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the City.

"Gross Revenues" and "Gross Revenues of the City's Utility System" mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the Utility System including the interest income from investment or deposit of money in any account or subaccount created by the Master Ordinance or maintained by the City in connection with the Utility System (except any account or subaccount not pledged as Security under the Master Ordinance or any

Supplement) and any other revenues hereafter pledged to the payment of all Parity Debt. Any interest income related to any reserve account shall operate as provided in the applicable Supplement.

"Holder" or "Bondholder" or "owner" means the (i) registered owner of any Parity Debt registered as to ownership, (ii) holder of any Parity Debt payable to bearer or (iii) obligee (other than the City) pursuant to any Credit Agreement.

"Interest and Sinking Account" has the meaning assigned to that term in Section 3(c) of the Master Ordinance.

"Issuance Date" means the date of delivery of the Bonds to the initial purchaser(s) thereof against payment therefor.

"Maintenance and Operating Expenses" means the reasonable and necessary expenses of operation and maintenance of the Utility System as required by Section 1502.056, Texas Government Code, as amended, or other applicable State law including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Chief Financial Officer, are necessary to keep the Utility 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 conditions which would otherwise impair the Parity Debt), and all payments under contracts now or hereafter defined as operating expenses by State law. Depreciation shall never be considered as a Maintenance and Operating Expense.

"Master Ordinance" means this "Master Ordinance Establishing the City of Temple, Texas Utility System Revenue Financing Program" as may be supplemented or amended from time to time as authorized by the City and the Master Ordinance or Thirteenth Supplement.

"Maturity" when used with respect to any Debt means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by call for redemption, or otherwise.

"MSRB" means the Municipal Securities Rulemaking Board.

"Net Revenues" and "Net Revenues of the City's Utility System" mean all Gross Revenues remaining after deducting the Maintenance and Operating Expenses.

"Non-Recourse Debt" means any debt secured by a lien (other than a lien on the Security), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to the Security.

"Officer's Certificate" means a certificate signed by an Authorized Representative.

"Opinion of Counsel" means a written opinion of counsel which shall be acceptable to the City.

"Outstanding" when used with respect to Parity Debt means, as of the date of determination, all Parity Debt theretofore delivered under the Master Ordinance or any Supplement, except:

(1) Parity Debt theretofore cancelled and delivered to the City or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Debt deemed to be Defeased Debt;

(3) Parity Debt upon transfer of or in exchange for and in lieu of which other Parity Debt has been authenticated and delivered pursuant to the Master Ordinance or any Supplement; and

(4) Parity Debt under which the obligations of the City have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that unless the same is acquired for purposes of cancellation, Parity Debt owned by the City and Parity Debt purchased with funds advanced pursuant to a Credit Agreement shall be deemed to be Outstanding as though it was owned by any other owner.

"Outstanding Principal Amount" means, as of any record date established by a Registrar in connection with a proposed amendment of the Master Ordinance or any Supplement, with respect to all Parity Debt or to a series of Parity Debt that is in the form of bonds, notes, or other similar instruments that have a stated principal amount, the outstanding and unpaid principal amount of such Parity Debt on which interest is paid on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Debt paying accrued, accreted, or compounded interest only at maturity and, with respect to Credit Agreements shall total the amount, if any, then due under such Credit Agreement if it was to be terminated as of the date of calculation of Outstanding Principal Amount.

"Owner" means the registered owners of the Bonds as shown on the Security Register and to the extent set forth in a Credit Agreement relating to the Bonds, the party contracting with the City under a Credit Agreement.

"Parity Debt" means all Debt of the City which may be issued or assumed in accordance with the terms of the Master Ordinance and a Supplement, subject to the provisions of the ordinances securing the Prior Obligations, secured by a lien on and pledge of the Security.

"Paying Agent" means the agent selected and appointed by the City for purposes of paying the principal of, premium, if any, and interest on the Bonds to the Owners thereof, as identified in Section 2.03 of the Thirteenth Supplement and any successor to such agent.

"Paying Agent/Registrar" means, collectively, the Paying Agent and the Registrar designated in Section 2.03 of the Thirteenth Supplement or any successor to such agent.

"Paying Agent/Registrar Agreement" means the agreement having such name executed by and between the City and the Paying Agent/Registrar.

"Pledged Revenues" means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Parity Debt, and excluding those revenues excluded from Gross Revenues.

"Predecessor Bonds" means predecessor Bonds as defined in Section 2.05(a) of the Thirteenth Supplement.

"Prior Obligations" means the City of Temple, Texas Utility System Revenue Bonds, Series 2006 (the "Series 2006 Bonds"); City of Temple, Utility System Revenue Bonds, Series 2008 (the "Series 2008 Bonds"); and City of Temple, Texas Utility System Revenue Bonds, Series 2010 (the "Series 2010 Bonds")(1).

"Rebate Account" means the account by that name described in Section 4.02 of the Thirteenth Supplement.

"Record Date" means, with respect to each interest payment date of a Bond, the 15th day of the next preceding month.

"Registrar" means the entity designated in a Supplement as the Registrar of a series or issue of Parity Debt.

"Reserve Account" means the account that was described in Section 4.03 of the Thirteenth Supplement.

"Reserve Account Obligation" means a surety bond or insurance policy deposited in any reserve account established pursuant to a Supplement whereby the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Section" means, unless the context clearly requires otherwise, refers to a Section of the Thirteenth Supplement.

"Security" has the meaning assigned to that term in Section 2(a) of the Master Ordinance.

"Security Register" means the books and records kept and maintained by the Registrar relating to the registration, transfer, exchange, and payment of the Bonds and the interest thereon.

"Special Project" means, to the extent permitted by law, any waterworks, sanitary sewer, wastewater reuse, municipal drainage system or other similar system property, improvement or facility declared by the City not to be part of the Utility System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes, Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes, Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

"State" means the State of Texas.

"Stated Maturity" when used with respect to any Parity Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Parity Debt or such installment of interest as a fixed date on which the principal of such Parity Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

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(1) There are no Prior Obligations outstanding.

"Subordinated Debt" means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Debt then outstanding or subsequently issued.

"Supplement" means a resolution supplemental to, and authorized and executed pursuant to the terms of, the Master Ordinance as may be supplemented or amended from time to time as authorized by the City and such Supplement.

"System Account" has the meaning assigned to that term in Section 3(b) of the Master Ordinance.

"Term of Issue" means with respect to any Balloon Debt a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

"Thirteenth Supplement" means the Thirteenth Supplemental Ordinance, which was adopted pursuant to authority reserved by the City under the Master Ordinance.

"Utility System" or "System" means as currently comprised, the City's combined waterworks and sewer system, which includes all properties, facilities, plants, improvements, equipment, interests and rights currently owned, operated and maintained by the City for the supply, treatment, and transmission and distribution of treated potable water and collection and treatment of wastewater, and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, whether situated within or without the limits of the City, and all water (in any form) owned by the City; provided, however, that the City expressly retains the right to (i) sale or disaggregate the Utility System as set forth in Section 6(q) of the Master Ordinance and (ii) incorporate any other utility system (other than telecommunications system) as provided by the laws of the State as a part of the Utility System. The Utility System shall not include any Special Project or any disaggregated part of the Utility System as provided in the Master Ordinance.

Excerpted Provisions of the Master Ordinance

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Section 1. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. As authorized by the Enabling Act and other applicable provisions of State law, the Utility System Revenue Financing Program is hereby established for the purpose of providing a new financing structure for the issuance of Debt by the City secured by and payable from a pledge of and lien on all or part of the Security subject to the provisions of the ordinances authorizing the Prior Obligations[(1)]. The Master Ordinance is intended to establish a master financing program under which Parity Debt of the Financing Program can be incurred. Each issue or series of Parity Debt shall be issued pursuant to a Supplement and no Parity Debt shall be issued unless the City has complied with the Master Ordinance. The City covenants that it will not issue obligations payable from Net Revenues with a lien superior to the lien created by the Master Ordinance.

Each Supplement shall provide for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of each issue or series of Parity Debt and any other matters related to Parity Debt not inconsistent with the Master Ordinance.

Section 2. SECURITY AND PLEDGE. (a) Pledge. Subject to the provisions of the ordinances authorizing the Prior Obligations[(1)], Parity Debt shall be secured by and payable solely from a lien on and pledge of the following (collectively, the "Security"): (i) all Pledged Revenues; (ii) all amounts in the System Account and the Interest and Sinking Account; (iii) any additional account or subaccount that is subsequently established and so designated as being included within the Security pursuant to Section 3(f) hereof; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; and (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement. With respect to any applicable series of Parity Debt, the term "Security" shall also include all amounts in any reserve account or subaccount applicable to such Parity Debt pursuant to Section 3(e) hereof, including any reserve fund surety policy or other Credit Agreement entered into for the benefit of such account or subaccount. The City hereby assigns and pledges the Security to the payment of the Annual Debt Service Requirements on Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, and the Security is further pledged to the establishment and maintenance of any accounts or subaccounts which may be provided to secure the repayment of Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, in accordance with the Master Ordinance and any Supplement.

(1) There are no Prior Obligations outstanding.

(b) Credit Agreements. Pursuant to Chapter 1371, Texas Government Code, as amended, the City may execute and deliver one or more Credit Agreements (i) to additionally secure Parity Debt or an issue or series or part of any issue or series of Parity Debt or (ii) in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing or redemption of Parity Debt or an issue or series or part of an issue or series of Parity Debt or interest on an issue or series or part of an issue or series of Parity Debt without regard to whether a Credit Agreement was contemplated, authorized or executed in relation to the initial issuance, sale or delivery of Parity Debt. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute: (i) Parity Debt secured by a pledge of the Security on parity with all Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt or (iii) partially on a parity with Parity Debt and partially as Subordinated Debt.

(c) Perfection. Chapter 1208, Texas Government Code, applies to the issuance of Parity Debt and the pledge of the Security granted by the City under this Section and in any applicable Supplement, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while Parity Debt is outstanding and unpaid such that the pledge of the Security granted by the City under this Section and in any applicable Supplement is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve for the owners of Parity Debt the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 3. ACCOUNTS. (a) Creation or Affirmation of Funds. The City hereby establishes and/or affirms the creation of the following funds or accounts:

(i) the System Revenue Fund or Account (the "System Account");

(ii) the Utility System Interest and Sinking Account (the "Interest and Sinking Account"); and

(iii) the Utility System Bond Proceeds Account (the "Bond Proceeds Account").

(b) System Account. Subject to the provisions of Section 4 of the Master Ordinance, moneys in the System Account may be used for any lawful purpose authorized pursuant to the Enabling Act and other State law.

(c) Interest and Sinking Account. Moneys in the Interest and Sinking Account shall be used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as the same become due and payable (whether at Stated Maturity or upon prior redemption), and the City shall maintain such account as long as Parity Debt is Outstanding.

(d) Bond Proceeds Account. Proceeds from the issuance of Parity Debt shall be deposited from time to time upon the issuance of such Parity Debt as provided by the applicable Supplement into the Bond Proceeds Account, or any subaccount thereof created with respect to such Parity Debt. Such proceeds and the interest thereon shall remain in the Bond Proceeds Account or applicable subaccount thereof until expended to accomplish the purposes for which such Parity Debt was issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Bond Proceeds Account do not constitute Security.

(e) Reserve Accounts or Subaccounts. The City may establish a reserve account and/or any other account or subaccount pursuant to the provisions of the applicable Supplement for the purpose of paying or securing a particular issue or series of Parity Debt or any specific group of issues or series of Parity Debt and the amounts, once deposited into said accounts or subaccounts, shall no longer constitute Security for all Parity Debt but shall be held solely for the benefit of the owners of the particular issue or series or group of issues or series of Parity Debt for which such account or subaccount was established. Each such account or subaccount shall be designated in such manner as is necessary to identify the Parity Debt it secures and to distinguish such account or subaccount from any other accounts created for the benefit of any other Parity Debt. Any such reserve accounts or subaccounts shall be established in the Supplement related to such series or issue of Parity Debt. The City may, in its discretion, provide in the applicable Supplement for a surety bond, insurance policy or other Credit Agreement, to the extent then authorized by State law, to be held for the benefit of such a reserve account or subaccount.

(f) Other Accounts. The City reserves the right to establish, in connection with the issuance of Parity Debt or for other purposes, one or more additional accounts or subaccounts for such other purposes as the City may determine from time to time. The City may, at its option, declare in the action establishing the account or subaccount that the amounts in such additional account or subaccount will be either included within or excluded from the Security.

Section 4. FLOW OF FUNDS. All Gross Revenues shall be deposited in the System Account immediately upon receipt by the City. All Gross Revenues are hereby and shall be appropriated, deposited, and transferred from the System Account to the other accounts and subaccounts to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, including, but not limited to, Chapter 1502, Texas Government Code, as amended, to be a first charge on and claim against the Gross Revenues, including any reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year as determined by the Chief Financial Officer, which amount shall be retained in the System Account;

SECOND: to the payment of amounts required to be deposited and credited to all funds and accounts to meet all financial obligations of the City relating to the Prior Obligations[(1)];

THIRD: to the payment of amounts required to be deposited and credited to the Interest and Sinking Account to meet all financial obligations of the City relating to the Financing Program, including payments due on or with respect to the payment of Parity Debt as the same mature or come due;

FOURTH: pro rata, on the basis that the Outstanding Principal Amount of each particular issue or series of Parity Debt secured by a reserve account bears to the aggregate Outstanding Principal Amount of all such issues or series of such Parity Debt secured by any reserve account, to the payment of the amounts required to be deposited and credited to each reserve account created and established to maintain a reserve in accordance with the provisions of any Supplement relating to the issuance of any Parity Debt;

FIFTH: any amounts to be deposited into any other fund, account or subaccount to the extent required pursuant to the provisions of any Supplement relating to the issuance of Parity Debt;

SIXTH: to the extent required by any resolution or other instrument adopted or approved by the City pursuant to which Subordinated Debt is issued, the amount necessary to meet all financial obligations on such Subordinated Debt and to accumulate or restore any required reserves to ensure payment of such principal, premium, and interest shall be deposited to any account or subaccount created for such purpose; and

SEVENTH: all remaining Pledged Revenues shall be retained in the System Account and may be used for any lawful purpose authorized pursuant to the Enabling Act and other State law.

Section 5. RATE COVENANT. For the benefit of the Holders of the Parity Debt and in addition to all provisions and covenants in the laws of the State and in the Master Ordinance and any Supplement, the City hereby expressly stipulates and agrees, while any of the Parity Debt is Outstanding, to establish and maintain rates and charges for facilities and services afforded by the Utility System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

1. to pay Maintenance and Operating Expenses;

2. to pay and meet all financial obligations related to the Prior Obligations[(1)];

3. to produce Pledged Revenues at least equal to the greater of 1.25 times the average Annual Debt Service Requirements or 1.10 times the maximum Annual Debt Service Requirements;

4. to produce Pledged Revenues in amounts sufficient to enable the City to make the deposits and credits, if any, from Pledged Revenues to the accounts and subaccounts required by the Master Ordinance and any Supplement including to fund or replenish any reserve account required by a Supplement, including the payment of any Reserve Account Obligation then due.

5. to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the City expects will be utilized to pay all or part of the principal of and/or interest on any obligations) sufficient to meet all financial obligations for Subordinate Debt issued by the City; and

6. to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Security.

Should the annual audit report reflect that the Security for the Fiscal Year covered thereby is less than necessary to meet the requirements of this Section, the City Council will review the operations of the Utility System and the rates and charges for services provided, and the City Council will make the necessary adjustments or revisions, if any, in order that the Security for the succeeding year will be sufficient to satisfy the foregoing coverage requirements.

Section 6. GENERAL REPRESENTATIONS AND COVENANTS. The City further represents, covenants and agrees that while Parity Debt or interest thereon is Outstanding:

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(1) There are no Prior Obligations outstanding.

(a) Payment of Parity Debt. The City will duly and punctually pay solely from the Security, (i) the Annual Debt Service Requirements on, and other payments with respect to, each and every Parity Debt on the dates and at the places, as such Parity Debt accrues or matures, or becomes subject to mandatory redemption prior to maturity and such payments will be made in the manner provided in said Parity Debt and the Supplement governing its issuance, according to the true intent and meaning thereof and (ii) the fees and expenses related to Parity Debt, including the fees and expenses of the Paying Agent and any registrar, trustee, remarketing agent, tender agent, or credit provider.

(b) Performance. The City will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Master Ordinance and in each Supplement, and in each and every Parity Debt or evidence thereof and will take such action as is reasonably possible to perform each and every duty with respect to the Parity Debt.

(c) Redemption. The City will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Parity Debt which by its terms is mandatorily required to be redeemed prior to maturity, when and as required.

(d) Determination of Annual Debt Service Requirements. For all purposes of the Master Ordinance, the judgment of the Chief Financial Officer shall be deemed final in the determination of the Annual Debt Service Requirements of the Financing Program.

(e) Lawful Authority. The City is lawfully authorized to pledge the Security herein pledged in the manner prescribed herein and has lawfully exercised such right.

(f) Preservation of Lien. Subject to the conditions set forth in subsection (g) of this Section and in Section 7 of the Master Ordinance, the City (i) will not do or suffer any act or thing whereby the pledge of the Security might or could be impaired and (ii) will take all actions to the extent necessary to ensure that the City does not do or suffer any act or thing whereby the pledge of the Security might or could be impaired.

(g) No Additional Encumbrance. The City shall not incur additional Debt secured by the Security in any manner, except as permitted by the Master Ordinance in connection with Parity Debt, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Master Ordinance and any Supplement. Any Debt incurred by the City without satisfying the conditions for the issuance of Parity Debt, as set forth in the Master Ordinance, is hereby declared to be Subordinated Debt junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Master Ordinance and any Supplement whether such status is noted or not.

(h) Investments and Security. Moneys in all accounts and subaccounts established pursuant to the Master Ordinance and any Supplement will be held uninvested or invested and secured in the manner prescribed by State law for such funds and in accordance with the applicable Supplement and written policies adopted by the City. The investments of each account and subaccount shall be made under conditions that will timely provide money sufficient to satisfy the City's obligations hereunder and under any Supplement. Money in all accounts and subaccounts established pursuant to the Master Ordinance and any Supplement may be combined for investment purposes, as directed by the City. Such treatment does not constitute a commingling of the money in such accounts and subaccounts and the City shall keep or cause to be kept full and complete records indicating the money, investments and securities credited to each such account and subaccount. Any profits or losses from investments shall be credited or charged, respectively, on a pro rata basis among the accounts and other sources of money from which such investment was made.

(i) Records; Annual Audit. The City will keep proper books of record and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Utility System. Each year while any Parity Debt is Outstanding, the City covenants that as soon as practicable beginning with the end of the first Fiscal Year in which Parity Debt is issued, it will prepare or cause to be prepared a financial report of the Utility System for such Fiscal Year in accordance with generally accepted accounting principles, certified by a Certified Public Accountant. The City shall promptly furnish such audited financial report to the municipal bond rating agencies then maintaining a rating on Parity Debt and to any owner of Parity Debt who shall request the same, and shall file or make available such audited financial report as required by each Supplement. In addition, a copy of each such audited financial report shall be retained on file in the City's finance office and open to the inspection of the owners of Parity Debt, and their respective agents and representatives, at all reasonable times during regular business hours, for at least 365 days following the preparation thereof.

(j) Inspection of Records. The City will permit any owner or owners of twenty-five percent (25%) or more of the then Outstanding Principal Amount of Parity Debt at all reasonable times to inspect all records, accounts, and data of the City relating to the Utility System and the Financing Program, except such records as federal or State law may designate as privileged and exempt from disclosure.

(k) Title. The City has or will obtain lawful title to the lands, buildings, structures and facilities constituting the Utility System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of any Owner of the Parity Debt, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Debt in the manner prescribed herein, and has lawfully exercised such rights.

(l) Liens. The City will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the Utility System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(m) Operation of Utility System. The City will, while the Parity Debt is Outstanding and unpaid, continuously and efficiently operate the Utility System, and shall maintain the Utility System in good condition, repair and working order, all at reasonable cost. Except as may be authorized by law, the City's shall not provide any free service from the Utility System.

(n) Sale or Disposal of Property. While the Parity Debt is Outstanding and unpaid, the City will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the Utility System, or any significant or substantial part thereof; provided that whenever the City deems it necessary to dispose of any property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by an Authorized Representative that no such replacement or substitute is necessary; and, provided further, that the City retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the Utility System if (i) the Authorized Representative delivers a certificate to the City Council to the effect that, following such action by the City, the Utility System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while the Parity Debt is to be Outstanding to comply with the obligations of the City contained in the Master Ordinance, (ii) the City Council makes a finding and determination to the same effect as the certificate of the Authorized Representative set forth in (i) above and (iii) for insured Parity Debt, the Net Revenues for the Fiscal Year prior to such sell, conveyance, mortgage, encumbrance, lease or disposal of any significant or substantial part of the Utility System are at least equal to 1.35 times the average Annual Debt Service requirements or for uninsured Parity Debt, each Rating Agency then maintaining a rating on such Parity Debt delivers a letter to the City to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition of a significant or substantial part of the Utility System will not cause the Rating Agency to withdraw or lower the rating then in effect. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the Utility System or to purchase or redeem Parity Debt.

(o) Insurance. The City shall cause to be insured such parts of the Utility System as would usually be insured by municipal corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by municipal corporations operating like properties, including, to the extent reasonably obtainable at reasonable cost, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney of the City gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Owners and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. Subject to the provisions of the Ordinances authorizing the Prior Obligations(1) the proceeds of insurance covering such property are hereby pledged as security for the Parity Debt and, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the Utility System shall be used promptly as follows:

(i) for the redemption prior to maturity of the Parity Debt, ratably in the proportion that the Outstanding principal of each series of Parity Debt bears to the total Outstanding principal of all Parity Debt, provided that if on any such occasion the principal of any such series is not subject to redemption, it shall not be regarded as Outstanding in making the foregoing computation; or

(ii) if none of the Outstanding Parity Debt is subject to redemption, then for the purchase on the open market and retirement of said Parity Debt in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; provided that the purchase price for any Parity Debt shall not exceed the redemption price of such Parity Debt on the first date upon which it becomes subject to redemption; or

(1) There are no Prior Obligations outstanding.

(iii) to the extent that the foregoing clauses (i) and (ii) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the City, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(2) The foregoing provisions of (1) above notwithstanding, the City shall have authority to enter into a self insurance program or coinsurance or similar plans where risk of loss is shared in whole or in part by the City.

(3) The payment of premiums for all insurance policies required under the provisions hereof and the costs associated with the maintenance of any self-insurance program shall be considered Maintenance and Operating Expenses. Nothing in the Master Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the Utility System, but nothing herein shall be construed as preventing the City from doing so.

(p) Governmental Agencies. The City will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the Utility System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the Utility System.

(q) Disaggregation of Utility System. The City retains the right to disaggregate the Utility System into one or more independent resulting systems if (i) the Authorized Representative delivers a certificate to the City Council to the effect that, following such action by the City, the remaining System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Debt is to be Outstanding to comply with the obligations of the City contained in the Master Ordinance and any Supplement; (ii) the City Council makes a finding and determination to the same effect as the certificate of the Authorized Representative set forth in (i) above and (iii) for insured Parity Debt the Net Revenues for the Fiscal Year after disaggregation will be equal to at least 1.35 times the average Annual Debt Service Requirements or for uninsured Parity Debt, each Rating Agency then maintaining a rating on any Parity Debt delivers a letter to the City to the effect that such disaggregation will not cause the Rating Agency to withdraw or lower the rating then in effect.

Section 7. ISSUANCE OF PARITY DEBT.

(a) General. The City reserves and shall have the right and power to issue or incur Parity Debt for any purpose authorized by State law, including the refunding of Parity Debt, Prior Obligations(1), Subordinated Debt, or other obligations of the City issued to finance the costs of a project authorized to be financed under the Financing Program, pursuant to the provisions of the Master Ordinance and Supplements to be hereafter authorized. The City hereby covenants and agrees to comply with all constitutional and statutory requirements of State law and, to the extent applicable, federal law governing the issuance of Parity Debt.

(b) Parity Debt. Provided that the City is in compliance with the requirements of any then applicable provisions of State law, the City may from time to time incur, assume, guarantee, or otherwise become liable in respect of Parity Debt if, in the applicable Supplement, the City finds that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. In addition, the City shall not issue or incur such Parity Debt unless (i) an Authorized Representative shall deliver to the City an Officer's Certificate stating that, to the best of his or her knowledge, the City, has not failed to comply with the covenants contained in the Master Ordinance and any Supplement, to any material extent, and are not in default, to any material extent, in the performance and observance of any of the terms, provisions, and conditions hereof, thereof or under any Credit Agreement that constitutes Parity Debt and (ii) the Chief Financial Officer signs and delivers to the City a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Parity Debt, the Net Earnings were, in the opinion thereof, at least equal to the sum of 1.25 times the average Annual Debt Service Requirements (computed on a Fiscal Year basis) of the Parity Debt to be outstanding after the issuance of the then proposed Parity Debt and 1.10 times the average annual debt service requirement (computed in the same manner as for Parity Debt) of the Subordinate Debt to be outstanding after the issuance of the then proposed Parity Debt.

In making a determination of Net Earnings for any of the purposes described in this Section, the Chief Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the Utility System that became effective at least 60 days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the Utility System for the period of time covered by said Chief Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Chief Financial Officer's certificate or opinion.

(1) There are no Prior Obligations outstanding.

As used in this Section, the term "Net Earnings" shall mean the Gross Revenues of the Utility System after deducting the Maintenance and Operating Expenses of the Utility System but not expenditures which, under standard accounting practice, should be charged to capital expenditures.

(c) Credit Agreements. To the extent permitted by law, the City may execute and deliver one or more Credit Agreements (i) upon the delivery to the City of the Chief Financial Officer's Certificate to the effect that the Credit Agreement is in the best interest of the City and (ii) compliance with the requirements of subsection (b) or (c) of this section, as the case may be, if the Credit Agreement is to constitute Parity Debt. Each Credit Agreement shall be approved by the City, to the extent required by law, either pursuant to a Supplement or by other action. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute (i) Parity Debt secured by a pledge of the Security on parity with other Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt, or (iii) partially Parity Debt and partially Subordinated Debt.

(d) Non-Recourse Debt and Subordinated Debt. Non-Recourse Debt and Subordinated Debt may be incurred by the City in accordance with State law.

Section 8. WAIVER OF CERTAIN COVENANTS. The City may omit in any particular instance to comply with any covenant or condition set forth in Sections 6 and 7 hereof if before or after the time for such compliance the Holders of the same percentage in Outstanding Principal Amount, the consent of which would be required to amend the applicable provisions to permit such noncompliance, shall either waive such compliance in the particular instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the City and the duties of the City in respect of any such covenant or condition shall remain in full force and effect. For the purpose of this Section, the City may determine in each Supplement the treatment of who may act as an "owner," "Holder," or "Bondholder" and other matters relating to such Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

Section 9. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the City contained in the Master Ordinance and any Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, the Utility System and the City to the full extent authorized or permitted by State law. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the City Council or agent or employee of the City in his or her individual capacity and neither the members of the City Council, nor any officer, employee, or agent of the City shall be liable personally on Parity Debt when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10. SPECIAL OBLIGATIONS; ABSOLUTE OBLIGATION TO PAY PARITY DEBT. All Parity Debt and the interest thereon shall constitute special obligations of the City payable from the Security and the owners of Parity Debt shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than those specified in the Master Ordinance or any Supplement. The obligation of the City to pay or cause to be paid the amounts payable under the Master Ordinance and each Supplement out of the Security shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the City might otherwise have against any owner or any other party and regardless of any contingency, force majeure, event, or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Debt while any Parity Debt is outstanding.

Section 11. DEFAULTS AND REMEDIES. (a) Events of Default. Each of the following occurrences or events for the purpose of the Master Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any Debt 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 Registered Owners of the Debt, including, but not limited to, their prospect or ability to be repaid in accordance with the Master Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the City.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City, or any official, officer or employee of the City in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under the Master 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 Registered Owners hereunder or any combination of such remedies.

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

(c) 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 Debt or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of the Master Ordinance, the right to accelerate the Debt shall not be available as a remedy under the Master Ordinance.

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

(iii) By accepting the delivery of Debt authorized under the Master Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in the Master 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 or the City Council.

(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 Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of the Master Ordinance, or because of any Event of Default or alleged Event of Default under the Master Ordinance.

Section 12. DEFEASANCE OF PARITY DEBT. Each Supplement authorizing Parity Debt may provide by its respective terms the circumstances and conditions under which such Parity Debt may be considered Defeased Debt.

Section 13. AMENDMENT OF MASTER ORDINANCE. (a) Amendment Without Consent. The Master Ordinance and the rights and obligations of the City and of the owners of the Outstanding Parity Debt may be modified or amended at any time without notice to or the consent of any owner of the Outstanding Parity Debt, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City contained in the Master Ordinance, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City in the Master Ordinance;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Master Ordinance, upon receipt by the City of an approving Opinion of Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Master Ordinance;

(iii) To supplement the Security for the Outstanding Parity Debt in accordance with the Constitutional Provision and State law;

(iv) To make such other changes in the provisions hereof as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of Outstanding Parity Debt;

(v) To make any changes or amendments requested by the State Attorney General's Office as a condition to the approval of a series or issue of Parity Debt, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the Outstanding Parity Debt; or

(vi) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the Outstanding Parity Debt.

(b) Amendments With Consent. Subject to the provisions of Section 13(g) of the Master Ordinance, the owners of Outstanding Parity Debt aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to the Master Ordinance which may be deemed necessary or desirable by the City; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Debt (unless such amendment shall be determined by the City to affect only the owners of certain Parity Debt, in which case such amendment shall not be made without the approval of the owners so affected), the amendment of the terms and conditions in the Master Ordinance so as to:

(i) Grant to the owners of any Outstanding Parity Debt a priority over the owners of any other Outstanding Parity Debt; or

(ii) Materially adversely affect the rights of the owners of less than all Parity Debt then Outstanding; or

(iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment; or

(iv) Make any change in the maturity of any Outstanding Parity Debt; or

(v) Reduce the rate of interest borne by any Outstanding Parity Debt; or

(vi) Reduce the amount of the principal payable on any Outstanding Parity Debt; or

(vii) Modify the terms of payment of the amounts required to meet any financial obligations of the City relating to the Financing Program, including payments due on or with respect to the payment of any Outstanding Parity Debt, or impose any conditions with respect to such; or

(viii) Amend this subsection (b) of this Section.

(c) Notice. If at any time the City shall desire to amend the Master Ordinance pursuant to subsection (b) of this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State (including, but not limited to, The Texas Bond Reporter), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Registrar for any Parity Debt for inspection by all owners of Parity Debt. Such publication is not required, however, if the City gives or causes to be given such notice in writing, by certified mail, to each owner of Parity Debt. A copy of such notice shall be provided in writing to each national rating agency maintaining a rating on any Parity Debt.

(d) Receipt of Consents. With respect to any amendment undertaken pursuant to subsection (b) above, whenever at any time the City shall receive an instrument or instruments executed by all of the owners or the owners of a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the City may adopt the amendatory resolution in substantially the same form.

(e) Effect of Amendments. Upon the adoption by the City of any resolution to amend the Master Ordinance pursuant to the provisions of this Section, the Master Ordinance shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the City and all the owners of then Outstanding Parity Debt and all future Parity Debt shall thereafter be determined, exercised, and enforced under the Master Ordinance, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Parity Debt pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section or the date of such consent, whichever is later, and shall be conclusive and binding upon all future owners of the same Parity Debt during such period. Such consent may be revoked at any time after the applicable period of time that a consent is irrevocable by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar for such Parity Debt and the City, but such revocation shall not be effective if the owners of the requisite amount of the Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment. Notwithstanding the foregoing, any consent given by an owner at the time of and in connection with the initial sale or incurrence of an issue or series Parity Debt by the City shall be irrevocable.

(g) Ownership. For the purpose of this Section, the City may determine in each Supplement the treatment of who may act as an "owner," "Holder," or "Bondholder" and other matters relating to all Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

(h) Amendments of Supplements. Each Supplement shall contain provisions governing the ability of the City to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of Outstanding Parity Debt under such Supplement a priority over the owners of any other Outstanding Parity Debt.

Excerpted Provisions of the Thirteenth Supplement

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Section 1.02. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. (a) Thirteenth Supplement. By adoption of the Master Ordinance, the City has established the City of Temple, Texas Utility System Revenue Financing Program for the purpose of enabling the City to provide for the financing of utility system projects authorized by the Enabling Act and any other applicable provisions of State law pursuant to which, subject to the payment of maintenance and operating expenses, the City may issue and enter into obligations, including bonds and other types of obligations, secured by and payable from a pledge of and lien on all or part of the Security. The Thirteenth Supplement provides for the authorization, form, characteristics, provisions of payment and redemption, and security of the Bonds. The Thirteenth Supplement is subject to the terms of the Master Ordinance and the terms of the Master Ordinance are incorporated herein by reference and as such are made a part hereof for all purposes.

(b) Bonds Are Parity Debt. As required by Section 7 of the Master Ordinance governing the issuance of Parity Debt such as the Bonds, the City hereby finds that, upon the issuance of the Bonds, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. The Bonds are hereby declared to be Parity Debt under the Master Ordinance.

Section 1.03. THIRTEENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, the Thirteenth Supplement shall be deemed to be and shall constitute a contract between the City and the Owners from time to time of the Bonds, and the pledge made in the Thirteenth Supplement by the City and the covenants and agreements set forth in the Thirteenth Supplement to be performed by the City shall be for the equal and proportionate benefit, security, and protection of all Owners from time to time of the Bonds, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the other Bonds by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by the Thirteenth Supplement and the Master Ordinance.

Section 1.04. LIMITATION OF BENEFITS WITH RESPECT TO THE THIRTEENTH SUPPLEMENT. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of the Thirteenth Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the City, the Owners, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to the Thirteenth Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. The Thirteenth Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the City, the Owners, and the Paying Agent/Registrar as herein and therein provided.

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Section 4.01. PAYMENTS. (a) Accrued and Capitalized Interest. Immediately after the delivery of the Bonds the City shall deposit any accrued interest and any sale proceeds to be used to pay capitalized interest received from the sale and delivery of such Bonds to the credit of the Interest and Sinking Account to be held to pay interest on such Bonds.

(b) Debt Service Payments. Semiannually on or before each principal or interest payment date while any of the Bonds are outstanding and unpaid, commencing on the first interest payment date for the Bonds, the City shall make available from the Interest and Sinking Account to the Paying Agent/Registrar, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such principal, redemption, or interest payment date. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the City with an appropriate certificate of cancellation.

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(1) There are no Prior Obligations outstanding.

Section 4.03. **<u>RESERVE ACCOUNT</u>**. (a) To accumulate and maintain a reserve for the payment of the Bonds equal to the Average Annual Debt Service Requirements of the Bonds (calculated by the City at the beginning of each Fiscal Year) (the "Required Reserve Amount"), the Reserve Account has been established and shall be maintained by the City. Earnings and income derived from the investment of amounts held for the credit of the Reserve Account shall be retained in the Reserve Account until the Reserve Account contains the Required Reserve Amount; thereafter, such earnings and income shall be deposited to the credit of the System Account. The City shall deposit and credit to the Reserve Account amounts required to maintain the balance in the Reserve Account in an amount equal to the Required Reserve Amount by making monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve Amount or by the deposit of a Reserve Account Obligation. There shall be deposited into the Reserve Account any Reserve Account Obligations so designated by the City. All funds, investments and Reserve Account Obligations on deposit and credited to the Reserve Account shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Account Obligation Payments and (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds. The Reserve Account is solely for the benefit of this series of Bonds and is not available to pay Annual Debt Service Requirements on any other Parity Debt.

(b) When and for so long as the cash, investments and Reserve Account Obligations in the Reserve Account equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Account; but, if and when the Reserve Account at any time contains less than the Required Reserve Amount, the City covenants and agrees that the City shall cure the deficiency in the Reserve Account by resuming monthly deposits to such Account from the Pledged Revenues in amounts equal to not less than 1/60th of the Required Reserve Amount has been fully restored; provided, however, that no such deposits shall be made into the Reserve Account during any six month period beginning on an interest payment date until there has been deposited into the Interest and Sinking Account the full amount required to be deposited therein by the next following semi-annual payment date, as the case may be. In addition, in the event that a portion of the Required Reserve Amount is represented by a Reserve Account Obligation, the Required Reserve Amount shall be restored as soon as possible from monthly deposits of Pledged Revenues on deposit in the System Account, but subject to making the full deposits and credits to the Interest and Sinking Account required to be made by the next following interest payment date, as the case may be. The City further covenants and agrees that, subject only to the prior deposits and credits to be made to the Interest and Sinking Account, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount, including by paying Reserve Account Obligation Payments when due, and to cure any deficiency in such amounts as required by the terms of the Thirteenth Supplement.

During such time as the Reserve Account contains the Required Reserve Amount, the obligation to maintain the Required Reserve Amount has been suspended pursuant to subsection (d) below or any cash is replaced with a Reserve Account Obligation pursuant to subsection (c) below, the City may, at its option, withdraw all surplus funds in the Reserve Account and deposit such surplus in the Interest and Sinking Account or otherwise use such amount in any manner permitted by law unless such surplus is required to be rebated in which case such event shall be deposited into the Rebate Account.

(c) A Reserve Account Obligation issued in an amount equal to all or part of the Required Reserve Amount for the Bonds may be used in lieu of depositing cash into the Reserve Account. In addition, a Reserve Account Obligation may be substituted for monies and investments in the Reserve Account if the substitution of the Reserve Account Obligation will not, in and of itself, cause any ratings then assigned to the Bonds by any rating agency to be lowered and the ordinance authorizing the substitution of the Reserve Account Obligation for all or part of the Required Reserve Amount contains a finding that such substitution is cost effective.

(d) Notwithstanding anything to the contrary contained herein, the requirement set forth in subsection (a) above to maintain the Required Reserve Amount in the Reserve Account shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 1.35 times the average Annual Debt Service Requirements. In the event that the Net Revenues for any Fiscal Year are less than 1.35 times the average Annual Debt Service Requirements for such Fiscal Years, the City will be required to commence making Required Reserve Account Deposits, as provided in subsection (b) above, and to continue such Required Reserve Account Deposits until the earlier of (i) such time as the Reserve Account contains the Required Reserve Amount or (ii) the Net Revenues in each of two consecutive years have been equal to at least 1.35 times the average Annual Debt Service Requirements. Notwithstanding the provisions of Section 4.03(a) of this section, if the City commences deposits in the Reserve Account and the requirement to maintain the Reserve Requirement is later suspended any funds so accumulated may, at the discretion of the City: (i) remain in the Reserve Account or (ii) be used for any lawful purpose including additional projects or to pay debt service on the Bonds.

(e) A Reserve Account Obligation permitted under (a) above, must be in the form of a surety bond or insurance policy meeting the requirements described below.

> (1) (i) A surety bond or insurance policy issued to the Paying Agent/Registrar, as agent of the Holders, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Bonds (a "municipal bond insurer") if the claims paying ability of the issuer thereof shall be rated "AAA" or "Aaa," respectively, by S&P and Moody's, or (ii) a surety bond or insurance policy issued to the Paying Agent/Registrar, as agent of the Holders, by an entity other than a municipal bond insurer, if the form and substance of such instrument and the issuer thereof shall be approved in writing by each Bond Insurer of record.

(2) The obligation to reimburse the issuer of a Reserve Account Obligation for any claims or draws upon such Reserve Account Obligation in accordance with its terms, including expenses incurred in connection with such claims or draws, to the extent permitted by law, (a Reserve Account Obligation Payment) shall be made from the deposits made to the Reserve Account as provided in this Section. The Reserve Account Obligation shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Account Obligation to reimbursement will be subordinated to the cash replenishment of the Reserve Account to an amount equal to the difference between the full original amount available under the Reserve Account Obligation and the amount then available for further draws or claims. In the event (a) the issuer of a Reserve Account Obligation becomes insolvent, or (b) the issuer of a Reserve Account Obligation defaults in its payment obligations thereunder, or (c) the claims paying ability of the issuer of the insurance policy or surety bond falls below the third highest generic rating category (i.e., "A"), by S&P and Moody's, respectively, the obligation to reimburse the issuer of the Reserve Account Obligation shall be subordinated to the cash replenishment of the Reserve Account.

(3) If (i) the long-term, unsecured credit rating of the issuer of the Reserve Account Obligation falls below the third highest generic rating category (i.e., "A") by Moody's, S&P and/or Fitch, respectively, (ii) the issuer of the Reserve Account Obligation defaults in its payment obligations thereunder, or (iii) the issuer of the Reserve Account Obligation becomes insolvent, and if the requirement to maintain the Reserve Requirement in the Reserve Account is not suspended, the City shall within 36 months of such occurrence either (A) only to the extent Revenues of the System are available, deposit into the Reserve Account an amount sufficient to cause the cash and investments on deposit therein to accumulate to the Reserve Requirement, or (B) replace such instrument with a Reserve Account Obligation meeting the requirements of this Section. Upon replacement, the City may terminate the existing Reserve Account Obligation. Any cash released from the Reserve Account as a result of deposit of a Reserve Account Obligation may be used for any lawful purpose.

(4) The Paying Agent/Registrar shall ascertain the necessity for a claim or draw upon any Reserve Account Obligation and provide notice to the issuer of the Reserve Account Obligation in accordance with its terms not later than three days (or such appropriate time period as will, when combined with the timing of required payment under the Reserve Account Obligation, ensure payment under the Reserve Account Obligation on or before the interest payment date) prior to each date upon which the principal of or interest on the Parity Obligations will be due.

It is recognized that a Reserve Account Obligation may be issued which is payable only with respect to a part of the Bonds with the remainder of the Required Reserve Amount being satisfied by monies and investments and in that case any draws upon the Reserve Account will have to be made on a pro-rata basis. Therefore, (i) draws upon one or more such Reserve Account Obligations shall be made on a pro-rata basis with cash and investments available in the Reserve Account and (ii) deposits and credits to the Reserve Account to restore it to the Required Reserve Amount shall be utilized on a pro-rata basis to pay Reserve Account Obligation Payments to reimburse the issuers of the Reserve Account Obligations, thus restoring that part of the Required Reserve Amount, and to restore with cash and investments the balance of the Required Reserve Amount.

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Section 6.01. AMENDMENTS OR MODIFICATIONS WITHOUT CONSENT OF OWNERS OF BONDS. Subject to the provisions of the Master Ordinance, the Thirteenth Supplement and the rights and obligations of the City and of the Owners of the Outstanding Bonds may be modified or amended at any time without notice to or the consent of any Owner of the Bonds or any other Parity Debt, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City contained in the Thirteenth Supplement, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City in the Thirteenth Supplement;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Thirteenth Supplement, upon receipt by the City of an Opinion of Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Thirteenth Supplement;

(iii) To supplement the Security for the Bonds;

(iv) To make such other changes in the provisions hereof, as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the Owners of the Outstanding Bonds;

(v) To make any changes or amendments requested by the State Attorney General's Office as a condition to the approval of the Bonds, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the Owners of the Outstanding Bonds; or

(vi) To make any changes or amendments requested by any bond rating agency then rating or requested to rate the Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the Owners of the Outstanding Bonds.

Section 6.02. **AMENDMENTS OR MODIFICATIONS WITH CONSENT OF OWNERS OF BONDS.**

(a) Amendments. Subject to the other provisions of the Thirteenth Supplement, the Master Ordinance and the consent of the Bond Insurer, the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in Section 6.01 hereof, to the Thirteenth Supplement that may be deemed necessary or desirable by the City, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the Owners of all of the Outstanding Bonds, the amendment of the terms and conditions in the Thirteenth Supplement or in the Bonds so as to:

(i) Make any change in the maturity of the Outstanding Bonds;

(ii) Reduce the rate of interest borne by Outstanding Bonds;

(iii) Reduce the amount of the principal payable on Outstanding Bonds;

(iv) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;

(v) Affect the rights of the Owners of less than all Bonds then Outstanding; or

(vi) Change the minimum percentage of the Outstanding Principal Amount of Bonds necessary for consent to such amendment.

(b) Notice. If at any time the City shall desire to amend the Thirteenth Supplement pursuant to Subsection (a), the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State (including, but not limited to, The Texas Bond Reporter), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all Owners of Bonds. Such publication is not required, however, if the City gives or causes to be given such notice in writing to each Owner of Bonds. A copy of such notice shall be provided in writing to each rating agency maintaining a rating on the Bonds and to the Bond Insurer.

(c) Receipt of Consents. Whenever at any time the City shall receive an instrument or instruments executed by all of the Owners or the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the City may adopt the amendatory resolution in substantially the same form.

(d) Consent Irrevocable. Any consent given by any Owner pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the Owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the City, but such revocation shall not be effective if the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount prior to the attempted revocation consented to and approved the amendment. Notwithstanding the foregoing, any consent given at the time of and in connection with the initial purchase of Bonds shall be irrevocable.

(e) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the Security Register kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

Section 6.03. **EFFECT OF AMENDMENTS.** Upon the adoption by the City of any resolution to amend the Thirteenth Supplement pursuant to the provisions of this Article, the Thirteenth Supplement shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the City and all the Owners of Outstanding Bonds shall thereafter be determined, exercised, and enforced under the Master Ordinance and the Thirteenth Supplement, as amended.

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Section 7.01. **DISPOSITION OF BOND PROCEEDS AND OTHER FUNDS.** Proceeds from the sale of the Bonds shall, promptly upon receipt thereof, be applied by the Chief Financial Officer as follows:

(i) any underwriting discount or fees and any Credit Agreement fees for the Bonds may be retained by and/or wired directly to such parties;

(ii) any accrued interest and sale proceeds to be used to pay capitalized interest for the Bonds, if any, shall be deposited as provided in Section 4.01;

(iii) an amount sufficient to pay the remaining costs of issuance of the Bonds and the cost of acquiring, purchasing, constructing, improving, enlarging, and equipping the improvements being financed with the proceeds of the Bonds shall be deposited in the Bond Proceeds Account to be used for such purposes.

Any sale proceeds of the Bonds remaining after making all deposits and payments provided for above shall be deposited into the Interest and Sinking Account and applied to the payment of principal of and interest on the Bonds.

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Section 7.03. **DEFEASANCE OF BONDS.** (a) Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Bonds shall be deemed to be Defeased Debt within the meaning of the Master Ordinance, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bonds, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) 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 the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the City with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank for the payment of its services until all Defeased Debt shall have become due and payable or (3) any combination of (1) and (2). At such time as Bonds shall be deemed to be a Defeased Debt hereunder, as aforesaid, such Bonds and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Security as provided in the Master Ordinance and the Thirteenth Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) Investments. The deposit under clause (ii) of subsection (a) of this Section shall be deemed a payment of Bonds as aforesaid when proper notice of redemption of such Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with the Master Ordinance and the Thirteenth Supplement. Any money so deposited with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank as provided in this Section may at the discretion of the City also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bonds and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the City for deposit to the General Account of the System Account.

(c) Continuing Duty of Paying Agent and Registrar. Notwithstanding any provision of any other Section of the Thirteenth Supplement which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of 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 Debt shall have become due and payable, the Paying Agent/Registrar for such Defeased Debt shall perform the services of Paying Agent/Registrar for such Defeased Debt 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 Thirteenth Supplement.

(d) Amendment of this Section. Notwithstanding anything elsewhere in the Thirteenth Supplement, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bonds affected thereby.

(e) Retention of Rights. Notwithstanding the provisions of subsection (a) of this Section, to the extent that, upon the defeasance of any Defeased Debt to be paid at its maturity, the City retains the right under State law to later call that Defeased Debt for redemption in accordance with the provisions of the Thirteenth Supplemental Ordinance relating to the Defeased Debt, the City may call such Defeased Debt for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions of subsection (a) of this Section with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

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Section 7.07. **<u>EFFECT OF SATURDAYS, SUNDAYS, AND LEGAL HOLIDAYS</u>.** Whenever the Thirteenth Supplement requires any action to be taken on a Saturday, Sunday, or legal holiday, such action shall be taken on the first business day occurring thereafter. Whenever in the Thirteenth Supplement the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday, or legal holiday, such time shall continue to run until midnight on the next succeeding business day.

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Section 7.11. **<u>DEFAULT AND REMEDIES</u>**. (a) <u>Events of Default</u>. Each of the following occurrences or events for the purpose of the Thirteenth Supplement is hereby declared to be an Event of Default:

(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 Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with the Thirteenth Supplement, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the City.

(b) <u>Remedies for Default</u>.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City, or any official, officer or employee of the City in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under the Thirteenth Supplement, 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 Registered Owners hereunder or any combination of such remedies.

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

(c) <u>Remedies Not Exclusive</u>.

(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 the Thirteenth Supplement, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the Thirteenth Supplement.

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

(iii) By accepting the delivery of a Bond authorized under the Thirteenth Supplement, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in the Thirteenth Supplement 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 or the City Council.

(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 Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of the Thirteenth Supplement, or because of any Event of Default or alleged Event of Default under the Thirteenth Supplement.

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Section 7.13. **<u>INDIVIDUALS NOT LIABLE</u>.** All covenants, stipulations, obligations, and agreements of the City contained in the Thirteenth Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, the Utility System and the City to the full extent authorized or permitted by State law. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the City Council or agent or employee of the City in his or her individual capacity and neither the members of the City Council, nor any officer, employee, or agent of the City shall be liable personally on the Bonds when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

APPENDIX D

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 TEMPLE, TEXAS
UTILITY SYSTEM REVENUE BONDS, SERIES 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF $92,155,000*

AS BOND COUNSEL FOR THE CITY OF TEMPLE, TEXAS (the "City") for the above described utility system revenue bonds (the "Bonds"), we have examined 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 as authorized in the Master Ordinance Establishing the City of Temple, Texas Utility System Revenue Financing Program adopted on September 21, 2006 (the "Master Ordinance") and the Thirteenth Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Utility System Revenue Financing Program adopted on May 15, 2025 authorizing the issuance of the Bonds (the "Thirteenth Supplement") and the pricing certificate of the authorized representative of the City approving the pricing terms of the Bonds as authorized by the Thirteenth Supplement (the "Pricing Certificate" together with the Thirteenth Supplement and the Master Ordinance collectively referred to herein as, 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 T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereinafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the City payable, together with the Parity Debt, from and secured by a lien on and pledge of the "Pledged Revenues" of the "System" (which is generally described as the City's combined waterworks and sewer system), all as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from 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

*Preliminary, subject to change.

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.

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. 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. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

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

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

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

Respectfully,