This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT
Dated July 29, 2026

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

Rating:
Moody's: "Baa2"/Underlying
Insurance: Applied For

NEW ISSUE – Book-Entry-Only

$124,490,000*
CITY OF TEMPLE, TEXAS
(A political subdivision of the State of Texas located within Bell County)
REINVESTMENT ZONE NUMBER ONE TAX INCREMENT REVENUE BONDS, SERIES 2026

Dated Date: August 26, 2026 **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 $124,490,000* City of Temple, Texas (the "City") Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2026 (the "Bonds") will accrue from the Date of Initial Delivery, will be payable February 1 and August 1 of each year commencing February 1, 2027 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 any integral multiple thereof (the "Authorized Denominations"). **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 for the Bonds is The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar") in Dallas, Texas (see "THE BONDS – PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Texas Constitution and the general laws of the State of Texas, particularly Chapter 311, Texas Tax Code, as amended (the "TIF Act"); Chapter 1371, Texas Government Code, as amended; a "Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program" adopted by the City Council on June 5, 2008 (the "Master Ordinance"); and a "Fifth Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program Authorizing the Issuance of $124,490,000* City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2026" to be adopted by the City Council on August 6, 2026 (the "Fifth Supplement" and together with the Master Ordinance, the "Ordinance"). The Bonds, together with any outstanding or hereafter issued Parity Debt, as hereinafter defined, are special and limited obligations payable solely from and secured by a first lien on the Security (as defined herein under "THE BONDS – SECURITY AND SOURCE OF PAYMENT"), which includes the Tax Increment Account. The City previously issued and has outstanding three series of obligations payable from and secured by a first and prior lien on the Security (the "Outstanding Parity Bonds") on parity with the Bonds. As additional security for the Bonds, there has been established a Reserve Account for the Bonds which shall be funded on the Date of Initial Delivery in an amount equal to the maximum Annual Debt Service Requirements on the Bonds. The amounts 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 (together with the Outstanding Parity Bonds and the Bonds, the "Parity Debt") secured by a lien on such Security on parity with the Outstanding Parity Bonds and the Bonds. 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 (a) designing, constructing, improving, acquiring, extending, expanding, upgrading, developing and equipping public works within Reinvestment Zone Number One, City of Temple, Texas, including (i) streets, roads, sewer extension and drainage improvements for the Industrial Park, (ii) the Downtown City Center Project, (iii) the Temple Medical and Educational District, and (iv) park and recreational public works within Crossroads Park; (b) funding the Reserve Account for the Bonds, unless the Required Reserve Amount is satisfied by the deposit of a surety bond or insurance policy; and (c) paying the costs of issuing the Bonds (see "THE BONDS").

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS. SEE "RISK FACTORS."

INSURANCE . . . The City has applied to various municipal bond insurers for bond insurance on the Bonds and plans to evaluate whether to have some or all maturities of the Bonds insured based on an analysis of bids actually received from such companies.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters named below (the "Underwriters") and subject to, among other matters, the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION"). 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 August 26, 2026 (the "Date of Initial Delivery").

RAYMOND JAMES

BAIRD **SAMCO CAPITAL**

*Preliminary, subject to change.

MATURITY SCHEDULE*

8/1 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers[(1)]
2028	$ 1,080,000			
2029	1,175,000			
2030	1,430,000			
2031	2,270,000			
2032	3,250,000			
2033	3,770,000			
2034	3,955,000			
2035	4,155,000			
2036	4,360,000			
2037	4,580,000			
2038	4,810,000			
2039	5,050,000			
2040	5,300,000			
2041	5,570,000			
2042	5,845,000			
2043	6,140,000			
2044	6,445,000			
2045	6,765,000			
2046	7,105,000			
2047	7,460,000			
2048	7,855,000			
2049	8,265,000			
2050	8,700,000			
2051	9,155,000			

(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.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 20___, in whole or from time to time in part, in Authorized Denominations on August 1, 20___, 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 if 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, as amended, (the "Rule"), this document constitutes an "Official Statement" of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

No dealer, broker, salesman or other person has been authorized by the City nor 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 opinions 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, QUALIFIED, 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.

TABLE OF CONTENTS

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CITY AND THE ZONE

THE ISSUER...................................... The City of Temple, Texas (the "City") acting by and through the City Council.

DESCRIPTION OF ZONE.................... On September 16, 1982, the City Council adopted an ordinance creating Reinvestment Zone Number One, City of Temple, Texas (the "Zone") pursuant to the Tax Increment Financing Act, Article 1066e, V.T.C.A., recodified as Chapter 311, V.T.C.A. Tax Code of Texas, as amended (the "TIF Act"), by designating a geographic area in the jurisdiction of the City as a reinvestment zone to promote development or redevelopment in the Zone. 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 Zone is 14,872 (see "TIRZ BOUNDARY MAP" and "THE ZONE").

THE FINANCING

THE BONDS...................................... The Bonds are issued as $124,490,000* Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2026 (the "Bonds"). The Bonds are issued as serial Bonds maturing on August 1 of each of the years 2028 through and including 2051, each inclusive, unless the Underwriters elect to aggregate two or more consecutive maturities as Term Bonds (see "THE BONDS – DESCRIPTION OF THE BONDS").

PAYMENT OF INTEREST................... Interest on the Bonds accrues from the Date of Initial Delivery and is payable on February 1, 2027, and each August 1 and February 1 thereafter until maturity or prior redemption (see "THE BONDS").

AUTHORITY FOR ISSUANCE AND SECURITY............................. The Bonds are issued pursuant to the Texas Constitution and the general laws of the State of Texas, particularly the TIF Act; Chapter 1371 of the Texas Government Code as amended; the "Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program" adopted by the City Council on June 5, 2008 (the "Master Ordinance"); and a "Fifth Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program Authorizing the Issuance of $124,490,000* City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2026" to be adopted by the City Council on August 6, 2026 (the "Fifth Supplement" and together with the Master Ordinance, the "Ordinance"). The Bonds, together with the outstanding and hereafter issued Parity Debt, are special and limited obligations payable solely from and secured by a first lien on the Security, which includes the Tax Increment Account (see "THE BONDS – AUTHORITY FOR ISSUANCE").

SECURITY... The receipt of Tax Increment (as defined herein) from taxing units participating within the Zone boundaries provides the funding for projects set forth in the annually revised and approved Financing and Project Plan for the Zone. The City has agreed in the Ordinance to deposit the Tax Increment established for the Zone to the Tax Increment Account from tax collections resulting from its taxation of the appraised value of real property located in the Original Zone Boundaries since the base year of 1982 and the appraised value of property in the Expanded Zone Boundaries since the base year of 2010. In addition to the

*Preliminary, subject to change.

City, certain other taxing units within the Zone have also agreed to participate in the Zone by depositing their respective Tax Increment into the Tax Increment Account in accordance with the terms of their respective interlocal agreement. See "THE ZONE – PARTICIPATING TAXING UNITS." The City has reserved the right to issue additional obligations secured by a first lien on the Security on parity with the Outstanding Parity Bonds and the Bonds. As additional security for the Bonds, there has been established a Reserve Account for the Bonds which shall be funded on the Date of Initial Delivery in an amount equal to the maximum Annual Debt Service Requirements on the Bonds. See "APPENDIX B – SELECT PROVISIONS OF THE MASTER ORDINANCE AND THE FIFTH SUPPLEMENT." **The City has not covenanted or obligated itself to pay the principal of or interest on the Bonds from monies raised or to be raised from taxation or any source other than the Security** (see "THE BONDS – SECURITY AND SOURCE OF PAYMENT").

SPECIAL AND LIMITED OBLIGATIONS **THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE SECURITY. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY OR ANY REVENUES OF THE CITY OTHER THAN THE SECURITY.**

RISK FACTORS................................. THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 20___, in whole or from time to time in part in Authorized Denominations on August 1, 20___, 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 if the Underwriters elect to aggregate two or more consecutive maturities as Term Bonds.

TAX MATTERS .... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the purpose of (a) designing, constructing, improving, acquiring, extending, expanding, upgrading, developing and equipping public works within Reinvestment Zone Number One, City of Temple, Texas, including (i) streets, roads, sewer extension and drainage improvements for the Industrial Park, (ii) the Downtown City Center Project, (iii) the Temple Medical and Educational District, and (iv) park and recreational public works within Crossroads Park; (b) funding the Reserve Account for the Bonds, unless the Required Reserve Amount is satisfied by the deposit of a surety bond or insurance policy; and (c) paying the costs of issuing the Bonds (see "THE BONDS").

BOND RATING AND INSURANCE .... The Bonds have been rated "Baa2" by Moody's Ratings ("Moody's") without regard to credit enhancement. The City has applied to various municipal bond insurers for bond insurance on the Bonds and plans to evaluate whether to have some or all maturities of the Bonds insured based on an analysis of bids received from such companies. 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 Authorized Denominations. 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 outstanding debt obligations.

CITY COUNCIL, ZONE BOARD, STAFF AND CONSULTANTS

CITY COUNCIL

City Council	Term Expires
Tim Davis Mayor	May, 2027
Jessica Walker Mayor Pro Tem	May, 2028
Dr. Zoe Grant Councilmember	May, 2029
Mike Emmons Councilmember	May, 2029
Mike Pilkington Councilmember	May, 2028

ZONE BOARD

	Term (September)
Bob Browder, Chairman	2027
Greg Reynolds	2027
Gary Schmidt	2026
Steve Wright	2027
John Kiella	2026
Brian Reinhardt	2027
Lacy Adams Wagoner	2026
Lester Fettig	2026
Matthew (Bo) Harvey	2027
Rob Marshall	2026
Thomas Cloud	2026
Tyler Bradford	2027
Tyler Johnson	2026
Brandon Bozon	2027
Vacant	

APPOINTED OFFICIALS

Name	Position	Length of Service
Brynn Myers	City Manager	18 Years[(1)]
Traci Barnard, CPA	Director of Finance	33 Years[(2)]
Charla Davis	City Attorney	11 Years[(3)]
Jana Lewellen	City Secretary	6 Years[(4)]

(1) 8½ years in current position.
(2) 24.3 years in current position.
(3) Served previously as a Deputy City Attorney for the City of Temple; serving as Acting City Attorney since May, 2026.
(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		Dan Wegmiller
Director of Finance		Specialized Public Finance Inc.
City of Temple	or	248 Addie Roy Road
#2 North Main		Suite B-103
Temple, Texas 76501		Austin, Texas 78746
254/298-5631		512/275-7300
254/298-5466 Fax		512/275-7305 Fax

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PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$124,490,000*
CITY OF TEMPLE, TEXAS
REINVESTMENT ZONE NUMBER ONE TAX
INCREMENT REVENUE BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of the $124,490,000* City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2026 (the "Bonds"). The Bonds are issued pursuant to the Texas Constitution and the general laws of the State of Texas, particularly Chapter 311, Texas Tax Code, as amended (the "TIF Act"); Chapter 1371, Texas Government Code, as amended; a "Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program" adopted by the City Council on June 5, 2008 (the "Master Ordinance"); and a "Fifth Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program Authorizing the Issuance of $124,490,000* City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2026" to be adopted by the City Council on August 6, 2026 (the "Fifth Supplement" and together with the Master Ordinance, the "Ordinance"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

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

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

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 26, 2026 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 on the Bonds, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1 of each year, commencing February 1, 2027 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in Authorized Denominations of $5,000 or any integral multiple thereof (the "Authorized Denominations") and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the TIF Act, Chapter 1371, Texas Government Code, as amended, and the Ordinance. The Bonds, together with all other Parity Debt, will constitute special and limited obligations of the City, payable solely as to principal and interest, and secured by a first lien on and pledge of the Security described by the Ordinance, including the tax increment account for the Zone (the "Tax Increment Account").

SECURITY AND SOURCE OF PAYMENT . . . The TIF Act authorizes municipalities in the State to issue tax increment bonds, payable solely from the tax increment fund established for the particular reinvestment zone. The City established the Tax Increment Account upon creation of the Reinvestment Zone Number One, City of Temple, Texas (the "Zone") in 1982 and confirmed creation of such account in the Master Ordinance adopted on June 5, 2008. Each participating taxing unit that levies real property taxes in the Zone provides for the collection of annual ad valorem tax on real property in the Zone and pays into the Tax Increment Account an amount equal to the Tax Increment (as defined herein) for such participating taxing unit. The amount of a taxing unit's Tax Increment for a year is the amount of property taxes levied and collected by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the Zone unless otherwise limited by agreement. The captured appraised value of real property taxable by a taxing unit for a year is the total appraised value of the property for that year less the tax increment base of the participating taxing unit. The tax increment base is the total appraised value of all real property located in the Zone the year the Zone was established or expanded, respectively. The Zone has no authority to levy taxes and must look to each participating taxing unit to levy taxes as indicated above. See "THE ZONE" for further information on the participating taxing units, captured appraised value and other information regarding the Zone.

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*Preliminary, subject to change.

The Bonds are not general obligations of the City, do not give rise to a charge against the general credit or taxing powers of the City, and are payable, together with all other Parity Debt, solely from the Security (as defined below), including the Tax Increment Account of the Zone. The registered owners of the Bonds shall never have the right to demand payment thereof out of any funds of the City other than the Security, which security includes the pledged Tax Increment Account and the Interest and Sinking Account. To the extent that, during any fiscal year, the amount of the Tax Increment received that fiscal year exceed the amounts required to be deposited, then such excess may be held in the Tax Increment Account and used for any lawful purpose authorized pursuant to the TIF Act and other State law.

With respect to the Outstanding Parity Bonds, the Bonds and any additional Parity Debt, the City has pledged to the Owners as security for the payment of the Bonds and any additional Parity Debt, a first lien and pledge of the following (collectively the "Security"): (i) all amounts in the Tax Increment Fund or Account and the Tax Increment Interest and Sinking Account; (ii) any additional account or subaccount that is subsequently established and so designated as being included within Security; (iii) all of the proceeds of the foregoing, including without limitation investments thereof; (iv) any applicable Credit Agreement to the extent set forth in such Credit Agreement; and (v) with respect to any applicable series of Parity Debt, 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. 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, except the Security. As additional security for the Bonds, there has been established a Reserve Account for the Bonds which shall be funded from available cash on the Date of Initial Delivery in an amount equal to the maximum Annual Debt Service Requirement on the Bonds (see "APPENDIX B – SELECTED PROVISIONS OF THE MASTER ORDINANCE AND THE FIFTH SUPPLEMENT").

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 first lien on the Security on parity with the Bonds and the Outstanding Parity Bonds upon satisfying certain conditions (see Section 6 of the Master Ordinance as described in "APPENDIX B – SELECTED PROVISIONS OF THE MASTER ORDINANCE AND THE FIFTH SUPPLEMENT"). The Master Ordinance prohibits the issuance of additional Parity Debt unless: (i) an Authorized Representative of the City certifies 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 the City is not in default, to any material extent, in the performance and observance of any of the terms, provisions, and conditions of the Master Ordinance, any Supplement 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 Tax Increment were, in the opinion thereof, at least equal to the sum of 1.50 times the average Annual Debt Service Requirements (computed on a Fiscal Year basis) of the Parity Debt and Subordinate Debt to be outstanding after the issuance of the then proposed Parity Debt.

SUBORDINATED DEBT . . . The Master Ordinance permits the City to incur Non-Recourse Debt and Subordinated Debt in accordance with State law.

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 Subordinated Debt, or partially as Parity Debt and partially as Subordinated 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 legal authority 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 established and/or affirmed the creation of the following funds or accounts: (i) the Tax Increment Fund or Account (the "Tax Increment Account"); (ii) the Tax Increment Interest and Sinking Account (the "Interest and Sinking Account"); and (iii) the Tax Increment Bond Proceeds Account (the "Bond Proceeds Account"). The Fifth Supplement creates a Rebate Fund for the Bonds (the "Rebate Fund") and a Reserve Fund for the Bonds (the "Reserve Fund").

Subject to the provisions of Section 4 of the Master Ordinance, moneys in the Tax Increment Account may be used for any lawful purpose authorized pursuant to the TIF Act 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.

As additional security for the Bonds, the City has established a reserve for the Bonds for the payment of the Bonds equal to the maximum 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 will be established on the Date of Initial Delivery of the Bonds. 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 Tax Increment Account. All funds and investments authorized by the Fifth Supplement 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 and (ii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds. The Reserve Account is solely for the benefit of the Bonds authorized by the Fifth Supplement, and is not available to pay Annual Debt Service Requirements on any other Parity Debt.

When and for so long as the cash and investments 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 making deposits to such Account from the funds on deposit in the Tax Increment Account by monthly deposits and credits in amounts equal to not less than 1/36th of the Required Reserve Amount until 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. 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 funds on deposit in the Tax Increment Account shall be applied and appropriated and used to maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of the Fifth Supplement.

During such time as the Reserve Account contains the Required Reserve Amount 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 surplus shall be deposited into the Rebate Account.

FLOW OF FUNDS . . . The Master Ordinance provides that all Tax Increment shall be deposited in the Tax Increment Account immediately upon receipt by the City. The Master Ordinance also provides that all Tax Increment shall be appropriated, deposited, and transferred from the Tax Increment 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 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 then coming due on or with respect to the payment of Parity Debt as the same mature or come due;
>
> SECOND: 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;

THIRD: 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;

FIFTH: 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

FIFTH: all remaining Tax Increment shall be retained in the Tax Increment Account and may be used for any lawful purpose authorized pursuant to the TIF Act and other State law.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 20___, in whole or from time to time in part in Authorized Denominations on August 1, 20___, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities or sinking fund installments, in the case of any Term Bonds, to be redeemed. If less than all the Bonds of any maturity or sinking fund installment, are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in book-entry-only form) shall determine by lot or other customary random method the Bonds or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Bonds, the City shall cause a notice of optional redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised 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 Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bond from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein.

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

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the City, so long as a book-entry-only system (the "Book-Entry-Only System") is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein.

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

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

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Fifth 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 Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by the Fifth Supplement.

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

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

For the purposes of these provisions, "Defeasance Securities" means (i) Federal Securities, (ii) noncallable Bonds of an agency or instrumentality of the United States of America, including Bonds 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 Bonds 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 obligation under applicable State law that may be used to defease the Bonds. For the purposes of these provisions, "Federal Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

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 ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 stated 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, the Financial Advisor, nor 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 of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . 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 Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in Authorized Denominations for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption;

provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

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

BONDHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Parity Debt. 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, the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so such remedy rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of the maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville,* 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the City for breach of the Bonds, or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions 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.

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

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

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (a) designing, constructing, improving, acquiring, extending, expanding, upgrading, developing and equipping public works within Reinvestment Zone Number One, City of Temple, Texas, including (i) streets, roads, sewer extension and drainage improvements for the Industrial Park, (ii) the Downtown City Center Project, (iii) the Temple Medical and Educational District, and (iv) park and recreational public works within Crossroads Park; (b) funding the Reserve Account for the Bonds, unless the Required Reserve Amount is satisfied by the deposit of a surety bond or insurance policy; and (c) paying the costs of issuing the Bonds.

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

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

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THE ZONE

GENERAL . . . The Bonds are special and limited obligations of the City payable solely from the sources described herein. The City is not obligated to pay principal of and interest on the Bonds from moneys of the City other than the Security as defined herein under "THE BONDS – SECURITY AND SOURCE OF PAYMENT."

GENERAL STATUTORY REQUIREMENTS FOR TAX INCREMENT REINVESTMENT ZONES IN TEXAS . . . A tax increment reinvestment zone under the TIF Act is created by a city, which also approves a project plan and financing plan for a zone. The ordinance creating a zone and the plans may provide that the city will deposit all or a portion of its Tax Increment, as defined below, into a tax increment fund established by the city for a zone. Other taxing units which tax property in a zone may agree with the city that they will also deposit all or a portion of their Tax Increment into the tax increment fund established for a zone.

The amount of a taxing unit's tax increment for a year is the amount of property taxes levied and collected by a taxing unit for that year on the captured appraised value of real property (the "Captured Appraised Value") taxable by a taxing unit and located in a zone (the "Tax Increment"). The Captured Appraised Value of real property taxable by a taxing unit for a year is the total appraised value of all real property taxable by the taxing unit and located in a zone for that year less the total appraised value of all real property taxable by a taxing unit and located in a zone in the year in which a zone was designated as such under the TIF Act (the "Tax Increment Base"). In the event a zone is enlarged by ordinance of a city, the Tax Increment Base for added property is the value of all real property taxable by a taxing unit and located in the added area in the year of enlargement and in the event the boundaries of a zone are reduced, the Tax Increment Base is reduced by the taxable value of the real property removed from a zone for the year in which the property was originally included in a zone's boundaries.

The TIF Act provides that each taxing unit that participates in a zone is required to pay into the tax increment fund for a zone the collected Tax Increment that it has agreed to pay under its agreement with a city and in accordance with the project plan. The TIF Act provides that the payment by a participating taxing unit is to be made into the tax increment fund not later than the 90th day after the later of: (i) the delinquency date for such taxing unit's property taxes or (ii) the date a city submits to a taxing unit an invoice specifying the Tax Increment produced by such taxing unit and the amount the taxing unit is required to pay into the tax increment fund for a zone.

Section 311.0123 of the TIF Act permits a city to also designate a portion or amount of tax increment generated from municipal sales and use taxes attributable to a zone above the sales tax base similar to that done for taxable real property.

CALCULATION OF TAX INCREMENT FOR THE ZONE . . . The Participating Taxing Units, defined below, are required to pay into the Tax Increment Account Tax Increments equal to the amount arrived at by multiplying the Captured Appraised Value by their respective tax rate per $100 of valuation for the tax year and then multiplying that product by the Participating Taxing Unit's collection percentage. The collection percentage is determined by comparing the taxes collected from all taxable real property in the Zone to the total taxes due to each Participating Taxing Unit for the tax year from all real property in the Zone.

The obligations of each of the Participating Taxing Units to pay the Tax Increment into the Tax Increment Account is subject to the rights of any holders of bonds, notes or other obligations that have been or are hereafter issued by the Participating Taxing Units that are payable from or secured by a general levy of ad valorem taxes through the tax jurisdiction of the Participating Taxing Units, as applicable.

GENERAL DESCRIPTION OF THE ZONE . . . On September 16, 1982, the City Council adopted an ordinance creating the Zone (the "Zone Ordinance") by designating a geographic area in the jurisdiction of the City as a reinvestment zone to promote development and redevelopment in the Zone. The Zone Ordinance established the boundaries of the Zone, created a board of directors for the Zone (the "Zone Board"), established the Tax Increment Account and found that public works and improvements to be undertaken in the Zone would significantly enhance the value of all taxable real property in the Zone and would be of general benefit to the City. The Zone, which originally consisted of approximately 1,943 acres of land within the City and Bell County 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 Zone is 14,872. See "TIRZ BOUNDARY MAP."

PARTICIPATING TAXING UNITS . . . Bell County, Texas (the "County"), Temple College (the "College"), Temple Independent School District ("TISD"), Belton Independent School District ("BISD"), Elm Creek Watershed Tax District and Troy Independent School District ("Troy ISD") have all entered into agreements with the City to participate in the Zone (collectively, the "Participating Taxing Units"). The County has agreed to paying 100% of the Captured Appraised Value in the Original Zone and Expanded Zone Boundaries into the Tax Increment Account through December 31, 2062. The College has agreed to pay 100% of the Captured Appraised Value in the Original Zone and Expanded Zone Boundaries through December 31, 2062. TISD has also agreed to pay 100% of the Captured Appraised Value in the Original Zone Boundaries into the Tax Increment Account through December 31, 2062. BISD has also agreed to pay 100% of the Captured Appraised Value in the Original Zone Boundaries into the Tax Increment Account through December 31, 2062. Troy ISD has agreed to paying 100% of the Captured Appraised Value in the Original Zone Boundaries through December 31, 2062. Each of the agreements with TISD, BISD and Troy ISD contain provisions for the City to calculate the financial impact to such schools as a result of participating in the Zone and such districts will be made whole by the City reimbursing the respective school district an amount equal to the financial impact calculation. In recognition of the agreement between TISD and the City regarding financial impact resulting from participation in the Zone, from the period September 3, 2011 to September 30, 2017, the City, through the Zone, agreed to pay TISD $10,000,000 to be used for the construction of an administration and training facility for the benefit of TISD. The actual amount of financial impact was $2,934,743. The City is entitled to a credit of $7,065,257 against any future reimbursement that the City would otherwise be required to make to TISD. The credit is the difference between the $10,000,000 paid and the actual negative financial impact for the period that began on September 3, 2011 and ended on September 30, 2017. The City and the school districts are currently working on the calculation of financial impact, if any, for fiscal years 2018 and 2019. With the passage of HB 3 in 2019, the Texas Legislature amended Section 48.256 of the Education Code to use the current year, rather than the preceding year, taxable values to calculate a district's share of the Foundation School Program ("FSP"). This update was made to eliminate any potential mismatch between the values a district was using as a base for local tax collections and the values used by the State to compute a district's local share of the FSP. In previous calculations between the City and TISD this mismatch between the values used by the district and the values used by the State was the main contributing factor for the financial impact on TISD's participation in the Zone. The City currently anticipates that based on the HB 3 provisions being effective beginning in fiscal year 2020, the calculation for TISD for fiscal years beginning in 2020 should minimize any financial impact reimbursement due to TISD from the Zone. The City cannot predict, however, what impact future legislative changes may have on the hold harmless calculations. See "RISK FACTORS – ELIMINATION OR REDUCTION OF TISD, BISD AND TROY ISD TAX INCREMENT."

The Tax Increment of each Participating Taxing Unit will be paid into the Tax Increment Account and used to pay project costs within the Zone, including debt service on the Bonds and any other obligations issued to finance project costs in the Zone. None of the Participating Taxing Units is required under State law to set a tax rate sufficient to assure any certain dollar amount of Tax Increments; rather, State law only requires each Participating Taxing Unit to contribute Tax Increments actually collected by it and only to the extent provided in the applicable interlocal agreement.

FINANCING AND PROJECT PLAN . . . In accordance with the TIF Act, the Zone Board as well as the City Council have adopted a financing and project plan which is updated at least annually. The current financing and project plans were adopted by the City Council on August 6, 2026, by an ordinance authorizing the latest version and amendments for the fiscal years 2026 through 2062.

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RISK FACTORS

SPECIAL AND LIMITED OBLIGATIONS . . . THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE SECURITY, INCLUDING THE TAX INCREMENT ACCOUNT ESTABLISHED FOR THE ZONE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY OR ANY REVENUES OF THE CITY OTHER THAN THE SECURITY.

TAX AND COLLECTION RATES MAY DECLINE . . . The amount of Tax Increment available to pay principal of and interest on the Bonds is determined by the taxable value of real property in the Zone, the tax rate of the Participating Taxing Units, and the percentage of taxes actually collected from taxpayers in the Zone and paid into the Tax Increment Account. Tax Increment does not result from any increase in the appraised value of personal property (such as equipment and inventory) in the Zone. None of the Participating Taxing Units is required under Texas law to set a tax rate sufficient to assure any certain dollar amount of Tax Increments; rather, Texas law only requires each Participating Taxing Unit to contribute the Tax Increment actually collected by it and only to the extent provided in the applicable interlocal agreement. Each of the Participating Taxing Units will set its tax rate in accordance with the Texas Tax Code and other applicable law, which contain various limitations on the rate at which taxes may be levied. For example, the Texas Tax Code allows voters to limit an increase in the tax rate to the rollback tax rate calculated for such unit. See "AD VALOREM TAXATION AS IT PERTAINS TO PARTICIPATING TAXING UNITS." If a Participating Taxing Unit's tax rate decreases, the amount of Tax Increment available to pay debt service on the Bonds may decrease.

The creation of Tax Increment is also dependent on Participating Taxing Units successfully collecting the taxes that they levy in a timely manner. If the percentage of taxes collected by a Participating Taxing Unit in the Zone declines, the amount of Tax Increments available to pay debt service on the Bonds may decrease. Historical tax collection rates may not accurately predict future tax collection rates.

The collection of, and accounting for, Tax Increment involve extensive administration and are subject to error. Errors in the collection of (or accounting for) Tax Increment could delay or reduce the Tax Increment available for the payment of debt service on the Bonds.

TAXABLE VALUE IN THE ZONE MAY DECLINE . . . Each year the then-current market value of all taxable real property and improvements in the Zone compared to the base year market value of all taxable real property and improvements in the Zone will determine Captured Appraised Value.

The City cannot make any representation that the property and improvements within the Zone will achieve or maintain any certain value. Generally, property owners have the right to protest the appraised value of their property in the Zone and are not required to render their property for ad valorem taxation at any agreed upon level. The appraised value of the property and improvements will finally be determined and certified by the Appraisal District in accordance with the procedures described in "AD VALOREM TAXATION AS IT PERTAINS TO PARTICIPATING TAXING UNITS," and may be at a value lower than projected. The appraisal method or combination of methods that the Appraisal District uses within the Zone is within the discretion of its Chief Appraiser and may change from time to time. The use of a particular method or combination of methods of appraisal with respect to property in the Zone may, over time, cause a decrease in the Captured Appraised Value in the Zone and, therefore, result in a reduction in the amount of Tax Increment available to pay debt service on the Bonds.

Several factors can adversely or positively affect the taxable value of one or more specific properties within the Zone, which can either individually, or in the aggregate, affect the Captured Appraised Value in the Zone. A discussion of several such factors follows but is not intended to be an exhaustive list of all factors that could potentially affect the taxable value within the Zone.

First, the market value of the commercial and residential development within the Zone is affected by the demand for such commercial establishments and housing. Demand is affected by many factors, such as interest rates, credit availability, construction costs, energy availability, mobility and the general economic conditions and demographic characteristics of the United States and the State of Texas, and the specific economic conditions and demographic characteristics of the City and the surrounding area.

Second, the Texas Tax Code allows certain property to be appraised at less than its market value. Upon application of the owner, houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be appraised at the price for which they would sell as a unit to a purchaser who would continue the owner's business. A landowner in the Zone may apply for and receive a designation that his land is being used for agricultural, open-space, timber, or certain other purposes. The value of land held for these purposes may be much less than land used for industrial, commercial or residential purposes. If a landowner receives the agricultural use, open space or timberland designation and later loses it by changing the use of the property or selling it to an unqualified owner, each Participating Taxing Unit can collect taxes based on the new use, including taxes for the previous five years, unless the property was owned by an individual farmer whose primary occupation is farming, in which case each Participating Taxing Unit can collect taxes based on the new use for the previous three years. In this circumstance, both the base year tax value and the current year tax value of property may increase, thereby changing the previously established Captured Appraised Value for each year.

Third, under state law each Participating Taxing Unit has the right on a year to year basis to grant various exemptions from taxation, including a 20% general homestead exemption or an exemption for residential homesteads of persons 65 years of age or disabled.

An increase in tax exemptions available in the Zone may result in a reduction in the amount of Tax Increments available to pay debt service on the Bonds.

Fourth, owners of property in the Zone may sell their properties to entities which do not pay ad valorem taxes on their property or convert their property to a use which is exempt from ad valorem taxes. Development of property for certain types of multi-family housing may result in the property becoming exempt from ad valorem taxes. See "AD VALOREM TAXATION AS IT PERTAINS TO PARTICIPATING TAXING UNITS – TAXABLE PROPERTY AND EXEMPTIONS."

Fifth, taxes on property in the Zone may be abated. The TIF Act allows any taxing unit that is not a school district to enter into a tax abatement agreement with an owner of real property in the Zone for a term not to exceed ten years, if the Zone Board approves the agreement and the governing body of the taxing unit approves the agreement. Under such a tax abatement agreement, increases in value in the real property subject to the agreement are not considered in determining the taxable value in the Zone.

Finally, natural disasters or other events could damage or completely destroy property in the Zone.

A DECREASE IN TAXABLE VALUE PRODUCES A GREATER DECREASE IN CAPTURED APPRAISED VALUE AND CAN REDUCE TAX INCREMENT SIGNIFICANTLY . . . A percentage decrease in taxable values results in a larger percentage decrease in the Captured Appraised Value (which subtracts the base year value). For instance, if the Zone had a taxable value of $100 and a Captured Appraised Value of $50, then a reduction in taxable value to $95 would be a 5% decrease in taxable values and a 10% decrease in Captured Appraised Value. If the Zone had a taxable value of $100 and a Captured Appraised Value of $25, then a reduction in taxable value to $95 would be a 5% decrease in taxable values and a 20% decrease in Captured Appraised Value. Thus, a low ratio of Captured Appraised Value to taxable value could result in significant decreases in the Tax Increments produced in the event that there is a decrease in taxable value within the Zone.

For example, the ratio of the City's tax year 2024 Captured Appraised Value in the Original Zone to the total 2025 certified taxable value in the Original Zone is approximately 91.08%. However, the ratio of the City's tax year 2025 Captured Appraised Value in the Expanded Zone Boundaries to the total 2025 certified taxable value in the Expanded Zone Boundaries is approximately 57.37%. Thus, declines in taxable value in the Expanded Zone Boundaries will result in a greater loss in Tax Increments. For additional Captured Appraised Value to taxable value ratios, see "Table 4 – ZONE VALUES FOR BASE AND INCREMENT AS OF SEPTEMBER 30, 2025."

DEPENDENCE ON PRINCIPAL TAXPAYERS . . . For the 2025 fiscal year, approximately 37.50% of the current tax levy in the Zone was derived from property owned by two affiliated taxpayers, Panda Temple Power II ("Panda II") and Temple Generation I ("Panda I" and together with Panda I, "Panda Power"). As discussed below in "Bankruptcy of Principal Taxpayer," Panda I filed for bankruptcy in 2017. Additionally, for the 2025 fiscal year, approximately 61.02% of the current taxable increment value in the Zone was derived from property owned by the top ten principal property owners. See "ZONE FINANCIAL INFORMATION – Table 2 – TEN LARGEST TAXPAYERS IN THE ZONE BY LEVY."

The City will be dependent upon the timely payment of taxes by Panda Power and the other principal taxpayers in the Zone to the City and the Participating Taxing Units to produce adequate Tax Increments to make debt service payments on the Bonds. Significant delinquencies in the payment of ad valorem taxes to the City and the Participating Taxing Units by the principal taxpayers could result in a default on the Bonds. The City cannot make any representation as to the timely payment of taxes by any taxpayer nor can the City predict the future financial condition of Panda Power and the other principal taxpayers and the likelihood that taxes will be paid in a timely manner.

BANKRUPTCY OF PRINCIPAL TAXPAYER . . . Panda Power built two 758 megawatt natural gas power plants, each of which are located within the City and the Zone. The first plant is owned by Panda I (the "Panda I Plant"), which became commercially operational in the summer of 2014, and the other is owned by Panda II (the "Panda II Plant" and together with the Panda I Plant, the "Panda Plants"), which became commercially operational in the summer of 2015.

On March 31, 2017, Panda I failed to make a scheduled $8.3 million payment on approximately $398 million in outstanding debt for the Panda I Plant. In April 2017, Panda I and its parent company Panda Temple Power Intermediate Holdings II, LLC filed for Chapter 11 bankruptcy in Delaware federal court. Panda II was not included in this bankruptcy filing. On January 23, 2018, Panda I and Panda Temple Power Intermediate Holdings II, LLC entered into a reorganization plan with its lenders, which plan became effective February 7, 2018. Panda I emerged from bankruptcy in late 2018. The Panda Plants are both currently operational, and Panda I continues normal business operations. Panda Power is current on all taxes and other payments due the City.

As described below, Panda Power's financial condition is essential to its ability and willingness to timely pay its ad valorem taxes to the City and the Participating Taxing Units. Due to the significant concentration of the Zone's Captured Appraised Valuation in the real property owned by Panda Power, the failure of Panda Power to timely pay its ad valorem taxes to the City and the Participating Taxing Units could result in a failure of the City to make debt service payments on the Bonds. See "ZONE FINANCIAL INFORMATION – TABLE 2 – TEN LARGEST TAXPAYERS IN THE ZONE BY TAX LEVY."

In April 2022, CSG/Beal, the sole lender for Panda II, filed a foreclosure notice in Bell County, Texas requesting the sale of the Panda II plant and related facilities and equipment ("Panda II Property") due to default in the payment and performance of obligations secured by the Panda II Property. On May 2, 2022, Panda II filed for Chapter 7 bankruptcy. The United States

Bankruptcy Court in the Northern District of Texas dismissed Panda II's bankruptcy petition, allowing CSG/Beal to foreclose on the Panda II Property. On June 7, 2022, CLMG Corp, a subsidiary of Beal Bank, as collateral agent under an Intercreditor Agreement foreclosed on the deed of trust and took ownership of the Panda II Property. The City gives no assurances regarding the future ownership, management, use, disposition or value of the Panda II Property. However, the City does not expect such ownership, management, use disposition or value to have a material adverse impact on the City's operations or financial condition, including the City's ability to pay debt service on the Obligations and its other bonded indebtedness. Panda II is current on all taxes and other contractual payments due to the City. In addition, the Panda II facility is currently operational. For additional information relating to Panda II, see the City's Voluntary Disclosure Filing Dated June 28, 2022 – Large Taxpayer Update available on the City's homepage on the Municipal Securities Rulemaking Board Electronic Municipal Market Access system.

Panda Power's financial condition is dependent upon the prices of electricity and natural gas, which are dependent on a number of factors, including the supply and demand therefor. The City cannot control or predict future natural gas or electricity prices.

The taxable valuation of the Panda Plants is subject to decline based on a number of factors, including the prices of electricity and natural gas and the Panda Plants' profitability. For example, Panda Power's taxable valuation has dropped from approximately $695.4m in tax year 2015 to approximately $566.5m in tax year 2025 (taxable value with no tax abatement applied). Panda Power has previously protested the Panda Plants' taxable valuation, and Panda Power may continue to do so in the future. Such protests may cause the taxable valuation to fluctuate sharply from year to year. The City cannot and does not make any representation that the Panda Plants will achieve any certain level of taxable value.

Due to the Panda Plants' significance to the Zone and the surrounding area, the failure of either of the Panda Plants to continue commercial operations could also negatively affect the taxable value of the other properties within the Zone. The City cannot and does not make any representation that the Panda Plants will be able to continue commercial operations throughout the life of the Bonds. The City's ability to pay debt service on the Bonds in the event that either of the Panda Plants ceases commercial operations could be materially adversely affected.

ELIMINATION OR REDUCTION OF TISD, BISD AND TROY ISD TAX INCREMENT . . . As stated under the caption "– TAX AND COLLECTION RATES MAY DECLINE," TISD, BISD and Troy ISD (collectively, the "Participating School Districts") are not required under Texas law or any contract to set a tax rate sufficient to assure any certain dollar amount of Tax Increments. Their tax rates may change as required by Texas law, due to their own financial situation, or for political or other reasons.

In response to certain litigation and a court order, the Texas Legislature enacted legislation in 2005 that made substantive changes in the way the public school finance system is funded. The changes were intended to reduce local school district tax rates for operations and maintenance purposes. In the Texas legislative session that ended in May 2019, the Texas Legislature made more changes to the public school finance system, including changing the formulas for tier one and tier two state and local funding, as well as adding a mechanism that "compresses" a districts tier one in proportion to increases in taxable assessed property values within the district or in the State. For fiscal years ending in 2025, the respective operation and maintenance tax rates for TISD, BISD and Troy ISD, are $0.8022, $0.7869 and $0.6089, respectively.

The above-described changes made to the public school finance system also divided districts into "property rich districts" and "property poor districts." Those which are property rich may be required to "equalize" their wealth with property poor districts by purchasing attendance credits, detaching taxable commercial property for reassignment to poorer school districts, or consolidating their tax base with a property poor district. The Participating School Districts were not designated as school districts with a wealth per student that exceeds the equalized wealth level as described in Chapter 49 of the Education Code, as amended, for the 2025-2026 school year, and are therefore not required to achieve an equalized wealth level by purchasing attendance credits, detaching taxable commercial property for reassignment, or consolidating their tax base with a property poor district. The City cannot and does not make any representation as to whether the Participating School Districts will be required to equalize their wealth in future years. If the Participating School Districts were required to do so, the Tax Increments available to pay debt service on the Bonds could decrease.

Legislation enacted in 2009 and 2011 provided that the Texas Education Agency would pay additional funds to school districts participating in tax increment reinvestment zones in an amount equal to the difference between the tax levies collected on the district's maintenance and operations tax rate for 2006 (and each year thereafter) and the levies that would have been collected at the district's 2005 maintenance and operations rate for each subsequent year.

The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

During the legislative session, the Legislature may consider legislation affecting the public school finance system, including the statutory provisions providing incentives for participating in reinvestment zones, and ad valorem taxation procedures affecting school districts. The City can make no representations or predictions regarding any actions the Legislature may take during the 90th Texas Legislative Session concerning the substance or the effect of any legislation that may be passed during this session or a future session of the Legislature.

HOLD HARMLESS PROVISIONS IN TISD, BISD AND TROY ISD INTERLOCAL AGREEMENTS . . . The Zone's interlocal agreements with the Participating School Districts contain hold harmless provisions. Such provisions require the City to calculate whether there is any negative financial impact to the Participating School Districts as a result of participating in the Zone, and the Participating School Districts will be made whole by the City reimbursing the respective Participating School District an amount equal to the negative financial impact calculation. Changes in the school finance system that result in a negative financial impact to a Participating School District due to its participation in the Zone could result in a reduction in or elimination of the Tax Increment from the Participating School District that are available to pay debt service on the Bonds.

RISK OF TERMINATION OF THE INTERLOCAL AGREEMENTS . . . The Zone's interlocal agreements are also subject to the risk of termination. TISD's interlocal agreement permits either party to terminate the agreement if a change in applicable law occurs such that it becomes financially or economically impractical for TISD to continue to participate in the Zone or for the City to reimburse TISD for the financial impact it incurs from participation in the Zone. TISD's Tax Increment accounted for approximately 53.90% of the Zone's revenue in the fiscal year ending September 30, 2024. TISD's Tax Increment accounted for 52.269% of the Zone's revenue in fiscal year ending September 30, 2025, based on the 2025 certified tax roll. If the City or TISD were to terminate TISD's interlocal agreement, the City's ability to pay debt service on the Bonds could be materially adversely affected.

LIMITATIONS ON TAX COLLECTIONS AND FORECLOSURE REMEDIES . . . Payment of principal and interest on the Bonds may be adversely affected by the Participating Taxing Units' inability to timely collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by each Participating Taxing Unit constitutes a lien on the property against which taxes are levied and such lien may be enforced by foreclosure. Foreclosure must be effected through a judicial proceeding. The Participating Taxing Units' ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or economic and market conditions affecting the marketability of taxable property within the Zone and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the Zone available to pay debt service on the Bonds may be limited by the current aggregate tax rate being levied against the property and by other factors, including the taxpayers' right to redeem property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for other property. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Zone pursuant to the Federal Bankruptcy Code could stay any attempt by a Participating Taxing Unit to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in at least two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years, and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (1) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (2) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (3) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed. These provisions may affect the timeliness of collection of taxes on property that may be owned by the FDIC in the Zone and may prevent the collection of penalties and interest on such taxes.

LIMITED REMEDIES AFTER A DEFAULT . . . Remedies in the event of a default by the City in one or more of its obligations under the Bonds or the Ordinance are limited. Although the Ordinance provides a writ of mandamus as a remedy requiring performance of such obligations, such remedy may prove time-consuming, costly and difficult to enforce. The Ordinance does not provide for acceleration of the maturity of the Bonds or provides for the foreclosure of any property or assets other than applying the Security to payment of the Bonds in the manner provided in the Ordinance. See "– RISK OF BANKRUPTCY" below.

RISK OF BANKRUPTCY . . . As is true with many entities that issue debt, there is a risk that the City may file for bankruptcy and afford itself the protection of the federal Bankruptcy Code. In that case, the City receives the benefit of the automatic stay and creditors cannot pursue remedies against it without the permission of the Bankruptcy Court. The City has a right to reorganize and adjust its debts with the approval of the Bankruptcy Court. A bankruptcy filing by the City could adversely affect the receipt of principal and interest on the Bonds.

RISK OF FAILURE TO COMPLY WITH CERTAIN COVENANTS . . . Failure to comply with certain federal tax related covenants contained in the Ordinance could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS" for additional discussion on tax-exempt status of interest on the Bonds.

CHANGES IN TAX LEGISLATION . . . Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

DEPENDENCE ON CONTRACT PAYMENTS . . . In order for owners of the Bonds to receive principal of and interest as due, several governmental units must perform their obligations under the contracts described herein. The Participating Taxing Units must perform under their applicable interlocal agreement. Additionally, the Zone and the City must perform their obligations under their interlocal agreement. Any of these parties could default in its obligations.

In the case of a default by any of the governmental entities involved in the Zone, enforcement of its contractual obligations would be dependent upon judicial redress, which is subject to discretion and delay. Enforcement of these agreements would be limited or prohibited if the defaulting party filed for bankruptcy under the United States Bankruptcy Code or similar state laws. A breaching Participating Taxing Unit may also have various defenses to any litigation, including, without limitation, the defense of sovereign immunity. Moreover, each of the Participating Taxing Units involved in the Zone may be very reluctant to pursue judicial redress against another Participating Taxing Unit, with which it may be engaged in many transactions.

RISK OF HIGHER PRIORITY DEBT . . . The obligations of the Participating Taxing Units to pay Tax Increment into the Tax Increment Account are subject to the rights of any of the holders of bonds, notes or other obligations that have been or are hereafter issued by the Participating Taxing Units that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of such Participating Taxing Unit. If taxable values in any Participating Taxing Unit decline so that it cannot pay its outstanding tax-supported indebtedness without use of Tax Increment, there may be insufficient remaining Tax Increment to pay the Bonds.

LIMITED MARKETABILITY OF THE BONDS . . . The City has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

RISK OF INCREASED DEBT . . . The City has reserved the right to issue additional Parity Bonds secured by the Security on an equal basis with the then-outstanding Parity Bonds as well as subordinated debt. The issuance of additional Parity Bonds or subordinated debt may adversely affect the investment security of the Bonds. For a description of the circumstances under which the City may issue additional Parity Bonds, see "APPENDIX B – SELECT PROVISIONS OF THE MASTER ORDINANCE AND THE FIFTH SUPPLEMENT."

CHANGES IN TAX INCREMENT LEGISLATION . . . Current law may change so as to directly or indirectly reduce or eliminate the amount of Tax Increments available to pay debt service on the Bonds. The Texas Legislature meets biennially in odd numbered years and frequently makes changes to the TIF Act. Changes in the school finance system and in legislation affecting school districts are also regularly considered by the Texas Legislature, and such changes could reduce or eliminate the Tax Increments received by the City. See "– ELIMINATION OR REDUCTION OF TISD, BISD AND TROY ISD TAX INCREMENT."

RISK OF FURTHER LEGISLATION IMPOSING PROPERTY TAX LIMITATIONS . . . In 2019, the Texas Legislature approved Senate Bill 2 which imposes significant restrictions in governmental entities' discretion with respect to the levy of property taxes and prohibits certain cities, counties and school districts from increasing their property tax revenue by more than 3.5% above the prior year without voter approval.

The Texas Legislature which meets in regular session in odd-numbered years may enact laws that materially change current law with respect to the levy of property taxes. The City makes no representation regarding any actions the Texas Legislature may take, but intends to monitor proposed legislation for any developments applicable to the City.

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 such 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.

ZONE FINANCIAL INFORMATION

TABLE 1A – SCHEDULE OF TAXABLE INCREMENT VALUE AND TAX LEVIES (FISCAL YEAR ENDING SEPTEMBER 30, 2025)(1)

Taxing Jurisdiction	Total Taxable Increment Value(2)	Total Tax Rate(3)	Fiscal Year 2026 Tax Levy	% of FY 2026 Tax Levy
Temple ISD	$ 1,259,280,096	$ 1.6300	$ 20,526,266	48.54%
City of Temple	1,592,265,329	0.6999	11,144,265	26.35%
Bell County	1,693,855,157	0.3128	5,298,379	12.53%
Temple College District	1,731,373,462	0.2017	3,492,180	8.26%
Troy Independent School District	73,598,739	1.6725	1,230,939	2.91%
Elm Creek Watershed Tax District	367,633,776	0.0228	83,821	0.20%
Belton Independent School District	29,811,669	1.7185	512,314	1.21%
Total Tax Levy			$ 42,288,163	100.00%

(1) Effective October 1, 2021, Bell County Road District terminated its participation in the Reinvestment Zone No. 1.
(2) Fiscal Year 2025 values based on certified roll as of October, 2024. The Total Taxable Value is net of tax abatements of each jurisdiction. See Table 3 for actual tax collections.
(3) With respect to school districts, such figure represents the tax rate used for purposes of calculating the school district's Tax Increment and not the actual tax rate levied by the school district. Per Section 311.013(n) of the Texas Property Tax Code, the calculation of the tax levy for a TIRZ for school districts is based upon the tax year 2005 I&S rate and the 2005 M&O rate if the 2005 rate is higher than the current M&O and I&S rate.

TABLE 2 – TEN LARGEST TAXPAYERS IN THE ZONE BY TAX LEVY

Name of Taxpayer	FY 2026 Tax Levy	% of Total FY 2026 Tax Levy(1)(2)
BKV-BPP Power LLC (Panda I)	$ 8,068,134	19.08%
Panda Temple Power II (Panda II)	7,710,729	18.23%
HE Butt Grocery	2,595,803	6.14%
Velocis Temple SPE LP	1,875,019	4.43%
East Penn	1,211,475	2.86%
McLane Company, Inc.	993,951	2.35%
Cypressbrook Temple LP	847,332	2.00%
Tanglefoot Properties (Niagrara)	778,739	1.84%
Fed-Ex Distribution Center	773,677	1.83%
Pactiv Corporation	712,348	1.68%
	$ 25,567,207	60.45%

(1) Percentages based on Fiscal Year 2026 certified roll tax levy of $42,296,251.
(2) Illustrates concentration of Major Taxpayers by levy for all participating entities. Concentration of levy of other Participating Entities will vary.

In April 2022, CSG/Beal, the sole lender for Panda II, filed a foreclosure notice in Bell County, Texas requesting the sale of the Panda II plant and related facilities and equipment ("Panda II Property") due to default in the payment and performance of obligations secured by the Panda II Property. On May 2, 2022, Panda II filed for Chapter 7 bankruptcy. The United States Bankruptcy Court in the Northern District of Texas dismissed Panda II's bankruptcy petition, allowing CSG/Beal to foreclose on the Panda II Property. On June 7, 2022, CLMG Corp, a subsidiary of Beal Bank, as collateral agent under an Intercreditor Agreement foreclosed on the deed of trust and took ownership of the Panda II Property. The City gives no assurances regarding the future ownership, management, use, disposition or value of the Panda II Property. However, the City does not expect such ownership, management, use disposition or value to have a material adverse impact on the City's operations or financial condition, including the City's ability to pay debt service on the Obligations and its other bonded indebtedness. Panda II is current on all taxes and other contractual payments due to the City. In addition, the Panda II facility is currently operational. For additional information relating to Panda II, see the City's Voluntary Disclosure Filing Dated June 28, 2022 – Large Taxpayer Update available on the City's homepage on the Municipal Securities Rulemaking Board Electronic Municipal Market Access system.

The City has two tax abatement agreements in connection with the Panda I and Panda II plants. The Panda I tax abatement agreement is for 50% of the taxes for a ten year period commencing Fiscal Year 2016 and the Panda II tax abatement agreement is for ten years commencing Fiscal Year 2017 with abatement of 65% of the taxes in years 1-5 and in years 6-10 a declining abatement of 55%, 45%, 35%, 15% and 12%.

TABLE 3 – HISTORICAL TAX INCREMENT REVENUE FOR THE ZONE BY PARTICIPATING TAXING UNIT

Fiscal Year Ended 9/30	Temple ISD	City of Temple	Bell County	Temple College	Bell County Road[1]	Troy ISD	Elm Creek Watershed	Belton ISD	Total
2021	$ 11,584,854	$ 3,703,932	$ 2,283,886	$ 1,050,265	$ 215,435	$ 721,518	$ 44,201	$ 120,194	$ 19,724,285
2022	11,240,439	3,903,894	2,282,354	1,446,735	-	931,023	42,767	195,609	20,042,821
2023	12,725,066	4,818,757	2,536,813	1,696,616	-	1,150,372	41,609	416,013	23,385,246
2024	15,626,556	6,508,959	3,165,776	2,237,889	-	1,190,451	62,146	546,642	29,338,419
2025	19,128,121	8,512,935	4,493,033	2,888,110	-	1,167,488	72,728	504,549	36,766,964
2026	20,526,266	11,144,265	5,298,379	3,492,180	-	1,230,939	83,821	512,314	42,288,164

(1) Effective October 1, 2021, Bell County Road District terminated its participation in the Reinvestment Zone No. 1.

TABLE 3A – HISTORICAL TAX INCREMENT VALUES BY PARTICIPATING TAXING UNIT

Fiscal Year Ended 9/30	Temple ISD	TIF I and TIF II: City of Temple	TIF I and TIF II: Bell County	TIF I and TIF II: Temple College	Bell County Road[1]	Troy ISD	Elm Creek Watershed	Belton ISD
2022	$ 689,597,478	$ 609,983,494	$ 620,204,856	$ 646,729,481	$ -	$ 55,666,573	$ 136,200,828	$ 11,382,558
2023	780,678,912	786,094,086	802,788,910	830,047,169	-	68,781,587	144,979,713	24,207,890
2024	958,684,439	1,061,820,424	1,086,402,107	1,109,513,786	-	71,177,965	248,585,087	31,809,241
2025	1,173,504,335	1,358,808,470	1,388,023,797	1,431,884,170	-	69,804,979	300,528,121	29,359,865
2026	1,259,280,096	1,592,265,329	1,693,855,157	1,731,373,462	-	73,598,739	367,633,776	29,811,669

(1) Effective October 1, 2021, Bell County Road District terminated its participation in the Reinvestment Zone No. 1.

TABLE 4 – ZONE VALUES FOR BASE AND INCREMENT AS OF SEPTEMBER 30, 2025[1]

	Original Zone			Expanded Zone			Total		
Taxing Jurisdiction	Tax Increment Base	Captured Appraised Valuation	Original Zone Total Valuation	Tax Increment Base	Captured Appraised Valuation	Expanded Zone Total	Tax Increment Base	Captured Appraised Valuation	Total
Temple ISD	$ 97,186,149	$ 1,173,504,335	$ 1,270,690,484	$ -	$ -	$ -	$ 97,186,149	$ 1,173,504,335	$ 1,270,690,484
City of Temple	97,765,552	998,228,368	1,095,993,920	267,979,786	360,580,102	628,559,888	365,745,338	1,358,808,470	1,724,553,808
Bell County	97,765,552	1,013,861,730	1,111,627,282	267,979,786	374,162,067	642,141,853	365,745,338	1,388,023,797	1,753,769,135
Temple College	97,765,552	1,069,826,033	1,167,591,585	267,979,786	362,058,137	630,037,923	365,745,338	1,431,884,170	1,797,629,508
Troy ISD	8,146,123	69,804,979	77,951,102	-	-	-	8,146,123	69,804,979	77,951,102
Elm Creek Watershed Tax Dist.	28,984,337	300,528,121	329,512,458	-	-	-	28,984,337	300,528,121	329,512,458
Belton ISD	18,028	29,359,865	29,377,893	-	-	-	18,028	29,359,865	29,377,893

(1) Effective October 1, 2021, Bell County Road District terminated its participation in the Reinvestment Zone No. 1.

TABLE 5 – PRO – FORMA DEBT SERVICE REQUIREMENTS OF PARITY DEBT

Fiscal Year Ending 9/30	Outstanding Zone Parity Debt			The Bonds[1]			Total Parity Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2026	$ 2,795,000	$ 2,510,990	$ 5,305,990	$ -	$ -	$ -	$ 5,305,990
2027	3,050,000	2,254,705	5,304,705	-	5,871,059	5,871,059	11,175,764
2028	3,175,000	2,129,330	5,304,330	1,080,000	6,328,088	7,408,088	12,712,418
2029	3,305,000	1,996,983	5,301,983	1,175,000	6,274,088	7,449,088	12,751,070
2030	3,450,000	1,856,303	5,306,303	1,430,000	6,215,338	7,645,338	12,951,640
2031	3,595,000	1,708,113	5,303,113	2,270,000	6,143,838	8,413,838	13,716,950
2032	3,740,000	1,564,510	5,304,510	3,250,000	6,030,338	9,280,338	14,584,848
2033	3,895,000	1,413,790	5,308,790	3,770,000	5,867,838	9,637,838	14,946,628
2034	4,050,000	1,255,453	5,305,453	3,955,000	5,679,338	9,634,338	14,939,790
2035	4,220,000	1,089,555	5,309,555	4,155,000	5,481,588	9,636,588	14,946,143
2036	4,395,000	915,338	5,310,338	4,360,000	5,273,838	9,633,838	14,944,175
2037	4,575,000	733,038	5,308,038	4,580,000	5,055,838	9,635,838	14,943,875
2038	4,770,000	540,213	5,310,213	4,810,000	4,826,838	9,636,838	14,947,050
2039	2,945,000	338,900	3,283,900	5,050,000	4,586,338	9,636,338	12,920,238
2040	3,055,000	230,100	3,285,100	5,300,000	4,333,838	9,633,838	12,918,938
2041	3,170,000	117,200	3,287,200	5,570,000	4,068,838	9,638,838	12,926,038
2042	-	-	-	5,845,000	3,790,338	9,635,338	9,635,338
2043	-	-	-	6,140,000	3,498,088	9,638,088	9,638,088
2044	-	-	-	6,445,000	3,191,088	9,636,088	9,636,088
2045	-	-	-	6,765,000	2,868,838	9,633,838	9,633,838
2046	-	-	-	7,105,000	2,530,588	9,635,588	9,635,588
2047	-	-	-	7,460,000	2,175,338	9,635,338	9,635,338
2048	-	-	-	7,855,000	1,783,688	9,638,688	9,638,688
2049	-	-	-	8,265,000	1,371,300	9,636,300	9,636,300
2050	-	-	-	8,700,000	937,388	9,637,388	9,637,388
2051	-	-	-	9,155,000	480,638	9,635,638	9,635,638
	$ 58,185,000	$ 20,654,518	$ 78,839,518	$ 124,490,000	$ 104,664,321	$ 229,154,321	$ 307,993,839

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

TABLE 6 – PROJECTED REVENUE ADEQUACY FOR PARITY DEBT

Maximum Annual Parity Debt Service Requirements[1]	$ 14,947,050
Projected Tax Increment Revenue at 100% Collections[2]	$ 42,283,163
Projected Coverage on Maximum Annual Parity Debt Service Requirements	2.83x

(1) Includes the Bonds. Preliminary, subject to change.
(2) Based on tax year 2026 certified taxable values and tax rates, which are subject to change in the future.

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CITY'S USE OF TAX INCREMENTS TO SUBSIDIZE CITY DEBT ISSUED FOR ZONE PROJECTS . . . The City's current practice is to use a portion of the surplus balance in the Tax Increment Account to repay all or a portion of the debt service on certain of its ad valorem tax secured obligations. Such obligations are not secured by the Tax Increment Account, and the Ordinance and the TIF Act each provide that the Tax Increment Account shall be first used to repay the Bonds and other Parity Debt. However, the City's use of the Tax Increment Account for such purpose reduces the balance thereof, and could impair the City's ability to repay the Bonds in the event that Tax Increments received in any year are insufficient to satisfy the debt service requirements for the Parity Debt. The City's practice is subject to change in the future, but the City has no present intention to make such a change.

TABLE 7 – PRO – FORMA DEBT SERVICE REQUIREMENTS OF PARITY DEBT AND TAX INCREMENT SUBSIDIZED CITY AD VALOREM TAX DEBT

Fiscal Year Ending	Outstanding Zone Parity Debt			The Bonds(2)			Total Parity Debt Service	Tax Increment Subsidized City	Total Debt Service
9/30	Principal	Interest	Total	Principal	Interest	Total	Requirements	Ad Valorem Debt(2)	Requirements
2026	$ 2,795,000	$ 2,510,990	$ 5,305,990	$ -	$ -	$ -	$ 5,305,990	$ 7,389,980	$ 12,695,970
2027	3,050,000	2,254,705	5,304,705	-	5,871,059	5,871,059	11,175,764	8,416,810	19,592,573
2028	3,175,000	2,129,330	5,304,330	1,080,000	6,328,088	7,408,088	12,712,418	8,421,017	21,133,434
2029	3,305,000	1,996,983	5,301,983	1,175,000	6,274,088	7,449,088	12,751,070	8,420,382	21,171,452
2030	3,450,000	1,856,303	5,306,303	1,430,000	6,215,338	7,645,338	12,951,640	8,425,132	21,376,772
2031	3,595,000	1,708,113	5,303,113	2,270,000	6,143,838	8,413,838	13,716,950	8,430,849	22,147,799
2032	3,740,000	1,564,510	5,304,510	3,250,000	6,030,338	9,280,338	14,584,848	8,441,895	23,026,743
2033	3,895,000	1,413,790	5,308,790	3,770,000	5,867,838	9,637,838	14,946,628	8,452,691	23,399,319
2034	4,050,000	1,255,453	5,305,453	3,955,000	5,679,338	9,634,338	14,939,790	6,507,645	21,447,435
2035	4,220,000	1,089,555	5,309,555	4,155,000	5,481,588	9,636,588	14,946,143	6,501,833	21,447,976
2036	4,395,000	915,338	5,310,338	4,360,000	5,273,838	9,633,838	14,944,175	6,502,301	21,446,476
2037	4,575,000	733,038	5,308,038	4,580,000	5,055,838	9,635,838	14,943,875	6,503,351	21,447,226
2038	4,770,000	540,213	5,310,213	4,810,000	4,826,838	9,636,838	14,947,050	6,504,769	21,451,819
2039	2,945,000	338,900	3,283,900	5,050,000	4,586,338	9,636,338	12,920,238	6,504,494	19,424,731
2040	3,055,000	230,100	3,285,100	5,300,000	4,333,838	9,633,838	12,918,938	6,502,106	19,421,044
2041	3,170,000	117,200	3,287,200	5,570,000	4,068,838	9,638,838	12,926,038	6,501,354	19,427,391
2042	-	-	-	5,845,000	3,790,338	9,635,338	9,635,338	6,502,686	16,138,024
2043	-	-	-	6,140,000	3,498,088	9,638,088	9,638,088	6,505,651	16,143,739
2044	-	-	-	6,445,000	3,191,088	9,636,088	9,636,088	6,504,003	16,140,090
2045	-	-	-	6,765,000	2,868,838	9,633,838	9,633,838	6,508,345	16,142,182
2046	-	-	-	7,105,000	2,530,588	9,635,588	9,635,588	6,505,112	16,140,700
2047	-	-	-	7,460,000	2,175,338	9,635,338	9,635,338	6,501,893	16,137,231
2048	-	-	-	7,855,000	1,783,688	9,638,688	9,638,688	2,733,281	12,371,969
2049	-	-	-	8,265,000	1,371,300	9,636,300	9,636,300	-	9,636,300
2050	-	-	-	8,700,000	937,388	9,637,388	9,637,388	-	9,637,388
2051	-	-	-	9,155,000	480,638	9,635,638	9,635,638	-	9,635,638
	$ 58,185,000	$ 20,654,518	$ 78,839,518	$ 124,490,000	$ 104,664,321	$ 229,154,321	$ 307,993,839	$ 160,187,576	$ 468,181,415

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

(2) Represents a portion of the City's General Obligation Refunding Bonds, Taxable Series 2020, Combination Tax and Revenue Certificates of Obligation, Taxable Series 2022C, Combination Tax and Revenue Certificates of Obligation, Series 2022B, and Combination Tax and Revenue Certificates of Obligation, Series 2023B issues. Surplus amounts in the Tax Increment Account are available, but not pledged, to pay debt service on these ad valorem tax obligations.

TABLE 8 – PROJECTED REVENUE ADEQUACY FOR PARITY DEBT AND TAX INCREMENT SUBSIDIZED CITY AD VALOREM TAX DEBT

Maximum Annual Total Debt Service Requirements(1)	$	23,399,319
Projected Tax Increment Revenue at 100% Collections(2)	$	42,283,163
Projected Coverage on Maximum Annual Total Debt Service Requirements		1.81x

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(1) Includes the Bonds. Preliminary, subject to change.

(2) Based on tax year 2026 certified taxable values and tax rates, which are subject to change in the future.

TABLE 9 – HISTORICAL TAX LEVIES AND COLLECTIONS OF THE ZONE

	Fiscal Year 2025			Fiscal Year 2024			Fiscal Year 2023		
Taxing Jurisdiction	Tax Levy	Tax Collections	% Collected	Tax Levy	Tax Collections	% Collected	Tax Levy	Tax Collections	% Collected
Temple ISD	$ 19,128,121	$ 18,657,782	97.54%	$ 15,626,556	$ 15,562,421	99.59%	$ 12,725,066	$ 13,333,286	104.78%
City of Temple	8,512,935	8,259,648	97.02%	6,508,959	6,185,874	95.04%	4,818,757	4,867,369	101.01%
Bell County	4,493,033	4,359,007	97.02%	3,165,776	3,088,036	97.54%	2,536,813	2,561,169	100.96%
Temple College District	2,888,110	2,803,238	97.06%	2,237,889	2,183,559	97.57%	1,696,616	1,712,486	100.94%
Troy ISD	1,167,488	1,155,737	98.99%	1,190,451	1,182,674	99.35%	1,150,372	1,138,239	98.95%
Elm Creek Flood Control District	72,728	65,130	89.55%	62,146	62,071	99.88%	41,609	53,400	128.34%
Belton ISD	504,549	493,459	97.80%	546,642	473,439	86.61%	416,013	398,211	95.72%
	$ 36,766,964	$ 35,794,001	97.35%	$ 29,338,419	$ 28,738,074	97.95%	$ 23,385,246	$ 24,064,160	102.90%

	Fiscal Year 2022			Fiscal Year 2021		
Taxing Jurisdiction	Tax Levy	Tax Collections	% Collected	Tax Levy	Tax Collections	% Collected
Temple ISD	$ 11,240,439	$ 11,198,870	99.63%	$ 11,584,854	$ 11,363,708	98.09%
City of Temple	3,903,894	3,883,482	99.48%	3,703,932	3,543,245	95.66%
Bell County	2,282,354	2,268,424	99.39%	2,283,886	2,183,760	95.62%
Temple College District	1,446,734	1,439,539	99.50%	1,050,265	1,004,502	95.64%
Bell County Road Fund	931,023	923,876	99.23%	215,435	210,984	97.93%
Troy ISD	42,767	43,838	102.50%	721,518	689,820	95.61%
Elm Creek Flood Control District	195,609	188,988	96.62%	44,201	41,504	93.90%
Belton ISD	120,194	118,824	98.86%	120,194	118,824	98.86%
	$ 20,163,014	$ 20,065,841	99.52%	$ 19,724,285	$ 19,156,347	97.12%

TABLE 10 – ZONE REVENUES AND EXPENDITURES

	Fiscal Year Ending September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Taxes/Tax Increment	$ 37,080,988	$ 29,548,482	$ 24,176,236	$ 20,074,444	$ 19,212,894
Interest	3,217,795	4,942,603	4,067,029	499,751	93,551
Leases	-	2,567	19,085	14,603	8,920
Miscellaneous Reimbursements	-	1,499	2,000	435,704	-
Proceeds on Sale of Land	1,446,898	4,454,245	-	-	506,248
License and Permits	299,764	322,967	258,432	215,364	177,230
Grants	34,910	80,330	50,000	50,000	50,000
Total Revenues	$ 42,080,355	$ 39,352,693	$ 28,572,782	$ 21,289,866	$ 20,048,843
Expenditures:					
Administrative	$ 10,047,075	$ 5,146,622	$ 5,107,912	$ 3,946,263	$ 3,439,418
Capital Improvements	37,761,448	49,140,684	40,279,061	39,712,840	25,479,730
Debt Service	11,093,111	11,478,386	9,829,721	9,008,340	7,991,465
Total Expenses	$ 58,901,634	$ 65,765,692	$ 55,216,694	$ 52,667,443	$ 36,910,613
Excess (Deficiency) of Revenues over Expenditures	$ (16,821,279)	$ (26,412,999)	$ (26,643,912)	$ (31,377,577)	$ (16,861,770)
Other Financing Sources (Uses):					
Refunding Bonds Issued	$ 18,820,000	$ -	$ -	$ -	$ -
Original Issue Premium	1,175,479	-	2,261,093	2,984,705	4,763,431
Bond Discount	(103,974)	-	(479,664)	(467,202)	(292,794)
Payment to Refunded Bond Escrow Agent	(21,048,191)	-	-	-	-
Bond Proceeds	-	1,700,000	38,360,000	52,705,000	44,615,000
	$ (1,156,686)	$ 1,700,000	$ 40,141,429	$ 55,222,503	$ 49,085,637
Net Increase (Decrease)	$ (17,977,965)	$ (24,712,999)	$ 13,497,517	$ 23,844,926	$ 32,223,867
Fund Equity at Beginning of Year	$ 77,017,937	$ 101,730,936	$ 88,233,419	$ 64,388,493	$ 32,164,626
Fund Equity at End of Year	$ 59,039,972	$ 77,017,937	$ 101,730,936	$ 88,233,419	$ 64,388,493

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AD VALOREM TAXATION AS IT PERTAINS TO PARTICIPATING TAXING UNITS

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

PARTICIPATING TAXING UNITS:

Tax Increment revenues received by the Zone are derived from taxes collected by the Participating Taxing Units that levy, assess, and collect ad valorem taxes in the Zone:

1. Temple Independent School District;
2. City of Temple;
3. Bell County;
4. Temple College;
5. Troy Independent School District;
6. Elm Creek Watershed Tax District; and
7. Belton Independent School District.

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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

Through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.32 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by Taxing Units in establishing their tax rolls and tax rates.

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

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

Cities, counties and school districts that adopted an optional homestead exemption described in (1) above for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027.

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. At a Statewide election held on November 4, 2025, voters approved a constitutional amendment to provide a person with an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

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

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "– City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "– City Application of Property Tax Code" herein.

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

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the three tax years prior to the current tax year divided by the current total.

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

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

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

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

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

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

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

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

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

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

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

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $62,883,169 for the 2026 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance. The Home Rule Charter of the City limits such tax levy to no more than $1.20 per $100 taxable assessed valuation, including the payment of debt.

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

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") (i) for federal income tax purposes, interest on the Bonds will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX C – FORM OF BOND COUNSEL'S OPINION."

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure 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 the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the 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"). 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 six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount 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 Subchapter C earnings, 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 notes" 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 notes" 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 Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

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

LEGAL MATTERS

Except as hereinafter noted, Bond Counsel has not verified and has not passed upon, and assumes no responsibility for the accuracy, completeness or fairness of the information and statements contained in the Official Statement. In the performance of its duties, Bond Counsel has reviewed the information relating to the Bonds, the Master Ordinance and the Fifth Supplement contained under the captions "THE BONDS" (exclusive of subcaptions "– BOOK-ENTRY-ONLY SYSTEM," and "– BONDHOLDERS' REMEDIES"), "TAX MATTERS," "LEGAL MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "– COMPLIANCE WITH PRIOR AGREEMENTS"), "OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE," "OTHER INFORMATION – LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "APPENDIX B – EXCERPTS OF THE MASTER ORDINANCE AND THE FIFTH SUPPLEMENT," and "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" contained in the Official Statement and Bond Counsel is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions are an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. 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 opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Fifth Supplement, 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 ("MSRB"). This information will be available free of charge from the MSRB via its EMMA system 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 in Tables 1A, 2 through and including 5, 7, 9 and 10 and in APPENDIX A. The City will update and provide the information included in Tables 1A, 2 through and including 5, 7, 9 and 10 within 6 months after the end of each fiscal year ending in and after 2026, and the information included in APPENDIX A within 12 months after the end of each fiscal year ending in and after 2026. 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, the City must provide updated information included in the above-referenced tables by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 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 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 Doe 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 Fifth Supplement. The Fifth 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 "– Notice of Certain Events" caption to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB.

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under "Annual Reports" and "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.

OTHER INFORMATION

Rating . . . The Bonds have been rated "Baa2" by Moody's Ratings ("Moody's") without regard to credit enhancement. An explanation of the significance of such ratings 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 ratings. 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 ratings may have an adverse effect on the market price of the Bonds.

Litigation . . . It is the opinion of the City Attorney and City staff that (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 Obligations 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, as amended (the "PFIA"), requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. 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.

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.

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.

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

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

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

Reference is made to original documents in all respects. The Fifth Supplement 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.

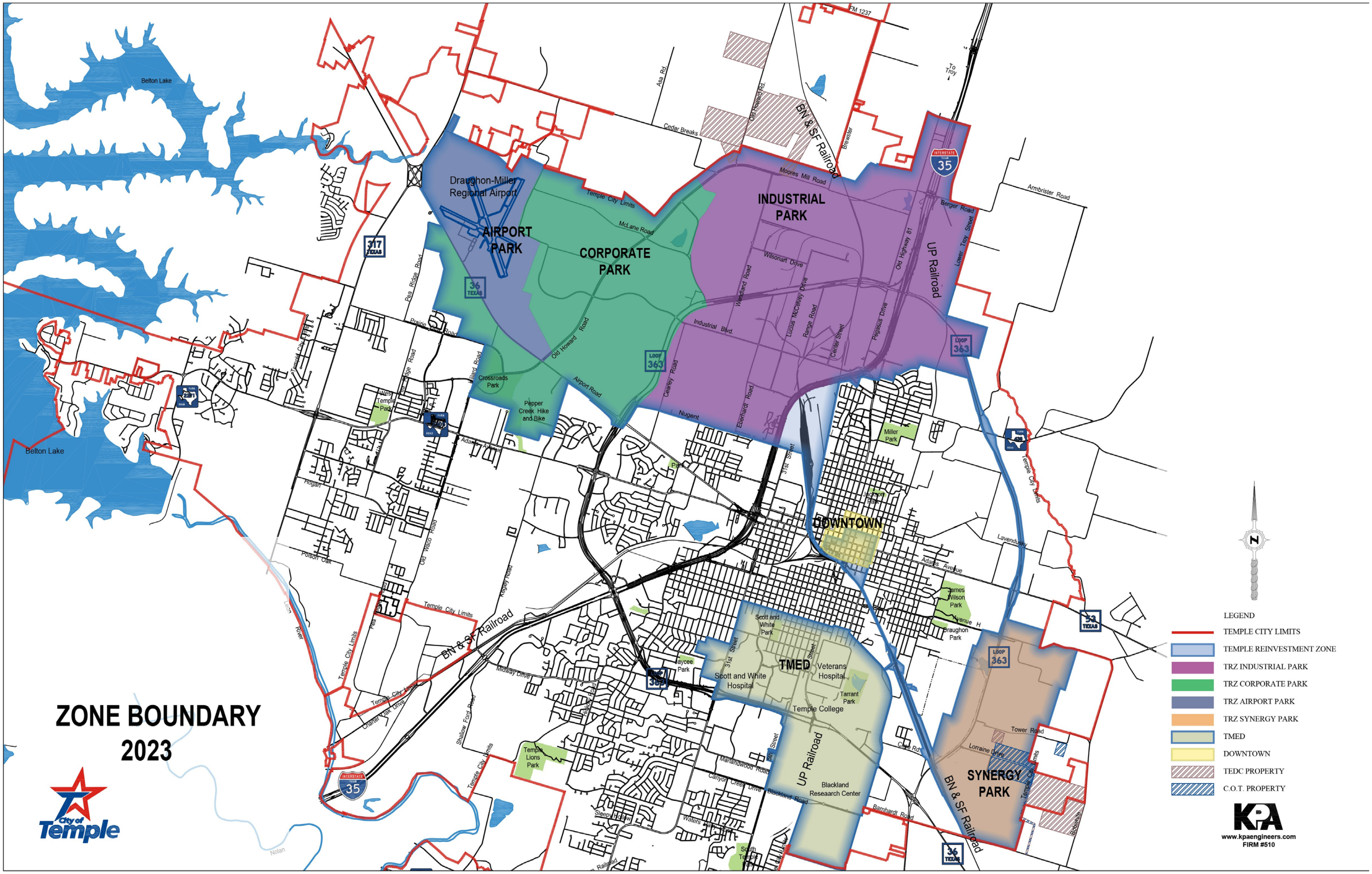
This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

____
Mayor
City of Temple, Texas

ATTEST:

____
City Secretary
City of Temple, Texas

ZONE BOUNDARY MAP


ZONE BOUNDARY
2023
City of Temple
LEGEND
TEMPLE CITY LIMITS
TEMPLE REINVESTMENT ZONE
TRZ INDUSTRIAL PARK
TRZ CORPORATE PARK
TRZ AIRPORT PARK
TRZ SYNERGY PARK
TMED
DOWNTOWN
TEDC PROPERTY
C.O.T. PROPERTY
KPA
www.kpaengineers.com
FIRM #510
AIRPORT PARK
CORPORATE PARK
INDUSTRIAL PARK
DOWNTOWN
TMED
SYNERGY PARK
Draughon-Miller Regional Airport
Belton Lake
Scott and White Hospital
Veterans Hospital
Temple College
Blackland Reseaarch Center
BN & SF Railroad
UP Railroad
Temple City Limits

APPENDIX A

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

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

INDEPENDENT AUDITOR'S REPORT

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2025, 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.

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 27, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 27, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF
TEMPLE

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

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, 2025. 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, 2025, the City's net position of the primary government was $ 465,564,132. This includes $ 10,748,854 in unrestricted funds which may be used to meet the City's future obligations. Of this amount, a deficit of $ 8,103,186 is related to governmental activities, which includes the general fund. The remaining $ 18,852,040 in 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 $ 25,547,160. The net position of governmental activities rose by $ 14,363,312, from $ 216,479,466, while the net position of business-type activities grew by $ 11,183,848, from $ 223,537,506. The overall increase in both governmental and business-type activities is primarily due to a $ 31,933,007 increase in the City's investment in capital assets.

- Pension liability and deferred inflows/outflows - The decrease in the net pension liability resulted in a corresponding reduction in deferred outflows of resources by $ 4,700,940. Additionally, deferred inflows of resources increased by $ 4,443,760. 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, 2025, the City of Temple's governmental funds reported combined fund balances of $ 226,335,487, an increase of $ 1,310,402 in comparison with the prior fiscal year. The capital projects fund had a net increase of $ 3,760,099 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 $ 482,833 in the general fund balance and a $ 1,440,815 decrease in the fund balance of nonmajor governmental funds. The offset to the overall increase is attributable to the decrease in the debt service fund of $ 1,491,715.

- General fund stability - At the end of the current fiscal year, the assigned/unassigned fund balance for the general fund was $ 51,602,540 or approximately 22.80% of total general fund expenditures.

- Bonded debt - The City's total net bonded debt increased by $ 36,191,533 during the current fiscal year. This net increase was due to bond issuance of $ 53,000,000 for the Mobility, Public

Safety, 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 69 through 136 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 138 through 150 of this report.

THE CITY AS A WHOLE – Government-Wide Financial Analysis

The City's combined net position was $ 465,564,132 as of September 30, 2025. 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 (96.90%) 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	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 270,934,847	$ 271,427,503	$ 168,118,341	$ 81,708,772	$ 439,053,188	$ 353,136,275
Capital assets	469,852,406	415,237,124	392,521,689	381,633,862	862,374,095	796,870,986
Total assets	740,787,253	686,664,627	560,640,030	463,342,634	1,301,427,283	1,150,007,261
Deferred outflows of resources	23,729,223	27,397,196	4,665,596	5,698,563	28,394,819	33,095,759
Long-term liabilities outstanding	480,195,623	449,906,087	320,994,039	234,568,300	801,189,662	684,474,387
Other liabilities	25,635,951	24,077,738	8,764,881	10,310,207	34,400,832	34,387,945
Total liabilities	505,831,574	473,983,825	329,758,920	244,878,507	835,590,494	718,862,332
Deferred inflows of resources	27,842,124	23,598,532	825,352	625,184	28,667,476	24,223,716
Net Position:						
Net investment in capital assets	236,580,235	213,400,621	214,548,035	205,794,642	451,128,270	419,195,263
Restricted	2,365,729	3,949,214	1,321,279	2,295,864	3,687,008	6,245,078
Unrestricted	(8,103,186)	(870,369)	18,852,040	15,447,000	10,748,854	14,576,631
Total net position, as restated	$ 230,842,778	$ 216,479,466	$ 234,721,354	$ 223,537,506	$ 465,564,132	$ 440,016,972

An additional portion of the City of Temple's net position (0.79%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position, $ 10,748,854, 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.

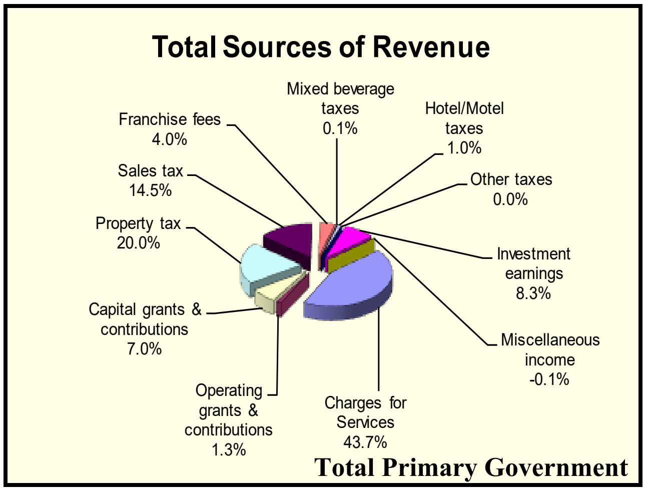
There was an increase of $ 11,183,848 in net position reported in connection with the City of Temple's business-type activities. The net increase is the result of an increase in investments in capital assets in FY 2025.

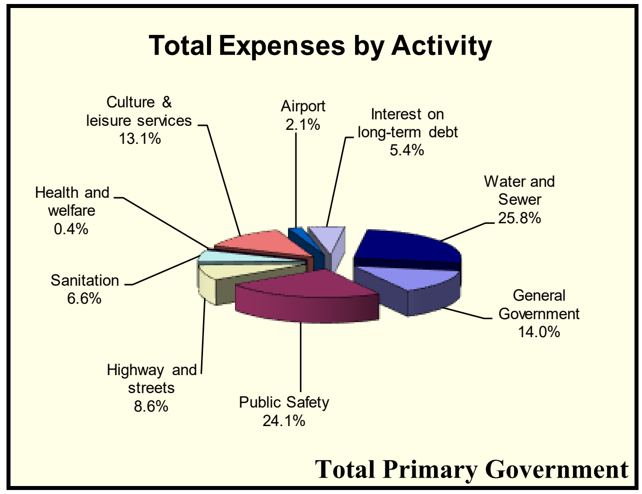
Governmental and business-type activities increased the City's net position by $ 25,547,160. The key elements of this increase are as follows:

Table II

Statement of Activities, Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 52,560,870	$ 45,703,871	$ 64,055,960	$ 54,177,682	$ 116,616,830	$ 99,881,553
Operating grants and contributions	3,526,766	17,463,336	-	-	3,526,766	17,463,336
Capital grants and contributions	15,517,796	16,045,384	3,097,126	2,511,746	18,614,922	18,557,130
General revenues:						
Property tax	53,381,357	49,110,760	-	-	53,381,357	49,110,760
Sales tax	38,776,639	37,769,286	-	-	38,776,639	37,769,286
Franchise fees	10,641,618	9,662,353	-	-	10,641,618	9,662,353
Mixed beverage taxes	277,746	275,291	-	-	277,746	275,291
Hotel/Motel taxes	2,669,167	2,957,668	-	-	2,669,167	2,957,668
Other taxes	24,351	30,757	-	-	24,351	30,757
Investment earnings	16,103,433	14,116,541	6,111,730	6,844,790	22,215,163	20,961,331
Miscellaneous income	(193,204)	(335,378)	-	9,073	(193,204)	(326,305)
Total revenues	193,286,539	192,799,869	73,264,816	63,543,291	266,551,355	256,343,160
Expenses:						
General government	33,657,219	33,344,592	-	-	33,657,219	33,344,592
Public safety	58,033,724	54,570,160	-	-	58,033,724	54,570,160
Highway and streets	20,734,169	21,882,100	-	-	20,734,169	21,882,100
Sanitation	15,937,644	19,698,163	-	-	15,937,644	19,698,163
Health and welfare	867,713	1,083,842	-	-	867,713	1,083,842
Culture & leisure services	31,601,723	24,289,924	-	-	31,601,723	24,289,924
Airport	4,979,340	5,240,205	-	-	4,979,340	5,240,205
Interest on long-term debt	13,111,695	15,791,685	-	-	13,111,695	15,791,685
Water and sewer	-	-	62,080,968	56,426,624	62,080,968	56,426,624
Total expenses	178,923,227	175,900,671	62,080,968	56,426,624	241,004,195	232,327,295
Increase (decrease) in net position, as restated	14,363,312	16,899,198	11,183,848	7,116,667	25,547,160	24,015,865
Net position - beginning, restated	216,479,466	199,580,268	223,537,506	216,420,839	440,016,972	416,001,107
Net position - ending	$ 230,842,778	$ 216,479,466	$ 234,721,354	$ 223,537,506	$ 465,564,132	$ 440,016,972





For FY 2025, revenues from governmental activities totaled $ 193,286,539. In comparison to FY 2024, revenues for governmental activities increased $ 486,670 or 0.25%. Property taxes experienced an increase of $ 4,270,597 due to growth in assessed valuations from both new construction and increases in existing values. Sales tax reflected an increase of $ 1,007,353, an increase of 2.67%. Property taxes and sales tax combined are the largest components of revenues (47.68%). In addition, charges for services increased $ 6,856,999 in FY 2025 as compared to FY 2024. This increase can be attributed to an increase of $ 2,016,196 in Sanitation charges for services associated with customer growth in solid waste collection, as well as a rate increase implemented during the fiscal year. In addition, Culture and Leisure Services saw an increase of $ 3,886,935. It should also be noted that charges for services account for 27.19% of total governmental revenue.

Expenses for governmental activities in FY 2025 totaled $ 178,923,227. In comparison to FY 2024, expenses for governmental activities increased $ 3,022,556 or 1.72%. 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 general government pay adjustments for its employees in FY 2025 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.

The five largest program expenses in FY 2025 are public safety ($ 58,033,724), general government ($ 33,657,219), culture and leisure services ($ 31,601,723), highways and streets ($ 20,734,169), and sanitation ($ 15,937,644).

For governmental activities, the Statement of Activities on page 55 shows that $ 52,560,870 was financed by those receiving services, $ 3,526,766 from operating grants and contributions,

$ 15,517,796 from capital grants and contributions, with the City's general revenues financing $ 121,681,107 of the remaining program expenses.

Business-type Activities

Revenues of the City's business-type activities were $ 73,264,816 for the fiscal year ended September 30, 2025. Revenues increased $ 9,721,525 as compared to the prior fiscal year. Expenses for the City's business-type activities were $ 62,080,968, an increase of $ 5,654,344, or 10.02%, compared to the prior fiscal year. The increase in revenues is associated to infrastructure donations from developers, along with an increase in water consumption. Water consumption increased 7.34% in FY 2025 compared to the prior fiscal year. Unrestricted net position of the water and wastewater fund was $ 18,852,040. The water and wastewater fund unrestricted net position increased in the current fiscal year by $ 3,405,040.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2025, the City had $ 862,374,095 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	
	2025	2024	2025	2024	2025	2024
Land	$ 52,539,441	$ 48,608,236	$ 4,155,932	$ 4,155,932	$ 56,695,373	$ 52,764,168
Construction in progress	88,259,305	51,415,082	30,998,637	92,960,607	119,257,942	144,375,689
Buildings	68,998,341	55,911,329	23,328,526	23,656,957	92,326,867	79,568,286
Infrastructure	207,915,504	216,168,241	326,253,674	254,405,196	534,169,178	470,573,437
Furniture & equipment	14,387,553	12,475,022	202,481	227,644	14,590,034	12,702,666
Machinery & equipment	29,595,028	22,485,705	7,451,499	6,037,149	37,046,527	28,522,854
Right-to-use leased equipment	2,011,825	2,310,927	939	6,574	2,012,764	2,317,501
Right-to-use subscription	6,145,409	5,862,582	130,001	183,803	6,275,410	6,046,385
	$ 469,852,406	$ 415,237,124	$ 392,521,689	$ 381,633,862	$ 862,374,095	$ 796,870,986

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

- Expansion of the Water Treatment Membrane Plant - $ 51,356,172
- Completion of Bird Creek Interceptor, Phase IV - $ 9,111,156

- Improvements to Avenue G Pump Station - $ 8,963,241
- Expansion of the Animal Shelter - $ 5,177,940
- Improvements to the Williamson Creek Trunk Sewer - $5,719,577
- Purchase and renovation of City Hall Annex - $ 4,159,004
- Acquisition of property for Fire Station # 7 - $ 2,699,725
- Completion of Public Safety Training Campus, Phase I - $ 2,676,519
- Replacement of the Mobile Command Post Vehicle - $2,249,451
- Construction of a new 12" waterline from SH 317 to Pepper Creek EST - $ 1,996,446
- Completion of pickleball and tennis courts at Crossroads Park - $ 1,730,267

Additional information on the City of Temple's capital assets can be found in Note III on pages 89 through 92 of this report.

Debt

At year-end, the City had $ 713,874,993 in bonds and notes payable outstanding as shown in Table IV.

Table IV
Outstanding Debt, at Year-End

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 50,635,000	$ 45,650,000	$ 13,610,000	$ 18,440,000	$ 64,245,000	$ 64,090,000
Certificate of obligation	301,945,000	274,730,000	-	-	301,945,000	274,730,000
Contractual obligations	13,500,000	10,845,000	1,815,000	-	15,315,000	10,845,000
Revenue bonds	-	-	273,700,000	186,540,000	273,700,000	186,540,000
Notes payable	1,701,163	1,875,834	126,276	139,242	1,827,439	2,015,076
Lease liability	2,062,321	2,327,872	-	5,869	2,062,321	2,333,741
Subscription liability	5,974,354	5,689,314	136,947	191,641	6,111,301	5,880,955
Premiums/discounts	25,403,593	25,088,218	23,265,339	20,390,732	48,668,932	45,478,950
Totals	$ 401,221,431	$ 366,206,238	$ 312,653,562	$ 225,707,484	$ 713,874,993	$ 591,913,722

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 4.18%.

Additional information on the City of Temple's long-term debt can be found in Note III, on pages 98 through 107 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 $ 226,335,487. Approximately 22.80% of this total amount, $ 51,602,540, 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 $ 3,064,774, or has already been restricted for the following purposes: 1) debt service, $ 160,680; 2) drug enforcement, $ 198,334; 3) library collection enhancement and other, $ 936,882; 4) bond-funded construction projects, $ 165,760,484; 5) museum expenditures, $ 17,581; 6) other purposes, $ 1,212,932; 7) drainage, $ 3,080,769; or 8) economic and community development, $ 300,511.

In the general fund, the City budgeted for a decrease in the fund balance of $ 14,199,656, which was primarily resulting from transfers of $ 5,930,124 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 2025 by $ 482,833 due to a net variance with the final adopted budget of $ 14,682,489. The increase was primarily attributed to revenue from sales tax and property tax.

- Sales tax – There was a 2.67% increase in sales tax revenue as compared to FY 2024, 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 2025 came in $ 922,107 over budget.

- Property tax - As compared to FY 2024, property tax revenue in FY 2025 saw significant growth due to an approximate 7.57% increase in market values along with a 7.86% increase in taxable property values, driven by increased local real estate market values. Additionally, the City had approximately $ 316,522,298 of new value for all property types added to the tax roll, which was a 0.69% increase in FY 2025 as compared to FY 2024. Property tax revenue for FY 2025 ended $ 866,936 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 $ 407,180 under budget, charges for services were $ 245,561 over budget, licenses and permits were $ 442,027 over budget, interest income was $ 270,553 over budget, sale of assets were $ 36,915 under budget, fines were $ 366,151 over budget, and all other revenues were over budget by $ 443,306. In addition, total expenditures in the general fund came in $ 14,682,489 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 $10,000, travel and training, and golf course operations. Operating expenditures spread across all departments accounted for $ 7,445,607 of expenditures that came in under budget.

Debt service fund balance decreased in FY 2025 by $ 1,491,715 for an ending balance of $ 160,680. The decrease in fund balance during the current year in the debt service fund was attributable to the use of fund balance for debt service payments. Capital projects fund balance had a net increase in FY 2025 of $ 3,760,099 due to the issuance of bonds and the expenditure of prior bond proceeds.

The capital projects fund has a total fund balance of $ 165,760,484. The fund balance increased by $ 3,760,099 during the current fiscal year. This net increase is due to the issuance of bonds and expenditure of bond proceeds during the fiscal year.

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 $ 18,852,040, an increase of $ 3,405,040. The water and wastewater fund unrestricted net position increase in the current fiscal year can be attributed to increases in contributed capital and consumption, offset by 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 14.78% increase in budgeted expenditures, or $19,263,164, compared to the original budget. The key factors contributing to this increase are as follows:

- $ 2,726,884 increase in personnel services for various departments. Of this amount,
    - $ 883,810 was appropriated to cover additional overtime costs for Police, as well as covering holiday pay, in accordance with the Meet & Confer agreement.
    - $ 545,500 was appropriated to cover the additional separation pay for General Fund employees in FY 2025 and to cover the adjustment for vacation and sick leave accrual for General Fund employees.
    - $ 452,534 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.

  - $ 252,904 was appropriated of the Designated Public Safety Assessment Fee for adopting an ordinance amending the Firefighter classifications to add six (6) Firefighter positions.
  - $ 252,162 was carried forward from FY 2024 to fund hiring incentives for Police.
  - $ 150,432 was appropriated of the Designated Public Safety Assessment Fee funding for mid-year personnel requests for Police to move forward with expanding to ten patrol districts. This included a reclassification of an Officer to a Corporal and an addition of a Sergeant, Property Evidence Supervisor, and Logistics Supervisor.
  - $ 110,489 was appropriated to cover the additional funding needed for the reclassification of a Plans Reviewer to a Deputy Fire Marshal position within the Fire Department.
  - $ 30,000 was appropriated for additional overtime costs in the Solid Waste Department.
  - $ 18,772 was appropriated for additional revenue and expenditures for Sammons Golf Course associated with golf lessons.
- $ 3,863,674 in supplemental funding for capital to various departments within the General Fund for projects that were not completed in the previous year.
- Appropriation of $ 3,709,099 in insurance proceeds, with $ 3,397,033 specifically allocated for storm damage caused by the May 2024 storms.
- $ 3,162,648 in supplemental funding for operations to various departments within the General Fund for projects that were not completed in the previous year.
- $ 1,558,425 was appropriated for capitalization of new subscription-based information technology arrangements under GASB 96 – Simpleview [Microsoft] ($ 1,061,110, ThruGreen for Traffic Signals ($402,028) and Benchmark Analytics for Police Department ($ 95,287).
- $ 235,954 in supplemental funding to cover additional repair and maintenance costs in the Fire Department.
- $ 173,360 was appropriated for a services agreement with Ceres Environmental Services, Inc. to address backlog in brush and bulk services resulting from recent equipment issues.
- $ 171,000 in supplemental funding to cover additional costs for Solid Waste fleet repair and maintenance.
- $ 150,000 donation received to fund the professional services agreement with Populous for design services required for the Downtown Redevelopment project.
- $ 134,455 in donations was received from the Temple Founder Lions Club through their parks and charities fund to purchase playground equipment at Lions Park.
- $ 129,650 was appropriated for merchandise, non-alcoholic beverages, alcoholic beverages, and food to be sold at Sammons Golf Course.
- $ 127,201 was appropriated in additional funding for estimated waived permit fees surrounding applications associated to damages caused by the tornadoes and storms on May 22, 2024.

- $ 119,879 was appropriated for Aviation (AV) Gas to be sold at the Airport.
- $ 106,846 in supplemental funding from the Opioid Settlement funds were appropriated to provide substance use disorder treatment.
- $ 98,860 supplemental funding to cover the cost of legal services related to the Solid Waste Complex and to purchase additional 95-gallon trash containers.
- $ 82,581 was appropriated to cover the cost of purchasing additional trash and recycling containers.
- $ 80,000 of Public Education Channel (PEG) funding was appropriated to purchase a dedicated vehicle to serve as a mobile production unit dedicated to support PEG access programming.
- $ 29,206 of parks developer fees was appropriated for reconstruction of the Spanish Southwest Park Basketball Court.
- $ 27,883 of donations received by the Fire Department was appropriated to the Rescue Elves Program.
- $ 25,520 in supplemental funding from the Friends of the Library to purchase the Creative Bug Database, the Best Seller Program, a new bookshelf, a paper cutting machine, adult summer performers, youth services summer reading prizes, and summer reading booklets and stickers.
- $ 22,280 was appropriated to fund the purchase of picnic shelters to be located within Valley Ranch Park, Forrester Road, Gonzales Ranch II, and Valor Estates.
- $ 22,145 was appropriated in additional revenue and expenditures related to the first amendment of the land lease agreement between Temple Fire and Rescue and the Draughon-Miller Central Texas Regional Airport.
- ($ 657,598) reduction was made to the budget for the Cost of Goods Sold account for Jet Fuel with the offset in the corresponding revenue accounts.

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 ($ 1,717,460), an increase in licenses and permits ($ 127,201), an increase in franchise fees ($ 81,596), an increase in insurance proceeds ($ 3,709,099), an increase in intergovernmental revenues ($ 992,605), and an increase in other income from various sources ($ 805,122). The remaining increases in expenditure appropriations were funded with Assigned General Fund Balance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the FY 2026 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 4.29%, 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 2026. The total 2025-2026 combined budget appropriation totals $ 279,197,086 for six operating funds and one internal service fund.

The 2025-2026 General Fund budget of $ 147,504,730 represents an increase of 13.17% or $ 17,164,024 in comparison to the adopted 2024-2025 budget. The focus of the FY 2026 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 2026 Budget allocates resources based on the five focus areas as identified in the Strategic Plan: High-Performing Organization, Communication and Collaboration, Places and Spaces, Health and Safety, and Smart Growth.

Overall, the City Council was presented with a budget that requires $ 4,038,650 from fund balance to assist in the funding of $ 3,543,250 in capital outlay, $ 150,000 for a Parks Master Plan, $ 100,000 funding for Small Business Economic Development Matrix Funding, $ 100,000 for Neighborhood Enhancement Grant Program, $ 95,400 in funding for the Temple Revitalization Corporation, and $ 50,000 for a Street Maintenance Fund Fee Study. The budget assesses a tax rate of $ 0.6999 per $ 100 valuation, which reflects an increase of $0.0734 as compared to the FY 2025 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 the 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. FY 2025 included an adjustment of approximately 8.50% for water rates and approximately 25.50% for wastewater rates, effective October 1, 2024. The FY 2026 Budget included an adjustment of approximately 5.00% for water rates and an approximate 17.00% adjustment for wastewater rates, effective October 1, 2025. The current rate model for FY 2027 through FY 2031 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 2026 through FY 2031 Utility Capital Improvement Program.

The FY 2026 Water and Wastewater Fund operating budget of $ 76,224,385, is an increase of 12.11% 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, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Reinvestment Zone No. 1	Temple Economic Development Corporation
ASSETS					
Cash	$ 9,860	$ 8,050	$ 17,910	$ -	$ 5,221,266
Investments	229,577,501	23,716,736	253,294,237	22,226,683	-
Property taxes, net of allowance for uncollectibles	1,155,026	-	1,155,026	761,643	-
Receivables, net of allowance for uncollectibles	6,269,370	2,793,026	9,062,396	66,712	2,110
Lease receivable	19,348,375	-	19,348,375	-	3,358,806
Due from other governments	11,625,726	-	11,625,726	34,910	-
Inventories	529,012	551,434	1,080,446	-	-
Prepaids	1,021,551	336,871	1,358,422	-	551,080
Other assets	18,561	-	18,561	-	-
Restricted assets:					
Cash and investments	1,379,865	140,712,224	142,092,089	41,430,639	1,875,178
Land held for investment	-	-	-	-	70,133,739
Capital assets not being depreciated:					
Land	52,539,441	4,155,932	56,695,373	26,263,950	-
Construction in progress	88,259,305	30,998,637	119,257,942	55,268,744	-
Capital assets, net of accumulated depreciation:					
Buildings	68,998,341	23,328,526	92,326,867	32,336,581	4,334,156
Infrastructure	207,915,504	326,253,674	534,169,178	127,387,913	-
Furniture and equipment	14,387,553	202,481	14,590,034	21,588	22,108
Machinery and equipment	29,595,028	7,451,499	37,046,527	-	-
Right-to-use capital assets	8,157,234	130,940	8,288,174	-	-
Total assets	740,787,253	560,640,030	1,301,427,283	305,799,363	85,498,443
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts on refunding	2,188,722	2,829,405	5,018,127	1,086,146	-
Deferred amounts of contributions	9,047,442	1,097,329	10,144,771	-	-
Difference in investment experience	7,306,013	640,900	7,946,913	-	-
Changes in assumptions	5,187,046	97,962	5,285,008	-	-
Total deferred outflows of resources	23,729,223	4,665,596	28,394,819	1,086,146	-
LIABILITIES					
Vouchers and contracts payable	12,700,432	4,070,476	16,770,908	2,726,379	2,111,206
Retainage payable	2,570,800	1,055,139	3,625,939	1,992,593	-
Accrued payroll	2,220,663	260,054	2,480,717	-	-
Deposits	161,976	982,194	1,144,170	-	-
Accrued interest payable	3,438,793	2,267,721	5,706,514	1,235,120	-
Unearned revenues	4,543,287	129,297	4,672,584		-
Noncurrent liabilities:					
Due within one year	22,904,912	17,956,413	40,861,325	6,339,364	99,204
Due in more than one year	457,290,711	303,037,626	760,328,337	166,568,192	3,103,746
Total liabilities	505,831,574	329,758,920	835,590,494	178,861,648	5,314,156
DEFERRED INFLOWS OF RESOURCES					
Lease related	17,775,307	-	17,775,307	-	3,234,515
Difference in expected and actual investment earnings	6,198,912	313,646	6,512,558	-	-
Difference in actual plan experience vs assumptions	1,452,518	185,712	1,638,230	-	-
Changes in assumptions	2,415,387	325,994	2,741,381	-	-
Total deferred inflows of resources	27,842,124	825,352	28,667,476	-	3,234,515
NET POSITION					
Net investment in capital assets/right-to-use assets	236,580,235	214,548,035	451,128,270	107,858,249	1,153,314
Restricted for:					
Debt service	-	1,321,279	1,321,279	5,870,000	-
Promotion of tourism	1,212,932	-	1,212,932	-	-
Other	1,152,797	-	1,152,797	-	-
Economic development incentives	-	-	-	-	69,089,041
Unrestricted (deficit)	(8,103,186)	18,852,040	10,748,854	14,295,612	6,707,417
Total net position	$ 230,842,778	$ 234,721,354	$ 465,564,132	$ 128,023,861	$ 76,949,772

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, 2025

		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	$ 33,657,219	$ 8,241,002	$ 2,061,183	$ -	$ (23,355,034)	$ -	$ (23,355,034)	$ -	$ -
Public safety	58,033,724	4,839,551	878,179	60,686	(52,255,308)	-	(52,255,308)	-	-
Highways and streets	20,734,169	3,557,264	42,000	15,175,179	(1,959,726)	-	(1,959,726)	-	-
Sanitation	15,937,644	22,380,906	15,000	181,979	6,640,241	-	6,640,241	-	-
Health and welfare	867,713	-	495,145	-	(372,568)	-	(372,568)	-	-
Culture and leisure services	31,601,723	10,250,726	-	-	(21,350,997)	-	(21,350,997)	-	-
Airport	4,979,340	3,291,421	35,259	99,952	(1,552,708)	-	(1,552,708)	-	-
Interest on long-term debt	13,111,695	-	-	-	(13,111,695)	-	(13,111,695)	-	-
Total governmental activities	178,923,227	52,560,870	3,526,766	15,517,796	(107,317,795)	-	(107,317,795)	-	-
Business-type activities:									
Water and sewer	62,080,968	64,055,960	-	3,097,126	-	5,072,118	5,072,118	-	-
Total business-type activities	62,080,968	64,055,960	-	3,097,126	-	5,072,118	5,072,118	-	-
Total primary government	$ 241,004,195	$ 116,616,830	$ 3,526,766	$ 18,614,922	(107,317,795)	5,072,118	(102,245,677)	-	-
Component units:									
Reinvestment Zone No. 1	$ 34,202,876	$ 299,764	$ -	$ 34,910	-	-	-	(33,868,202)	-
Temple Economic Development Corporation	4,680,148	-	22,816,332	-	-	-	-	-	18,136,184
Total component units	$ 38,883,024	$ 299,764	$ 22,816,332	$ 34,910	-	-	-	(33,868,202)	18,136,184
General Revenues:									
Property taxes					53,381,357	-	53,381,357	36,370,974	-
Sales taxes					38,776,639	-	38,776,639	-	-
Franchise fees					10,641,618	-	10,641,618	-	-
Mixed beverage taxes					277,746	-	277,746	-	-
Hotel/Motel taxes					2,669,167	-	2,669,167	-	-
Other taxes					24,351	-	24,351	-	-
Investment income					16,103,433	6,111,730	22,215,163	3,217,795	263,719
Miscellaneous income					(193,204)	-	(193,204)	1,446,898	70,041
Total general revenues					121,681,107	6,111,730	127,792,837	41,035,667	333,760
Change in net position					14,363,312	11,183,848	25,547,160	7,167,465	18,469,944
Net position-beginning, as restated					216,479,466	223,537,506	440,016,972	120,856,396	58,479,828
Net position-ending					$ 230,842,778	$ 234,721,354	$ 465,564,132	$ 128,023,861	$ 76,949,772

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

CITY OF TEMPLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 5,360	$ -	$ -	$ 4,500	$ 9,860
Investments	51,554,083	149,480	173,891,360	3,982,578	229,577,501
Property taxes, net	561,716	593,310	-	-	1,155,026
Other receivables, net	5,211,190	-	-	1,058,181	6,269,371
Lease receivable	19,348,375	-	-	-	19,348,375
Due from other governments	5,721,040	2,329,866	-	3,574,820	11,625,726
Due from other funds	2,271,251	-	-	-	2,271,251
Inventories, at cost	522,680	-	-	6,332	529,012
Prepaid items	982,013	-	-	39,538	1,021,551
Restricted cash and investments	1,379,865	-	-	-	1,379,865
Other assets	-	-	-	18,561	18,561
Total assets	$ 87,557,573	$ 3,072,656	$ 173,891,360	$ 8,684,510	$ 273,206,099
LIABILITIES					
Vouchers and contracts payable	$ 5,583,653	$ -	$ 6,388,061	$ 728,720	$ 12,700,434
Retainage payable	12,136	-	1,737,225	821,439	2,570,800
Accrued payroll	2,145,180	-	5,590	69,894	2,220,664
Vacation and sick leave payable	1,126,276	-	-	54,510	1,180,786
Deposits	62,088	-	-	99,888	161,976
Due to other funds	-	-	-	2,271,251	2,271,251
Unearned revenues	5,077,418	2,911,976	-	-	7,989,394
Total liabilities	14,006,751	2,911,976	8,130,876	4,045,702	29,095,305
DEFERRED INFLOWS OF RESOURCES					
Lease related	17,775,307	-	-	-	17,775,307
Total deferred inflows of resources	17,775,307	-	-	-	17,775,307
FUND BALANCES					
Fund Balances:					
Nonspendable:					
Inventories, prepaid items, and leases	3,037,759	-	-	27,015	3,064,774
Restricted for:					
Debt service	-	160,680	-	-	160,680
Drug enforcement	198,334	-	-	-	198,334
Library and other	936,882	-	-	-	936,882
Construction	-	-	165,760,484	-	165,760,484
Museum	-	-	-	17,581	17,581
Other purposes	-	-	-	1,212,932	1,212,932
Committed to:					
Drainage	-	-	-	3,080,769	3,080,769
Economic and community development	-	-	-	300,511	300,511
Assigned to:					
Capital technology acquisition	876,850	-	-	-	876,850
Capital projects	11,279,550	-	-	-	11,279,550
Purchases on order	6,616,652	-	-	-	6,616,652
Unassigned	32,829,488	-	-	-	32,829,488
Total fund balances	55,775,515	160,680	165,760,484	4,638,808	226,335,487
Total liabilities, deferred inflows of resources, and fund balances	$ 87,557,573	$ 3,072,656	$ 173,891,360	$ 8,684,510	$ 273,206,099

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, 2025

Total fund balances-governmental funds		$ 226,335,487
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	$ 52,539,441	
Construction in progress	88,259,305	
Buildings	123,484,673	
Infrastructure	406,487,445	
Furniture and equipment	45,471,408	
Machinery and equipment	67,991,275	
Right-to-use leased equipment	3,733,703	
Right-to-use subscriptions	8,395,638	
Accumulated depreciation and amortization	(326,510,482)	
Total capital assets	$ 469,852,406	469,852,406
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	$ 2,188,722	
Deferred amounts of contributions	9,047,442	
Difference in expected and actual experience	7,306,013	
Deferred amounts of changes in assumptions	5,187,046	
Difference in projected and actual investment earnings	-	
	$ 23,729,223	23,729,223
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	$ 534,131	
Interest & sinking fund taxes not collected	582,110	
Pass-through toll agreement	2,329,866	
Total deferred revenue reclassified	$ 3,446,107	3,446,107
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.		(9,139,013)
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	$ 22,747,494	
Long-term debt, including premium/discount	450,567,121	
Total long-term liabilities	$ 473,314,615	(473,314,615)
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	$ (1,452,518)	
Changes in assumptions	(2,415,387)	
Difference in projected and actual investment earnings	(6,198,912)	
	$ (10,066,817)	(10,066,817)
Net position of governmental activities		$ 230,842,778

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, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 66,686,289	$ 25,614,055	$ -	$ 2,669,167	$ 94,969,511
Franchise fees	10,641,618	-	-	-	10,641,618
Licenses and permits	1,791,208	-	-	-	1,791,208
Intergovernmental	2,469,440	1,457,232	-	8,335,336	12,262,008
Drainage fees	-	-	-	3,226,830	3,226,830
Charges for services	44,054,538	-	-	1,747,771	45,802,309
Fines	1,583,128	-	-	-	1,583,128
Interest and other	7,660,113	548,378	7,599,833	229,874	16,038,198
Total revenues	134,886,334	27,619,665	7,599,833	16,208,978	186,314,810
Expenditures:					
Current:					
General government	29,567,164	-	10,458,059	191,454	40,216,677
Public safety	52,854,863	-	10,834,221	285,302	63,974,386
Highways and streets	5,877,555	-	31,220,915	9,254,524	46,352,994
Sanitation	13,772,866	-	6,716,610	15,000	20,504,476
Health and welfare	-	-	-	742,430	742,430
Culture and leisure services	22,246,208	-	4,427,753	6,190,964	32,864,925
Airport	4,793,247	-	38,480	111,058	4,942,785
Debt service:					
Principal retirement	1,535,190	17,554,671	-	68,100	19,157,961
Interest and fiscal charges	278,304	12,849,544	2,100,018	3,512	15,231,378
Refunding bond issuance costs	-	155,821	-	-	155,821
Total expenditures	130,925,397	30,560,036	65,796,056	16,862,344	244,143,833
Excess (deficiency) of revenues over expenditures	3,960,937	(2,940,371)	(58,196,223)	(653,366)	(57,829,023)
Other financing sources (uses):					
Transfers in	338,129	2,157,581	3,774,656	320,780	6,591,146
Transfers out	(5,374,657)	-	(28,753)	(1,187,736)	(6,591,146)
Issuance of loans and bonds	-	-	54,800,000	-	54,800,000
Refunding bonds issued	-	35,435,000	-	-	35,435,000
Discount on bond issuance	-	(150,203)	(294,758)	-	(444,961)
Original issue premium	-	2,609,926	3,705,177	-	6,315,103
Payment to refunded bond escrow agent	-	(38,603,648)	-	-	(38,603,648)
Leases (as lessee)	-	-	-	-	-
Subscriptions	1,558,424	-	-	79,507	1,637,931
Total other financing sources (uses)	(3,478,104)	1,448,656	61,956,322	(787,449)	59,139,425
Net change in fund balances	482,833	(1,491,715)	3,760,099	(1,440,815)	1,310,402
Fund balances, beginning of year	55,292,682	1,652,395	162,000,385	6,079,623	225,025,085
Fund balances, end of year	$ 55,775,515	$ 160,680	$ 165,760,484	$ 4,638,808	$ 226,335,487

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, 2025

Net change in fund balances-total governmental funds		$ 1,310,402
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	$ 77,745,999	
Depreciation and amortization expense	(27,020,878)	
Net adjustment	$ 50,725,121	50,725,121
Capital contributions of infrastructure that do not provide current financial resources to governmental funds.		4,098,570
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals and donations) is to decrease net position.		(208,409)
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.		(1,074,852)
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	$ (90,235,000)	
Increase in subscription and lease obligations	(1,646,800)	
Discount/(premium) on issuance	(5,870,141)	
Principal payments to bond and note holders	17,554,671	
Payment to refunded bond escrow agent	38,000,000	
Amortize right of use obligations	1,627,311	
Amortization of bond premiums/discounts	5,554,766	
Amortization of bond refunding amounts and refinancing cost	(180,626)	
Net adjustment	$ (35,195,819)	(35,195,819)
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	$ (309,062)	
Total adjustment	$ (309,062)	(309,062)
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	$ 6,998,040	
Increase in OPEB liability	(37,031)	
Difference in investment experience - outflow	1,207,628	
Difference in expected and actual experience - outflow	(8,565,770)	
Difference in changes in assumptions - outflow	3,145,194	
Difference in expected and actual experience - inflow	406,261	
Difference in changes in assumptions - inflow	514,488	
Difference in projected and actual - inflow	(6,198,912)	
Increase in deferred pension and OPEB contributions	725,601	
	$ (1,804,501)	(1,804,501)
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.		(3,178,138)
Change in net position of governmental activities		$ 14,363,312

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	$ 66,604,021	$ 66,604,021	$ 66,686,289	$ 82,268
Franchise fees	10,967,202	11,048,798	10,641,618	(407,180)
Licenses and permits	1,221,980	1,349,181	1,791,208	442,027
Intergovernmental	167,864	1,160,469	2,469,440	1,308,971
Charges for services	42,091,517	43,808,977	44,054,538	245,561
Fines	1,216,977	1,216,977	1,583,128	366,151
Interest and other	3,805,016	8,319,237	7,660,113	(659,124)
Total revenues	126,074,577	133,507,660	134,886,334	1,378,674
Expenditures:				
Current:				
General government:				
City council	381,290	370,645	348,586	22,059
City manager	1,425,387	1,773,761	1,559,381	214,380
Housing & community development	755,529	788,449	785,732	2,717
Finance	3,520,102	3,709,032	3,481,504	227,528
Purchasing	866,529	902,453	872,953	29,500
City secretary	465,172	476,535	452,272	24,263
Special services	2,294,630	2,211,518	1,901,370	310,148
City attorney	1,540,258	1,685,143	1,563,240	121,903
City planning	1,107,899	1,425,570	1,184,347	241,223
Information technology services	5,785,345	6,876,322	6,228,081	648,241
People operations	1,865,735	1,965,739	1,797,371	168,368
Economic development	932,068	734,568	708,864	25,704
Fleet services	2,099,718	2,292,299	2,027,204	265,095
Inspections/Permits	1,472,301	1,744,363	1,488,728	255,635
Customer care	562,185	711,087	653,386	57,701
Facility services	2,696,250	3,051,283	2,448,819	602,464
Strategy & innovation	652,199	522,750	430,402	92,348
Marketing and communications	1,665,495	1,774,807	1,634,924	139,883
Total general government	30,088,092	33,016,324	29,567,164	3,449,160
Public safety:				
Municipal court	1,096,244	1,050,619	992,718	57,901
Police	26,381,629	30,326,338	27,849,562	2,476,776
Animal services	1,047,679	1,357,186	1,136,288	220,898
Fire	17,881,731	20,366,199	19,908,509	457,690
Communications	1,203,714	1,203,714	1,203,714	-
Code Enforcement	2,104,481	2,738,604	1,764,072	974,532
Total public safety	49,715,478	57,042,660	52,854,863	4,187,797
Highways and streets:				
Streets	5,069,751	5,197,849	3,802,091	1,395,758
Traffic control	810,498	1,126,000	1,086,212	39,788
Engineering	1,087,023	1,076,040	989,252	86,788
Totals highways and streets	6,967,272	7,399,889	5,877,555	1,522,334
Sanitation:	13,121,659	14,602,440	13,772,866	829,574
Parks & Recreation:				
Parks	8,938,173	10,367,846	8,919,426	1,448,420
Recreation	6,250,725	6,763,109	6,167,803	595,306
Administration	1,521,013	1,201,375	1,123,874	77,501
Golf course	2,175,595	2,473,379	2,229,661	243,718
Education	2,706,211	4,076,546	3,805,444	271,102
Total parks & recreation	21,591,717	24,882,255	22,246,208	2,636,047
Airport:	4,194,750	4,893,665	4,793,247	100,418
Debt service:				
Principal	1,568,402	1,557,826	1,535,190	22,636
Interest	191,062	278,687	278,304	383
Total debt service	1,759,464	1,836,513	1,813,494	23,019
Total expenditures	127,438,432	143,673,746	130,925,397	12,748,349
Excess (deficiency) of revenues over expenditures	(1,363,855)	(10,166,086)	3,960,937	14,127,023
Other financing sources (uses):				
Transfers in	338,129	338,129	338,129	-
Transfers out	(2,902,274)	(5,930,124)	(5,374,657)	555,467
Lease proceeds	-	-	-	-
Subscription proceeds	-	1,558,425	1,558,424	(1)
Total other financing sources (uses)	(2,564,145)	(4,033,570)	(3,478,104)	555,466
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,928,000)	(14,199,656)	482,833	14,682,489
Fund balance, beginning of period	55,292,682	55,292,682	55,292,682	-
Fund balance, end of period	$ 51,364,682	$ 41,093,026	$ 55,775,515	$ 14,682,489

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, 2025 and 2024

	2025	2024	Increase (Decrease)
ASSETS			
Current assets:			
Cash	$ 8,050	$ 8,050	$ -
Investments	23,716,736	20,454,115	3,262,621
Restricted cash and investments:			
Revenue bond debt service	3,589,000	3,492,038	96,962
Customer deposits	982,194	935,075	47,119
Construction account	136,141,030	51,880,322	84,260,708
Customer receivables	2,793,026	4,215,075	(1,422,049)
Accounts receivable	-	9,073	(9,073)
Inventories	551,434	397,184	154,250
Prepaid items	336,871	317,840	19,031
Total current assets	168,118,341	81,708,772	86,409,569
Noncurrent assets:			
Capital assets:			
Land	4,155,932	4,155,932	-
Buildings	61,215,851	60,383,190	832,661
Improvements other than buildings	476,738,059	393,587,095	83,150,964
Machinery, furniture and equipment	22,467,454	19,907,568	2,559,886
	564,577,296	478,033,785	86,543,511
Less accumulated depreciation	(203,185,184)	(189,550,907)	(13,634,277)
Construction in progress	30,998,637	92,960,607	(61,961,970)
Total capital assets (net of accumulated depreciation)	392,390,749	381,443,485	10,947,264
Right-to-use leased/subscription assets:			
Machinery, furniture and equipment	22,540	22,540	-
Subscriptions	317,537	306,339	11,198
Less accumulated amortization	(209,137)	(138,502)	(70,635)
Total right-to-use assets (net of accumulated amortization)	130,940	190,377	(59,437)
Total noncurrent assets	392,521,689	381,633,862	10,887,827
Total assets	560,640,030	463,342,634	97,297,396
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding	2,829,405	3,256,132	(426,727)
Deferred amounts of contributions	1,097,329	977,342	119,987
Difference in investment experience	640,900	667,760	(26,860)
Difference in expected and actual experience	-	658,082	(658,082)
Changes in assumptions	97,962	139,247	(41,285)
Total deferred outflows of resources	4,665,596	5,698,563	(1,032,967)

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

	2025	2024	Increase (Decrease)
LIABILITIES			
Current liabilities:			
Vouchers and contracts payable	$ 4,070,476	$ 5,729,454	$ (1,658,978)
Retainage payables	1,055,139	1,914,798	(859,659)
Accrued payroll	260,054	471,525	(211,471)
Unearned revenues	129,297	80,279	49,018
Customer deposits	982,194	935,075	47,119
Accrued interest - revenue bonds	2,267,721	1,196,174	1,071,547
Current maturities of long-term liabilities	17,956,413	15,223,115	2,733,298
Total current liabilities	26,721,294	25,550,420	1,170,874
Noncurrent liabilities:			
Arbitrage payable	2,324,922	2,334,122	(9,200)
Revenue bonds payable	294,661,465	210,342,316	84,319,149
Compensated absences payable	869,286	750,725	118,561
Other post-employment benefits payable	549,870	541,335	8,535
Net supplemental death benefits payable	269,347	271,727	(2,380)
Net pension liability	4,180,207	4,831,124	(650,917)
Notes payable	113,180	126,276	(13,096)
Subscription payable	69,349	130,462	(61,113)
Total noncurrent liabilities	303,037,626	219,328,087	83,709,539
Total liabilities	329,758,920	244,878,507	84,880,413
DEFERRED INFLOWS OF RESOURCES			
Difference in expected and actual investment earnings	313,646	-	313,646
Difference in actual plan experience vs assumptions	185,712	230,736	(45,024)
Changes in assumptions	325,994	394,448	(68,454)
Total deferred inflows of resources	825,352	625,184	200,168
NET POSITION			
Net investment in capital assets	214,548,035	205,794,642	8,753,393
Restricted for:			
Debt service	1,321,279	2,295,864	(974,585)
Unrestricted	18,852,040	15,447,000	3,405,040
Total net position	$ 234,721,354	$ 223,537,506	$ 11,183,848

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

CITY OF TEMPLE, TEXAS

WATER AND WASTEWATER FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended September 30, 2025

(With comparative amounts for the year ended September 30, 2024)

	2025	2024	Increase (Decrease)
Operating revenues:			
Charges for sales and services:			
Water service	$ 32,924,706	$ 28,068,873	$ 4,855,833
Sewer service	28,557,576	23,374,623	5,182,953
Other	2,573,675	2,734,186	(160,511)
Total operating revenues	64,055,957	54,177,682	9,878,275
Operating expenses:			
Personnel services	11,256,271	9,839,535	1,416,736
Supplies	2,828,411	3,400,955	(572,544)
Repairs and maintenance	2,021,102	2,000,870	20,232
Depreciation/amortization	13,822,867	12,748,663	1,074,204
Other services and charges	21,910,734	16,930,756	4,979,978
Total operating expenses	51,839,385	44,920,779	6,918,606
Operating income	12,216,572	9,256,903	2,959,669
Nonoperating revenues (expenses):			
Intergovernmental revenues	-	9,073	(9,073)
Interest income	6,111,730	6,844,790	(733,060)
Interest expense	(9,464,678)	(8,460,743)	1,003,935
Arbitrage expense	(169,140)	(1,551,250)	(1,382,110)
Other expense	(607,762)	(1,493,852)	(886,090)
Total nonoperating revenues (expenses)	(4,129,850)	(4,651,982)	(522,132)
Income (loss) before contributions	8,086,722	4,604,921	3,481,801
Contributed capital	3,097,126	2,511,746	585,380
Change in net position, as restated	11,183,848	7,116,667	4,067,181
Total net position - beginning	223,537,506	216,420,839	7,116,667
Total net position - ending	$ 234,721,354	$ 223,537,506	$ 11,183,848

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, 2025
(With comparative amounts for the year ended September 30, 2024)

	Water and Wastewater	
	2025	**2024**
Cash flows from operating activities:		
Cash received from customers	$ 65,574,143	$ 53,562,085
Cash paid to suppliers	(17,334,077)	(9,622,851)
Cash paid to employees	(11,176,785)	(9,479,004)
Cash paid to other funds for administration, franchise fees and data processing	(11,249,355)	(9,786,335)
Net cash provided by operating activities	25,813,926	24,673,895
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	(23,356,120)	(35,767,997)
Interest paid on debt	(9,397,126)	(9,773,684)
Debt principal payments	(13,405,000)	(12,890,000)
Proceeds from other governmental entities	-	36,224
Payment to escrow agent	-	-
Proceeds from debt issuance	101,900,000	-
Net cash provided (used) by capital and related financing activities	55,741,754	(58,395,457)
Cash flows from investing activities:		
Interest received on investments	6,111,730	6,844,790
Net cash provided by investing activities	6,111,730	6,844,790
Net change in cash and cash equivalents	87,667,410	(26,867,699)
Cash and cash equivalents, beginning of year	76,769,600	103,637,299
Cash and cash equivalents, end of year	$ 164,437,010	$ 76,769,600

(Continued)

	Water and Wastewater	
	2025	2024
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 12,216,572	$ 9,256,903
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization	13,822,867	12,748,663
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Change in accounts receivable	1,431,123	(666,399)
Change in inventory	(154,250)	136,173
Change in prepaids	(19,031)	(21,670)
Change in vouchers payable	(1,658,978)	2,817,965
Change in accrued liabilities	(211,471)	82,864
Change in OPEB liability	8,535	12,481
Change in supplemental death benefit liability	(2,380)	17,341
Change in net pension liability	166,241	110,886
Change in customer deposits	47,119	32,091
Change in accrued vacation and sick leave	118,561	136,959
Change in unearned revenue	49,018	9,638
Total adjustments	13,597,354	15,416,992
Net cash provided by operating activities	$ 25,813,926	$ 24,673,895

RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION

	2025	2024
Cash	$ 8,050	$ 8,050
Investments	23,716,736	20,454,115
Restricted assets - debt service, and bond proceeds:		
Cash and investments	140,712,224	56,307,435
Total cash and cash equivalents	$ 164,437,010	$ 76,769,600

During the fiscal years ended September 30, 2025, and 2024, the estimated value of water and wastewater infrastructure contributed by developers was $ 3,097,126 and $ 2,511,746, respectively.

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

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 consists 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 non-major 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 non-operating 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	$ 4,539,106
Special Revenue Funds	36,391
Debt Service Fund	90,057
Enterprise Fund	640,466

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 $ 10,000 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 $ 22,596,038.

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

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Full-time employees accumulate eight to twelve hours per month for vacation and part-time with benefit employees accumulate four hours per month. Employees can accumulate a maximum credit of two years of vacation leave. Sick leave benefits are earned by full-time employees at a rate of eight hours per month and part-time employees at a rate of four hours per month. Sick leave accumulates 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.

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*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plans – amendment of GASB Statement No. 25, and Statement No. 68, *Accounting and Financial Reporting for Pensions – amendment of GASB Statement No. 27.*

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 non-cancellable 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 non-cancellable 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 non-cancellable 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 non-cancellable 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 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. 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 recognition and measurement

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

guidance under a model and by amending certain previously required disclosures. This statement was 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 was implemented in fiscal year 2025.

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

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.

Statement No. 105, *Subsequent Events* – This statement will improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This statement will be implemented in fiscal year 2027.

G. RETATEMENTS OF BEGINNING BALANCES

During the current year, the City implemented GASB Statement No. 101, Compensated Absences. In addition to the value of unused vacation and sick leave time owed to employees upon separation of employment, the City now recognizes an estimated amount of leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle are summarized below in the "Restatement – GASB 101 implementation" column in the table below.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Statement of Net Position	Government-wide Statement of Activities		
	Water and Wastewater Fund	Governmental Activities	Business-type Activities	Total
Net position at September 30, 2024				
as previously reported	$ 223,679,990	$ 218,648,318	$ 223,679,990	$ 442,328,308
Implementation of GASB 101 Compensated Absences	(142,484)	(2,168,852)	(142,484)	(2,311,336)
Net position at September 30, 2024, as restated	$ 223,537,506	$ 216,479,466	$ 223,537,506	$ 440,016,972

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.
- 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 non-major funds in the aggregate are shown below:

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Major Funds:	Encumbrances
General Fund	$ 6,616,652
Capital Projects Fund	37,708,207
Nonmajor Funds:	4,117,573
Totals	$ 48,442,432

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 contracts, and (10) 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, 2025, the City's deposit balances were as follows:

	Primary Government	Component Units	Total Reporting Entity
Total Deposits	$ 58,411,165	$ 23,486,258	$81,897,423
Carrying Amount	$ 58,892,783	$ 23,467,813	$82,360,596
Petty Cash	$ 17,910	$ -	$ 17,910

III. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2025, the Temple Economic Development Corporation had a total of $ 7,250,143 in deposits. Of this amount, $ 193,877 was insured, and $ 7,056,266 was collateralized with securities held by pledging financial institution's agent in the entity's name.

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, 2025, the City had the following investments:

	Carrying Amount	Fair Value
Primary Government		
Investment pools:		
Texpool	$ 15,009,452	$ 15,009,452
TexSTAR	313,674,613	313,674,613
Texas CLASS	7,809,478	7,809,478
Total investment in pools:	336,493,543	336,493,543
Total investments	$ 336,493,543	$ 336,493,543
Discretely Presented Component Units		
Investment pools:		
Texpool	2,858,383	2,858,383
TexSTAR	42,234,420	42,234,420
Texas CLASS	2,193,150	2,193,150
Total investment in pools:	47,285,953	47,285,953
Total investments	$ 47,285,953	$ 47,285,953
Reporting Entity		
Total investments	$ 383,779,496	$ 383,779,496

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, 2025, the weighted average maturity of the City's investment portfolio was 80.99 days.

III. DETAILED NOTES ON ALL FUNDS (Continued)

Credit Risk – In compliance with the City's Investment Policy, as of September 30, 2025, 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.

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	$ 17,910	$ -	$ 17,910
Carrying amount of deposits	58,892,783	23,467,813	82,360,596
Carrying amount of investments	336,493,543	47,285,953	383,779,496
Total	$ 395,404,236	$ 70,753,766	$ 466,158,002
Statement of Net Position:			
Cash	$ 17,910	$ 5,221,266	$ 5,239,176
Investments	253,294,237	22,226,683	275,520,920
Restricted cash and investments	142,092,089	43,305,817	185,397,906
Total	$ 395,404,236	$ 70,753,766	$ 466,158,002

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, 2024, upon which the fiscal year 2025 levy was based, was $ 8,284,864,480. This amount is the net taxable value adjusted for frozen taxable value. The amount of the levy attributable to frozen taxes was $ 4,406,171. The total levy assessed was $ 55,791,326. The total taxable value before the adjustment for frozen taxable value was $ 9,365,664,535.

The tax assessment of October 1, 2024, set a tax levy at $ 0.6265 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, 2025, delinquent property taxes receivable is $ 1,155,026, 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.

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 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, 2025, was as follows:

	Balance October 1, 2024	Additions Net of CIP Reclassifications	Transfers/ Retirements	Balance September 30, 2025
Primary government:				
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 48,608,236	$ 4,099,640	$ (168,435)	$ 52,539,441
Construction in progress	51,415,082	77,749,583	(40,905,360)	88,259,305
Total capital assets not being depreciated	100,023,318	81,849,223	(41,073,795)	140,798,746
Capital assets being depreciated				
Buildings	107,443,062	16,086,991	(45,380)	123,484,673
Infrastructure	399,271,117	7,216,328	-	406,487,445
Furniture & equipment	41,396,528	4,109,817	(34,937)	45,471,408
Machinery & equipment	56,909,976	11,840,844	(759,545)	67,991,275
Total capital assets being depreciated	605,020,683	39,253,980	(839,862)	643,434,801
Less accumulated depreciation for:				
Buildings	(51,531,733)	(2,999,980)	45,381	(54,486,332)
Infrastructure	(183,102,876)	(15,469,065)	-	(198,571,941)
Furniture & equipment	(28,921,506)	(2,197,286)	34,937	(31,083,855)
Machinery & equipment	(34,424,271)	(4,704,373)	732,397	(38,396,247)
Total accumulated depreciation	(297,980,386)	(25,370,704)	812,715	(322,538,375)
Total capital assets being depreciated, net	307,040,297	13,883,276	(27,147)	320,896,426
Capital assets being amortized				
Right-to-use leased equipment	3,733,703	-	-	3,733,703
Right-to-use subscription	7,823,711	1,646,726	(1,074,799)	8,395,638
Total capital assets being amortized	11,557,414	1,646,726	(1,074,799)	12,129,341
Less accumulated amortization for:				
Right-to-use leased equipment	(1,422,776)	(299,102)	-	(1,721,878)
Right-to-use subscription	(1,961,129)	(1,351,072)	1,061,972	(2,250,229)
Total accumulated amortization	(3,383,905)	(1,650,174)	1,061,972	(3,972,107)
Total capital assets being amortized, net	8,173,509	(3,448)	(12,827)	8,157,234
Total capital assets being depreciated/amortized, net	315,213,806	13,879,828	(39,974)	329,053,660
Governmental Activities capital assets, net	$ 415,237,124	$ 95,729,051	$ (41,113,769)	$ 469,852,406

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance October 1, 2024	Additions	Transfers/ Retirements	Balance September 30, 2025
Business-type Activities:				
Capital assets not being depreciated				
Land	$ 4,155,932	$ -	$ -	$ 4,155,932
Construction in progress	92,960,607	24,710,695	(86,672,665)	30,998,637
Total capital assets not being depreciated	97,116,539	24,710,695	(86,672,665)	35,154,569
Capital assets being depreciated				
Buildings	60,383,190	832,661	-	61,215,851
Infrastructure	393,587,095	83,150,964	-	476,738,059
Furniture & equipment	3,196,497	30,437	-	3,226,934
Machinery & equipment	16,711,071	2,647,404	(117,955)	19,240,520
Total capital assets being depreciated	473,877,853	86,661,466	(117,955)	560,421,364
Less accumulated depreciation for:				
Buildings	(36,726,233)	(1,161,092)	-	(37,887,325)
Infrastructure	(139,181,899)	(11,302,486)	-	(150,484,385)
Furniture & equipment	(2,968,853)	(55,600)	-	(3,024,453)
Machinery & equipment	(10,673,922)	(1,233,054)	117,955	(11,789,021)
Total accumulated depreciation	(189,550,907)	(13,752,232)	117,955	(203,185,184)
Total capital assets being depreciated, net	284,326,946	72,909,234	-	357,236,180
Capital assets being amortized				
Right-to-use leased equipment	22,540	-	-	22,540
Right-to-use subscription	306,339	11,198	-	317,537
Total capital assets being amortized	328,879	11,198	-	340,077
Less accumulated amortization for:				
Right-to-use leased equipment	(15,966)	(5,635)	-	(21,601)
Right-to-use subscription	(122,536)	(65,000)	-	(187,536)
Total accumulated amortization	(138,502)	(70,635)	-	(209,137)
Total capital assets being amortized, net	190,377	(59,437)	-	130,940
Total capital assets being depreciated/amortized, net	284,517,323	72,849,797	-	357,367,120
Business-type Activities capital assets, net	$ 381,633,862	$ 97,560,492	$ (86,672,665)	$ 392,521,689

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	$	1,484,793
Public safety		4,645,095
Highways and streets		13,477,633
Sanitation		2,163,625
Health and welfare		109,779
Culture and leisure services		3,822,818
Airport		1,317,135
Total depreciation/amortization expense - Governmental Activities	$	27,020,878
Business-type activities:		
Water and sewer	$	13,822,867
Total depreciation/amortization expense - Business-type Activities	$	13,822,867

The City has active construction projects as of September 30, 2025. Total accumulated commitments for ongoing capital projects are composed of the following:

Capital Projects Fund	$	12,874,239
Water and Sewer Fund		54,756,771
Special Revenue Fund-Federal/State Grants		2,535,512
Total	$	70,166,522

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance October 1, 2024	Additions	Transfers/ Retirements	Balance September 30, 2025
Discretely presented component units:				
Reinvestment Zone No 1:				
Capital assets not being depreciated				
Land	$ 25,317,199	$ 1,875,363	$ (928,612)	$ 26,263,950
Construction in progress	47,877,171	30,676,445	(23,284,872)	55,268,744
Total capital assets not being depreciated	73,194,370	32,551,808	(24,213,484)	81,532,694
Capital assets being depreciated				
Buildings	34,451,230	13,006	-	34,464,236
Infrastructure	175,846,711	21,396,503	-	197,243,214
Furniture & equipment	33,862	-	-	33,862
Machinery & equipment	42,559	-	-	42,559
Total capital assets being depreciated	210,374,362	21,409,509	-	231,783,871
Less accumulated depreciation for:				
Buildings	(1,242,352)	(885,303)	-	(2,127,655)
Infrastructure	(61,268,114)	(8,587,187)	-	(69,855,301)
Furniture & equipment	(10,581)	(1,693)	-	(12,274)
Machinery & equipment	(42,559)	-	-	(42,559)
Total accumulated depreciation	(62,563,606)	(9,474,183)	-	(72,037,789)
Total capital assets being depreciated, net	147,810,756	11,935,326	-	159,746,082
Reinvestment Zone No.1 capital assets, net	$ 221,005,126	$ 44,487,134	$ (24,213,484)	$ 241,278,776
Temple Economic Development Corporation:				
Capital assets being depreciated				
Buildings & improvements	$ 5,432,772	$ -	$ -	$ 5,432,772
Office equipment	115,743	-	-	115,743
Total capital assets being depreciated	5,548,515	-	-	5,548,515
Less accumulated depreciation for:				
Buildings & improvements	(943,765)	(154,851)	-	(1,098,616)
Office equipment	(75,727)	(17,908)	-	(93,635)
Total accumulated depreciation	(1,019,492)	(172,759)	-	(1,192,251)
Total capital assets being depreciated, net	4,529,023	(172,759)	-	4,356,264
Temple Economic Development Corp. capital assets, net	$ 4,529,023	$ (172,759)	$ -	$ 4,356,264

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2025, in the Statement of Net Position were as follows:

	Property (Net of Allowance)	Other (Net of Allowance)	Leases	Other Governments	Total Receivables
General Fund	$ 561,716	$ 5,211,190	$ 19,348,375	$ 5,721,040	$ 30,842,321
Debt Service Fund	593,310	-	-	2,329,866	2,923,176
Nonmajor Governmental Funds	-	1,058,180	-	3,574,820	4,633,000
Total Governmental Funds	1,155,026	6,269,370	19,348,375	11,625,726	38,398,497
Water & Sewer Fund	-	2,793,026	-	-	2,793,026
Total	$ 1,155,026	$ 9,062,396	$ 19,348,375	$ 11,625,726	$ 41,191,523

Payables at September 30, 2025, in the Statement of Net Position were as follows:

	Vouchers & Contracts	Retainages	Accrued Payroll	Deposits	Total Payables
General Fund	$ 5,583,654	$ 12,136	$ 2,145,180	$ 62,088	$ 7,803,058
Capital Projects Fund	6,388,061	1,737,225	5,590	-	8,130,876
Nonmajor Governmental Funds	728,717	821,439	69,893	99,888	1,719,937
Total Governmental Funds	12,700,432	2,570,800	2,220,663	161,976	17,653,871
Water and Sewer Fund	4,070,476	1,055,139	260,054	982,194	6,367,863
Total	$ 16,770,908	$ 3,625,939	$ 2,480,717	$ 1,144,170	$ 24,021,734

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, 2025:

	Balance October 1, 2024	Additions	Retirements	Balance September 30, 2025
Governmental Activities				
General obligation bonds	$ 2,369,348	$ 603,648	$ 784,274	$ 2,188,722
Total governmental activities	2,369,348	603,648	784,274	2,188,722
Business-Type Activities				
General obligation bonds	3,256,132	41,966	468,693	2,829,405
Total business-type activities	3,256,132	41,966	468,693	2,829,405
Total government	$ 5,625,480	$ 645,614	$ 1,252,967	$ 5,018,127
Component Units				
Reinvestment Zone No. 1	$ 810,148	$ 373,191	$ 97,193	$ 1,086,146
Total component units	$ 810,148	$ 373,191	$ 97,193	$ 1,086,146

F. DEFERRED INFLOWS OF RESOURCES – LEASE RELATED

The amounts reported for lease related deferred inflows of resources for the year ended September 30, 2025, were as follows:

	Balance October 1, 2024	Additions	Retirements	Balance September 30, 2025
Governmental Activities				
Building leases	$ 1,609,008	$ -	$ 143,214	$ 1,465,794
Hangar leases	477,798	9,244	46,443	440,599
Land leases	444,444	111,887	22,681	533,650
Landfill lease	16,278,627	-	943,363	15,335,264
Total governmental activities	$ 18,809,877	$ 121,131	$ 1,155,701	$ 17,775,307

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, 2025:

	Balance October 1, 2024	Additions	Retirements	Balance September 30, 2025
Deferred Outflows of Resources related to pensions and other post-employment benefits				
Contributions subsequent to the measurement date				
Texas Municipal Retirement System	$ 7,176,386	$ 7,955,353	$ (7,176,384)	$ 7,955,355
Firemen's Pension	1,942,082	2,004,376	(1,942,082)	2,004,376
Texas Municipal Retirement System-Supplemental Death Benefits	61,794	58,861	(61,794)	58,861
Retiree Health Care Plan	118,921	126,179	(118,921)	126,179
Total contributions subsequent to the measurement date	$ 9,299,183	$ 10,144,769	$ (9,299,181)	$ 10,144,771
Differences between expected and actual plan experience				
Texas Municipal Retirement System	$ 5,722,019	$ 3,721,523	$ (3,951,681)	$ 5,491,861
Firemen's Pension	1,044,126	1,815,805	(404,879)	2,455,052
Total differences between expected and actual plan experience	$ 6,766,145	$ 5,537,328	$ (4,356,560)	$ 7,946,913
Changes in assumptions				
Firemen's Pension	$ 1,020,708	$ 4,199,500	$ (751,550)	$ 4,468,658
Texas Municipal Retirement System-Supplemental Death Benefits	292,067	-	(152,992)	139,075
Retiree Health Care Plan	868,324	-	(191,049)	677,275
Total differences between changes in assumptions	$ 2,181,099	$ 4,199,500	$ (1,095,591)	$ 5,285,008
Differences between projected and actual investment earnings				
Texas Municipal Retirement System	$ 5,639,090	$ -	$ (5,639,090)	$ -
Firemen's Pension	3,584,762	-	(3,584,762)	-
Total differences between projected and actual investment earnings	$ 9,223,852	$ -	$ (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	$ 19,959	$ -	$ (19,959)	$ -
Firemen's Pension	166,164	-	(75,531)	90,633
Texas Municipal Retirement System-Supplemental Death Benefits	99,659	10,446	(48,394)	61,711
Retiree Health Care Plan	1,803,734	8,209	(326,057)	1,485,886
Total differences between expected and actual plan experience	$ 2,089,516	$ 18,655	$ (469,941)	$ 1,638,230
Changes in assumptions				
Texas Municipal Retirement System	$ 1,195,062	$ -	$ (431,433)	$ 763,629
Firemen's Pension	4,390	-	(627)	3,763
Texas Municipal Retirement System-Supplemental Death Benefits	700,787	122,014	(228,150)	594,651
Retiree Health Care Plan	1,424,084	195,713	(240,459)	1,379,338
Total differences between changes in assumptions	$ 3,324,323	$ 317,727	$ (900,669)	$ 2,741,381
Differences between projected and actual investment earnings				
Texas Municipal Retirement System	$ -	$ 2,887,256	$ (199,635)	$ 2,687,621
Firemen's Pension	-	4,736,530	(911,593)	3,824,937
Total differences between projected and actual investment earnings	$ -	$ 7,623,786	$ (1,111,228)	$ 6,512,558

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	$ 534,131	$ -	$ 534,131
Street escrow	-	26,538	26,538
Parks escrow	-	832,518	832,518
Police escrow	-	287,117	287,117
Child safety fees	-	139,609	139,609
Electric franchise	-	2,130,772	2,130,772
Gas franchise	-	457,053	457,053
Other	-	669,680	669,680
Total General Fund	534,131	4,543,287	5,077,418
Debt Service Fund:			
Delinquent property taxes	582,110	-	582,110
Pass-through toll agreement	2,329,866	-	2,329,866
Total Debt Service Fund	2,911,976	-	2,911,976
Total Governmental Funds	$ 3,446,107	$ 4,543,287	$ 7,989,394

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 $ 33,905 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 $ 46,443 in lease revenue and $ 8,405 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 $ 22,681 in lease revenue and $ 10,766 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 $ 943,363 in lease revenue and $ 429,812 in interest revenue during the current fiscal year related to the landfill leases.

As of September 30, 2025, the City's receivable for all lease payments was $ 19,348,375. 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, 2025, the balance of the deferred inflow of resources was $ 17,775,307.

Lease payable

During the current fiscal year, the City leased fire equipment, police equipment, and copiers. The lease terms range from four to ten years. As of September 30, 2025, the value of the lease liability was $ 2,062,321. The value of the right-to-use assets as of the end of the current fiscal year was $ 3,756,243 and had accumulated amortization of $ 1,743,479.

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 17. The SBITA terms range from three to five years. As of September 30, 2025, the value of the SBITA liability was $ 6,111,301. The value of the right-to-use assets as of the end of the current fiscal year was $ 8,713,175 and had accumulated amortization of $ 2,437,765.

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, 2025:

	Balance October 1, 2024	Additions	Retirements	Balance September 30, 2025	Due within one year
Governmental Activities					
General obligation bonds	$ 45,650,000	$ 35,435,000	$ 30,450,000	$ 50,635,000	$ 6,520,000
Certificates of obligation	274,730,000	50,030,000	22,815,000	301,945,000	8,680,000
Contractual obligations	10,845,000	4,770,000	2,115,000	13,500,000	2,730,000
Notes payable	1,875,834	-	174,671	1,701,163	176,425
Lease liability	2,327,872	-	265,551	2,062,321	223,559
Subscription liability	5,689,314	1,637,931	1,352,891	5,974,354	1,280,274
Plus deferred amount:					
Issuance premium	27,503,604	6,315,102	5,923,534	27,895,172	2,093,446
Issuance discount	(2,415,386)	(444,961)	(368,768)	(2,491,579)	(187,161)
Total bonds payable	366,206,238	97,743,072	62,727,879	401,221,431	21,516,543
Compensated absences	12,993,995	601,876	-	13,595,871	1,180,785
Net pension liability -TMRS	36,001,079	-	4,926,775	31,074,304	-
Net pension liability - FP	24,459,895	-	2,071,265	22,388,630	-
OPEB liability - RHCP	4,104,702	60,116	-	4,164,818	132,444
OPEB liability - SDBF	2,073,434	-	23,085	2,050,349	75,140
Arbitrage rebate	4,066,743	1,697,460	63,983	5,700,220	-
Total governmental activities	449,906,086	100,102,524	69,812,987	480,195,623	22,904,912
Business-Type Activities					
General obligation bonds	18,440,000	3,080,000	7,910,000	13,610,000	4,865,000
Contractual obligations	-	1,815,000	-	1,815,000	210,000
Revenue bonds	186,540,000	95,850,000	8,690,000	273,700,000	10,830,000
Notes payable	139,242	-	12,966	126,276	13,096
Lease liability	5,869	-	5,869	-	-
Subscription liability	191,641	11,198	65,892	136,947	67,598
Plus deferred amount:					
Issuance premium	22,127,639	5,184,130	1,941,602	25,370,167	1,991,077
Issuance discount	(1,736,907)	(526,591)	(158,670)	(2,104,828)	(167,203)
Total bonds payable	225,707,484	105,413,737	18,467,659	312,653,562	17,809,568
Compensated absences	853,096	134,729	-	987,825	118,539
Net pension liability - TMRS	4,831,124	-	650,917	4,180,207	-
OPEB liability - RHCP	559,732	8,198	-	567,930	18,060
OPEB liability - SDBF	282,741	-	3,148	279,593	10,246
Arbitrage rebate	2,334,122	169,140	178,340	2,324,922	-
Total business-type activities	234,568,299	105,725,804	19,300,064	320,994,039	17,956,413
Component Units					
Reinvestment Zone No. 1	178,326,966	20,233,250	25,652,660	172,907,556	6,339,364
Temple Economic Development Corp.	3,304,143	-	101,193	3,202,950	99,204
Total component units	181,631,109	20,233,250	25,753,853	176,110,506	6,438,568
Total government	$ 866,105,494	$ 226,061,578	$ 114,866,904	$ 977,300,168	$ 47,299,893

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, 2025 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%	$ -	$ 3,265,000
$ 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%	1,585,000	-
$ 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%	12,935,000	-
$ 20,320,000 2019 refunding bonds due in annual installments of $ 565,000 to $ 3,650,000 through 2030; interest at 5.00%	-	7,265,000
$ 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	-
$ 38,515,000 2025 refunding bonds due in annual installments of $ 1,305,000 to $ 6,310,000 through 2036; interest at 5.00%	35,435,000	3,080,000
	50,635,000	13,610,000
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%	4,860,000	-
$ 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%	2,560,000	-
$ 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%	14,260,000	-
$ 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%	24,330,000	-
$ 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%	12,365,000	-
$ 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%	14,740,000	-
$ 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%	44,675,000	-
$ 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%	35,810,000	-
$ 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%	38,815,000	-
$ 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%	59,500,000	-
$ 50,030,000 2025 certificates due in annual installments of $ 75,000 to $ 4,120,000 through 2045; interest at 5.00%	50,030,000	-
	301,945,000	-

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%	$ 190,000	$ -
$ 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%	845,000	-
$ 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%	1,320,000	-
$ 2,575,000 2022 limited tax notes due in annual installments of $ 315,000 to $ 425,000 through 2029; interest at 5.00%	1,580,000	-
$ 2,890,000 2023 limited tax notes due in annual installments of $ 370,000 to $ 470,000 through 2030; interest at 5.00%	2,150,000	-
$ 3,030,000 2024 limited tax notes due in annual installments of $ 385,000 to $ 495,000 through 2031; interest at 5.00%	2,645,000	-
$ 6,585,000 2025 limited tax notes due in annual installments of $ 760,000 to $ 1,095,000 through 2032; interest at 5.00%	4,770,000	1,815,000
	13,500,000	1,815,000
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%	-	340,000
$ 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%	-	4,060,000
$ 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%	-	22,745,000
$ 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%	-	16,025,000
$ 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%	-	56,120,000
$ 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%	-	22,670,000
$ 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%	-	21,680,000
$ 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%	-	15,760,000
$ 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%	-	18,450,000
$ 95,850,000 2025 bonds due in annual installments of $ 1,740,000 to $ 6,550,000 through 2050; interest at 5.00% to 5.25%	-	95,850,000
	-	273,700,000
Notes payable:		
$ 2,836,634 2020 loan agreement due in quarterly installments of $ 44,680 to $ 51,642 through 2034; interest at 1.00%	1,701,163	126,276
	1,701,163	126,276
Lease liability:		
$ 54,919 2023 fire equipment lease with annual payments of $ 6,520 through 2033; interest at 3.96%	45,600	-
$ 2,428,858 2023 police equipment lease with annual payments of $ 288,317 through 2033; interest at 3.96%	2,016,721	-
	2,062,321	-

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Governmental Activities	Business-type Activities
SBITA liability:		
$ 27,040 2021 Training and Development subscription with annual payments of $ 14,193 through 2026; interest at 2.56%	$ 14,194	$ -
$ 62,790 2021 Enterprise Resource Planning subscription with annual payments of $ 33,705 through 2026; interest at 2.56%	33,705	-
$ 39,502 2023 Digital Asset Management subscription with annual payments of $ 19,680 through 2026; interest at 2.78%	20,521	-
$ 33,842 2022 Police Investigative System subscription with annual payments of $ 12,514 through 2027; interest at 3.37%	26,139	-
$ 62,679 2022 Mapping System subscription with annual payments of $ 21,600 through 2027; interest at 3.37%	42,485	-
$ 99,416 2023 Fleet Tracking subscription with monthly payments of $ 2,591 through 2028; interest at 2.57%	70,480	-
$ 216,875 2024 Solid Waste Route Monitor subscription with annual payments of $ 110,553 through 2026; interest at 2.59%	109,840	-
$ 4,695,841 2024 Police Digital Evidence Management subscription with annual payments of $ 607,980 through 2033; interest at 3.96%	4,252,711	-
$ 63,798 2024 Fire Digital Evidence Management subscription with annual payments of $ 8,260 through 2033; interest at 3.96%	57,777	-
$ 283,536 2024 License Plate & Audio Detection subscription with annual payments of $ 75,000 through 2028; interest at 3.83%	216,664	-
$ 402,027 2025 Traffic Signal subscription with annual payments of $ 85,410 through 2029; interest at 3.07%	320,688	-
$ 1,061,110 2025 Operating System subscription with annual payments of $ 364,032 through 2027; interest at 2.91%	705,571	-
$ 79,507 2025 Web Design subscription with annual payments of $ 27,183 through 2027; interest at 2.56%	53,680	-
$ 95,287 2025 Holistic Management System with annual payments of $ 46,440 through 2026; interest at 2.56%	49,899	-
$ 191,641 2023 Selectron subscription with annual payments of $ 69,349 through 2027; interest at 2.56%	-	136,947
	5,974,354	136,947
Issuance premium	27,895,172	25,370,167
Issuance discount	(2,491,579)	(2,104,828)
Total bonds payable	401,221,431	312,653,562
Accrual for compensated absences	13,595,871	987,825
Accrual for net pension liability - TMRS	31,074,304	4,180,207
Accrual for net pension liability - FP	22,388,630	-
Accrual for OPEB liability - RHCP	4,164,818	567,930
Accrual for OPEB liability - SDBF	2,050,349	279,593
Accrual for arbitrage rebate	5,700,220	2,324,922
Total primary government debt	480,195,623	320,994,039

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	$ 14,245,000	$ -
$ 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	40,040,000	-
$ 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	11,975,000	-
$ 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	-
$ 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	22,735,000	-
$ 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	16,630,000	-
$ 18,820,000 2025 revenue refunding bonds due in annual installments of $ 930,000 to $ 1,925,000 through 2038, interest at 5.00%; guaranteed by the City of Temple	18,820,000	-
Issuance premium	9,670,364	-
Issuance discount	(1,257,024)	-
Accrual for arbitrage rebate	1,689,216	-
Total Reinvestment Zone No 1	172,907,556	-
Temple Economic Development Corporation:		
$ 3,864,000 note due in monthly payments of $ 35,238 through July 2027, interest at 6.00%; this represents the corporation's 69% portion of the note which is shared with another entity	3,202,950	-
Total Temple Economic Development Corporation	3,202,950	-
Total component units debt	176,110,506	-
Total debt - reporting entity	$ 656,306,129	$320,994,039

III. DETAILED NOTES ON ALL FUNDS (Continued)

The annual requirements to amortize debt outstanding as of September 30, 2025, 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

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Component Units Principal	Component Units Interest	Total
2026	$ 6,520,000	$ 2,716,801	$ 4,865,000	$ 639,156	$ 1,680,000	$ 227,110	$ 16,648,067
2027	7,220,000	2,131,045	2,560,000	437,250	1,705,000	208,966	14,262,261
2028	6,360,000	1,770,233	2,695,000	309,250	1,730,000	187,653	13,052,136
2029	4,920,000	1,452,411	1,700,000	174,500	1,750,000	162,914	10,159,825
2030	4,025,000	1,206,582	1,790,000	89,500	1,785,000	135,264	9,031,346
2031-2035	20,285,000	3,198,397	-	-	5,595,000	215,973	29,294,370
2036	1,305,000	65,250	-	-	-	-	1,370,250
Total	$ 50,635,000	$ 12,540,719	$ 13,610,000	$ 1,649,656	$ 14,245,000	$ 1,137,880	$ 93,818,255

Certificates of Obligations

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Component Units Principal	Component Units Interest	Total
2026	$ 8,680,000	$ 12,640,099	$ 1,395,000	$ 4,087,871	$ 26,802,970
2027	11,065,000	11,902,833	2,480,000	4,022,844	29,470,677
2028	12,745,000	11,443,508	2,600,000	3,903,364	30,691,872
2029	15,045,000	10,895,870	2,730,000	3,777,468	32,448,338
2030	16,830,000	10,258,140	2,860,000	3,644,868	33,593,008
2031-2035	93,370,000	40,160,955	16,540,000	15,983,938	166,054,893
2036-2040	90,515,000	21,726,675	21,030,000	11,487,020	144,758,695
2041-2045	53,695,000	5,772,625	26,090,000	6,432,037	91,989,662
2046-2048	-	-	14,650,000	1,090,285	15,740,285
Total	$ 301,945,000	$ 124,800,705	$ 90,375,000	$ 54,429,695	$ 571,550,400

Contractual Obligations

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total
2026	$ 2,730,000	$ 636,025	$ 210,000	$ 99,617	$ 3,675,642
2027	2,690,000	482,875	235,000	74,375	3,482,250
2028	2,370,000	363,975	245,000	62,375	3,041,350
2029	2,010,000	257,750	260,000	49,750	2,577,500
2030	1,655,000	167,125	275,000	36,375	2,133,500
2031-2032	2,045,000	103,250	590,000	29,750	2,768,000
Total	$ 13,500,000	$ 2,011,000	$ 1,815,000	$ 352,242	$ 17,678,242

III. DETAILED NOTES ON ALL FUNDS (Continued)

Revenue Bonds

	Business-type Activities		Component Units		
Year Ending September 30,	Principal	Interest	Principal	Interest	Total
2026	$ 10,830,000	$ 11,475,069	$ 2,795,000	$ 2,510,990	$ 27,611,059
2027	11,635,000	10,665,648	3,050,000	2,254,705	27,605,353
2028	12,210,000	10,108,188	3,175,000	2,129,330	27,622,518
2029	12,765,000	9,545,154	3,305,000	1,996,982	27,612,136
2030	13,310,000	8,996,774	3,450,000	1,856,303	27,613,077
2031-2035	74,495,000	37,064,991	19,500,000	7,031,420	138,091,411
2036-2040	70,240,000	23,818,871	19,740,000	2,757,588	116,556,459
2041-2045	38,585,000	12,261,191	3,170,000	117,200	54,133,391
2046-2050	29,630,000	4,826,063	-	-	34,456,063
Total	$ 273,700,000	$ 128,761,949	$ 58,185,000	$ 20,654,518	$ 481,301,467

Notes Payable

	Governmental Activities		Business-type Activities		Component Units		
Year Ending September 30,	Principal	Interest	Principal	Interest	Principal	Interest	Total
2026	$ 176,425	$ 16,351	$ 13,096	$ 1,214	$ 99,204	$ 192,567	$ 498,857
2027	178,196	14,581	13,227	1,082	105,410	186,361	498,857
2028	179,984	12,792	13,360	950	111,496	180,275	498,857
2029	181,791	10,985	13,494	815	118,979	172,792	498,856
2030	183,616	9,161	13,630	680	126,422	165,349	498,858
2031-2035	801,151	18,145	59,469	1,347	2,641,439	1,216,691	4,738,242
	-	-	-	-	-	-	-
Total	$ 1,701,163	$ 82,015	$ 126,276	$ 6,088	$ 3,202,950	$ 2,114,035	$ 7,232,527

Lease Liability

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total
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	261,861	32,975	294,836
2031-2033	850,664	33,843	884,507
Total	$ 2,062,321	$ 296,364	$ 2,358,685

III. DETAILED NOTES ON ALL FUNDS (Continued)

Subscription Liability

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total
2026	$ 1,279,056	$ 183,987	$ 67,598	$ 1,751	$ 1,532,392
2027	1,087,592	146,224	69,349	-	1,303,165
2028	672,401	114,611	-	-	787,012
2029	610,000	91,651	-	-	701,651
2030	547,320	68,921	-	-	616,241
2031-2033	1,777,985	70,737	-	-	1,848,722
Total	$ 5,974,354	$ 676,131	$ 136,947	$ 1,751	$ 6,789,183

(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, 2025.

(3) Tax Increment Revenue Bonds –

Tax Increment 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, Series 2021A, Series 2021B, and Series 2025 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, 2025.

III. DETAILED NOTES ON ALL FUNDS (Continued)

(4) 2025 Issuances -

On June 5, 2025, the City partially advanced refunding the Series 2015 General Obligation Refunding and Improvement bonds, the Series 2016 General Obligation Refunding and Improvement bonds, and the Series 2016 Combination Tax and Revenue Certificates of Obligation bonds. The par amount of the 2025 General Obligation Refunding bonds was $ 38,515,000. Net proceeds of $ 41,840,614 of general obligation refunding bonds (after receipt of reoffering premium, payment of underwriting fees, cash and other issuance costs) were deposited into an irrevocable trust with an escrow agent for the purpose of generating resources for all future debt service payments for the refunded debt. As a result, the refunded bonds are considered defeased, and the debt for these bonds are removed from the City's financial statements in fiscal year 2025.

This advanced refunding will reduce the total debt service payments over the next 11 years by $ 2,301,880 and will result in an economic gain (i.e. the difference between the present value of the debt service payments of the refunded debt and the refunding bonds) of $ 1,847,350.

On June 5, 2025, the City advanced refunding the Series 2018 Tax Increment Revenue bonds. The par amount of the 2025 Tax Increment Revenue Refunding bonds was $ 18,820,000. Net proceeds of $ 21,048,191 tax increment revenue refunding bonds (after receipt of reoffering premium, payment of underwriting fees, cash and other issuance costs) were deposited into an irrevocable trust with an escrow agent for the purpose of generating resources for all future debt service payments for the refunded debt. As a result, the refunded bonds are considered defeased, and the debt for these bonds are removed from the City's financial statements in fiscal year 2025.

This advanced refunding will reduce the total debt service payments over the next 13 years by $ 917,691 and will result in an economic gain (i.e. the difference between the present value of the debt service payments of the refunded debt and the refunding bonds) of $ 668,443.

On June 5, 2025, the City issued $ 50,030,000 of Combination Tax and Revenue Certificates of Obligation bonds. The interest rate of the bonds is 5.00% and the maturity date of the bonds is August 1, 2045. 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 June 5, 2025, the City issued $ 6,585,000 of Limited Tax notes. The interest rate of the notes is 5.00% and the maturity date of the bonds is February 1, 2032. The notes were sold to purchase sanitation, parks, street, water and wastewater equipment and vehicles.

On July 10, 2025, the City issued $ 95,850,000 of Utility System Revenue bonds. The interest rate of the bonds ranges from 5.00% to 5.25% and the maturity date of the bonds is August 1, 2050. The bonds were issued for the construction of water and wastewater projects and other costs associated with these projects.

III. DETAILED NOTES ON ALL FUNDS (Continued)

In the debt service fund, a fund balance of $ 160,680 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 $ 140,712,224, of which $ 3,589,000 will be used to pay accrued interest and current maturities of bond indentures, $ 136,141,030 represents remaining bonds proceeds, and the remaining $ 982,194 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, 2025 were as follows:

	Transfers In	Transfers Out
Major Funds:		
General	$ 338,129	$ 5,374,657
Debt Service	2,157,581	-
Capital Projects	3,774,656	28,753
Nonmajor Governmental Funds:		
Special Revenue	320,780	1,187,736
Total	$ 6,591,146	$ 6,591,146

Transfers between major funds and other non-major 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.

IV. OTHER INFORMATION (Continued)

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 twelfth year (2026) of the agreement is $ 2,502,037 for the Temple-Belton WWTP, $ 2,418,186 for the Doshier Farm WWTP and Lift Stations, and $ 224,000 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 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 $ 828,910 annually ($ 69,076 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:

$ 3.50/ton up to 200,000 tons
$ 4.36/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.

IV. OTHER INFORMATION (Continued)

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.

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, $ 1,348,047 on its eighth reimbursement and $ 1,422,034 on its ninth reimbursement. These lower amounts are due to less travel during the pandemic which continued into FY 2025. During FY 2025, the City received its tenth reimbursement, which was $ 1,457,232. 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, 2025, the net receivable is $ 2,329,866.

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.

IV. OTHER INFORMATION (Continued)

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 negotiations between the City and the EPA. The order comprises two main steps. The first is the initial System Evaluation and Capacity Assurance Plan (SECAP) that identifies needed hydraulic improvements. The second is the ongoing Capacity, Management, Operation and Maintenance (CMOM) program. Components of the CMOM 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 program requirements and associated timeline of the ten-year negotiated agreement are shown below.

- March 2020 - Develop and implement an electronic asset management program (completed March 2020).
- September 2022 - Complete system evaluation capacity and assurance plan (SECAP) including a storm hydraulic collection system model (completed October 2021).
- September 2024 - Address power source redundancy for plants and lift stations; implement CMOM program (completed October 2021).
- September 2025 – Conduct CCTV inspection of all non-plastic pipes (completed September 2025).
- September 2025 – Inspect all plastic pipes that are older than 15 years (completed August 2024).
- September 2025 - evaluate all private non-plastic lateral lines via smoke testing (completed August 2024).
- September 2027 - Address defective private lateral lines (completed December 2024).
- September 2028 - Complete projects addressing system deficiencies (ongoing).

IV. OTHER INFORMATION (Continued)

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 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

IV. OTHER INFORMATION (Continued)

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	2025 Abated Value	Term of Abatement	Abatement Percentage	Commitment by Recipient
05/11	FY 2016	BKV-BPP Power, LLC	$ 143,838,300	10 years	50%	Construct new electric power generating facility; create 20 new jobs
12/12	FY 2017	CXA Temple 2, LLC	50,974,770	10 years	12% to 65%	Construct new electric power generating facility
05/13	FY 2017	Buc-ee's, LTD	4,883,343	10 years	50%	Construct new travel center; create 150 new jobs
10/17	FY 2022	Cargill, Inc.	12,728,532	10 years	50% to 100%	Construct new real property improvements; create 10-33 new jobs
01/18	FY 2023	Palladio Industries, Inc.	1,881,176	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.	51,496,744	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	107,147,316	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	1,345,205	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

During fiscal year 2025, the total amount of abated property value was $ 374,295,386. Based on the city tax rate of $ 0.6265 per $ 100 of value, the foregone tax levy due to abatement agreements was $ 2,344,961.

(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

IV. OTHER INFORMATION (Continued)

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 2025 was $ 690,920.

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 2025 was $ 17,944.

D. EMPLOYEE BENEFITS

(1) Retirement Plans

The City participates in two retirement plans. The Texas Municipal Retirement System covered 832 employees as of December 31, 2024. The Temple Firefighters' Relief and Retirement Fund covered 120 employees as of September 30, 2024.

The Texas Municipal Retirement System

Plan Description

The City participates as one of 942 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance 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.

IV. OTHER INFORMATION (Continued)

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.

Employees Covered by Benefit Terms –

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	514
Inactive employees entitled to but not yet receiving benefits	627
Active employees	832
	1,973

IV. OTHER INFORMATION (Continued)

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 2025, the City made required contributions of 17.57% for the months in 2024 and required contributions of 17.42% for the months in 2025. The City's contributions for the year ended September 30, 2025, were $ 10,695,101, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024, 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 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

IV. OTHER INFORMATION (Continued)

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%	7.10%
Core fixed income	6.0%	5.00%
Non-core fixed income	6.0%	6.80%
Other private markets	4.0%	7.30%
Real estate	12.0%	6.70%
Hedge Funds	5.0%	6.40%
Private equity	13.0%	8.50%
Private debt	13.0%	8.20%
Infrastructure	6.0%	6.00%
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, 2023	$ 275,753,841	$ 234,921,638	$ 40,832,203
Changes for the year:			
Service cost	10,291,839	-	10,291,839
Interest	18,533,101	-	18,533,101
Change of benefit terms	-	-	-
Difference between expected and actual experience	3,721,523	-	3,721,523
Changes of assumptions	-	-	-
Contributions - employer	-	9,916,134	(9,916,134)
Contributions - employee	-	3,984,672	(3,984,672)
Net investment income	-	24,383,557	(24,383,557)
Benefit payments, including refunds employee contributions	(12,670,615)	(12,670,615)	-
Administrative expense	-	(156,547)	156,547
Other changes	-	(3,661)	3,661
Net changes	19,875,848	25,453,540	(5,577,692)
Balance at December 31, 2024	$ 295,629,689	$ 260,375,178	$ 35,254,511

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	$ 76,287,005	$ 35,254,511	$ 1,546,355

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, 2025, the City recognized pension expense of $ 12,443,922.

IV. OTHER INFORMATION (Continued)

At September 30, 2025, 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	$ 5,491,861	$ -
Changes in assumptions	-	763,629
Differences between projected and actual investment earnings	-	2,687,621
Contributions subsequent to the measurement date	7,955,355	-
Total	$ 13,447,216	$ 3,451,250

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $ 7,995,353 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025 (i.e., recognized in the City's financial statements September 30, 2026). 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	
2025	$ 2,686,250
2026	4,131,762
2027	(3,072,137)
2028	(1,705,264)
2029	-
Total	$ 2,040,611

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.

IV. OTHER INFORMATION (Continued)

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.

Members Covered by the Fund –

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

Retirees and beneficiaries currently receiving benefits	110
Inactive employees entitled to but not yet receiving benefits	8
Active employees	120
	238

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

IV. OTHER INFORMATION (Continued)

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, 2024, the annual money-weighted rate of return on pension plan investments was 23.97%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

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

Net Pension Liability

The City's net pension liability was measured as of September 30, 2024.

Total pension liability	$ 85,587,771
Plan fiduciary net position	(63,199,141)
City's net pension liability	$ 22,388,630

Plan fiduciary net position as a percentage of the total pension liability	73.84%

Actuarial Assumptions –

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

Inflation	2.50%
Payroll growth	4.25% 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	7.30%, net of pension plan investment expense, including inflation

IV. OTHER INFORMATION (Continued)

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 2.50%). 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, 2024, are summarized in the following table:

Firemen's Pension

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap Domestic Equity	25.0%	5.00%
Small/Mid Cap Domestic Equity	13.0%	5.00%
International Equity	27.5%	5.00%
Real Estate	5.0%	4.20%
Alternatives	13.5%	7.00%
Commodities	0.0%	7.00%
Fixed Income	15.0%	2.00%
Money market or equivalent	1.0%	1.50%
Total	100.0%	

Discount Rate –

The discount rate used to measure the total pension liability was 7.30% 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 7.30%, 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 (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

	1% Decrease in Discount Rate (6.30%)	Current Discount Rate (7.30%)	1% Increase in Discount Rate (8.30%)
City's net pension liability	$ 33,056,585	$ 22,388,630	$ 13,490,046

IV. OTHER INFORMATION (Continued)

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.

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, 2023	$ 76,145,689	$ 51,685,794	$ 24,459,895
Changes for the year:			
Service cost	2,128,769	-	2,128,769
Interest	5,888,393	-	5,888,393
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,815,805	-	1,815,805
Changes of assumptions	4,199,500	-	4,199,500
Contributions - employer	-	1,948,820	(1,948,820)
Contributions - employee	-	1,919,667	(1,919,667)
Net investment income	-	12,296,591	(12,296,591)
Benefit payments, including refunds of employee contributions	(4,590,385)	(4,590,385)	-
Administrative expense	-	(61,346)	61,346
Changes in benefit terms	-	-	-
Net changes	9,442,082	11,513,347	(2,071,265)
Balance at September 30, 2024	$ 85,587,771	$ 63,199,141	$ 22,388,630

The net pension liability was $ 22,388,630 as of September 30, 2024, which is the City's measurement date associated with its September 30, 2025, reporting date. The results are based on the Fund's September 30, 2024, 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, 2025, the City's GASB 68 pension expense was $ 2,352,216.

Components of Pension Expense for the Fiscal Year Ended September 30, 2025 –

Service cost	$ 2,128,769
Interest	5,888,393
Firefighter contributions	(1,919,667)
Projected earnings on pension plan investments	(3,975,299)
Amortization of differences between projected and actual earnings on plan investments	(911,594)
Amortization of changes of assumptions	750,923
Amortization of differences between expected and actual experience	329,348
Pension plan administrative expenses	61,343
Total pension expense	$ 2,352,216

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,455,052	$ 90,633
Changes in assumptions	4,468,658	3,763
Differences between projected and actual investment earnings	-	3,824,937
Contributions subsequent to the measurement date	2,004,376	-
Total	$ 8,928,086	$ 3,919,333

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	
2026	$ 366,196
2027	1,671,452
2028	(1,084,587)
2029	(685,984)
2030	700,284
Thereafter	2,037,016
Total	$ 3,004,377

The total of the contributions by the City to the Fund contributed subsequent to the measurement date of the net pension liability September 30, 2024, through September 30, 2025, 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, 2026.

IV. OTHER INFORMATION (Continued)

Retirement Plans Combined Data

For the year ended September 30, 2025, the City's total net pension liability and pension expense is as follows:

Net Pension Liability		
Texas Municipal Retirement System	$	35,254,511
Temple Firefighters' Relief and Retirement Fund		22,388,630
Total Net Pension Liability	$	57,643,141
Net Pension Assets		
Texas Municipal Retirement System	$	260,375,178
Temple Firefighters' Relief and Retirement Fund		63,199,141
Total Net Pension Assets	$	323,574,319
Deferred Outflows of Resources Related to Pensions		
Texas Municipal Retirement System	$	13,447,216
Temple Firefighters' Relief and Retirement Fund		8,928,086
Total Deferred Outflows of Resources Related to Pensions	$	22,375,302
Deferred Inflows of Resources Related to Pensions		
Texas Municipal Retirement System	$	3,451,250
Temple Firefighters' Relief and Retirement Fund		3,919,333
Total Deferred Inflows of Resources Related to Pensions	$	7,370,583
Pension Expense		
Texas Municipal Retirement System	$	12,443,922
Temple Firefighters' Relief and Retirement Fund		2,352,216
Total Pension Expense	$	14,796,138

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 $ 23,500. 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, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	393
Inactive employees entitled to but not yet receiving benefits	146
Active employees	832
	1,371

Total OPEB Liability - SDBF

The City's total OPEB liability for SDBF of $ 2,329,942 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions –

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

IV. OTHER INFORMATION (Continued)

Inflation	2.50% per year
Salary increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
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 Bond Buyer "20-Year Bond GO Index" rate as of December 31, 2024.

The discount rate changed from 3.77% as of December 31, 2023, to 4.08% as of December 31, 2024.

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

IV. OTHER INFORMATION (Continued)

Changes in the Total OPEB Liability – SDBF

		Increase (Decrease) Total OPEB Liability
Balance at December 31, 2023	$	2,356,175
Changes for the year:		
Service cost		102,463
Interest		89,150
Change of benefit terms		-
Difference between expected and actual experience		(10,446)
Changes of assumptions		(122,014)
Contributions - employer		-
Contributions - employee		-
Net investment income		-
Benefit payments, including refunds employee contributions *		(85,386)
Administrative expense		-
Other changes		-
Net changes		(26,233)
Balance at December 31, 2024	$	2,329,942

*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 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's total OPEB liability - SDBF	$ 2,759,864	$ 2,329,942	$ 1,992,427

IV. OTHER INFORMATION (Continued)

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

For the year ended September 30, 2025, the City recognized OBEB expense of $ 68,061.

Components of OPEB Expense for the Fiscal Year Ended September 30, 2025 –

Service cost	$	102,463
Interest		89,150
Projected earnings on pension plan investments		-
Amortization of differences between projected and actual earnings on plan investments		(48,394)
Amortization of changes of assumptions		(75,158)
Amortization of differences between expected and actual experience		-
Administrative expenses		-
Changes in benefit terms		-
Total Supplemental Death Benefit expense	$	68,061

At September 30, 2025, 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	$	-	$	61,711
Changes in assumptions		139,075		594,651
Contributions subsequent to the measurement date		58,861		-
Total	$	197,936	$	656,362

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $ 58,861 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2025 (i.e., recognized in the City's financial statements September 30, 2026). Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Measurement Year Ended December 31		
2025	$	(176,523)
2026		(214,481)
2027		(99,748)
2028		(20,230)
2029		(6,305)
Total	$	(517,287)

IV. OTHER INFORMATION (Continued)

(2) 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.

<u>Provisions Regarding Medicare for Retirees Over the Age of 65</u>

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, 2024, 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 $ 4,732,748 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions –

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

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	4.08% as of December 31, 2024
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% declines 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 3.77% as of December 31, 2023, to 4.08% as of December 31, 2024. 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 4.08% (based on the daily rate closest to but not later than the measurement date of the Bond Buyer "20-Year Bond GO Index"). The discount rate was 3.77% as of the prior measurement date.

IV. OTHER INFORMATION (Continued)

Changes in the Total OPEB Liability – RHCP

	Increase (Decrease) Total OPEB Liability
Balance at December 31, 2023	$ 4,664,435
Changes for the year:	
Service cost	245,108
Interest	177,632
Change of benefit terms	-
Difference between expected and actual experience	(8,209)
Changes of assumptions	(195,713)
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(150,505)
Administrative expense	-
Changes in benefit terms	-
Net changes	68,313
Balance at December 31, 2024	$ 4,732,748

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 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's total OPEB liability	$ 5,404,560	$ 4,732,748	$ 4,170,067

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	$ 4,013,349	$ 4,732,748	$ 5,642,294

IV. OTHER INFORMATION (Continued)

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

For the year ended September 30, 2025, the City recognized OBEB expense of $ 47,273.

Components of OPEB Expense for the Fiscal Year Ended September 30, 2025 –

Service cost	$	245,108
Interest		177,632
Projected earnings on pension plan investments		-
Amortization of differences between projected and actual earnings on plan investments		-
Amortization of changes of assumptions		(23,336)
Amortization of differences between expected and actual experience		(352,131)
Administrative expenses		-
Changes in benefit terms		-
Total OPEB expense	$	47,273

At September 30, 2025, 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	$ -	$ 1,485,886
Changes in assumptions	677,275	1,379,338
Contributions subsequent to the measurement date	126,179	-
Total	$ 803,454	$ 2,865,224

Deferred outflows of resources related to OPEB for RHCP resulting from contributions subsequent to the measurement date of $ 126,179 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2025 (i.e., recognized in the City's financial statements September 30, 2026). Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Measurement Year Ended December 31		
2025	$	(375,467)
2026		(414,029)
2027		(384,776)
2028		(303,296)
2029		(355,304)
Thereafter		(355,077)
Total	$	(2,187,949)

IV. OTHER INFORMATION (Continued)

(1) Other Post-Employment Benefits Combined Data

For the year ended September 30, 2025, the City's total OPEB liability and OPEB expense is as follows:

Total OPEB Liability		
Texas Municipal Retirement System - SDBF	$	2,329,942
Retiree Health Care Plan		4,732,748
Total OPEB Liability	$	7,062,690
Deferred Outflows of Resources Related to OPEB		
Texas Municipal Retirement System - SDBF	$	197,936
Retiree Health Care Plan		803,454
Total Deferred Outflows of Resources Related to OBEB	$	1,001,390
Deferred Inflows of Resources Related to OPEB		
Texas Municipal Retirement System - SDBF	$	656,362
Retiree Health Care Plan		2,865,224
Total Deferred Inflows of Resources Related to OBEB	$	3,521,586
OPEB Expense		
Texas Municipal Retirement System - SDBF	$	68,061
Retiree Health Care Plan		47,273
Total OPEB Expense	$	115,334

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

F. RELATED PARTY TRANSACTIONS

On September 4, 2025, the City authorized the purchase medical and pharmacy plans, administrative services and stop-loss insurance for employees' and retirees' health insurance for FY 2026 which was in effect on October 1, 2025. The company selected was High Plains Health Plan. The Mayor is the president and principal of an insurance agency that operates as a brokerage firm that markets and sells High Plans Health Plan which is the plan that was selected by the City. The Mayor disclosed that he would be receiving or likely to receive taxable income from the selected vendor.

G. SUBSEQUENT EVENTS

Management has reviewed and evaluated events and transactions through February 27, 2026, the date the financial statements were available to be issued. No events occurred that required recognition or disclosure in the financial statements.

APPENDIX B

SELECT PROVISIONS OF THE MASTER ORDINANCE AND THE FIFTH SUPPLEMENT

APPENDIX B

DEFINITIONS AND SELECTED PROVISIONS OF THE MASTER ORDINANCE AND FIFTH SUPPLEMENT

The following are excerpts of certain provisions of the Master Ordinance and the Fifth Supplement. Such excerpts do not purport to be complete or verbatim and reference should be made to the Master Ordinance and the Fifth Supplement, respective, for the entirety thereof. Copies of the Master Ordinance and the Fifth 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 Fifth 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 (including by acting as interim City Manager), Assistant City Manager, Chief Financial Officer or such other individuals so designated by the City to perform the duties of an Authorized Representative under the Supplements.

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

"Bonds" – The Bonds issued pursuant to and governed by the Supplements, as described in Article II hereof.

"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 Finance Director 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 Supplements.

"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" - The Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Supplements.

"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.

"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.

"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 Texas law that may be used to defease obligations such as the Bonds.

"Enabling Act" means Chapter 311, Texas Tax Code, as amended.

"Federal Securities" - Direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

"Fifth Supplement" means the Fifth Supplemental Ordinance, adopted by the City Council on August 6, 2026, pursuant to authority reserved by the City under the Master Ordinance.

"Financing Program" means the "City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program".

"Fiscal Year" means the twelve-month accounting period used by the City in connection with the operation of the Zone, 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.

"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) hereof.

"Investment Grade Rating" – A rating by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term debt instruments.

"Master Ordinance" - The "Master Ordinance Establishing the Reinvested Zone Number One Tax Increment Revenue Financing Program," adopted by the City on June 5, 2008, as may be amended or supplemented from time to time.

"Maturity" - When used with respect to the Bonds, the scheduled maturity of the Bonds.

"Maximum Rate" - A net effective interest rate (as defined in and calculated in accordance with the provisions of the Chapter 1204, Texas Government Code, as amended not to exceed fifteen percent (15%)).

"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 this 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 this 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 this 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" - 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 this Master Ordinance and a Supplement secured by a lien on and pledge of the Security.

"Paying Agent" - 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 the Pricing Certificate hereof and any successor to such agent.

"Paying Agent/Registrar" - Collectively, the Paying Agent and the Registrar designated in the Pricing Certificate or any successor to such agent.

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

"Predecessor Bonds" - Predecessor Bonds as defined in Section 2.05(a) hereof.

"Rebate Account" - The account by that name described in Section 4.02 hereof.

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

"Registrar" - The agent selected and appointed by the City for purposes of keeping and maintaining books and records relating to the registration, transfer, exchange, and payment of the Bonds and interest thereon, as identified in Section 2.03 hereof and any successor to such agent.

"Reserve Account" - The account described in Section 4.03 hereof.

"Reserve Account Obligation" - Means a surety bond or insurance policy deposited in the Reserve Account to satisfy the Required Reserve Amount 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" - SEC Rule 15c2-12, as amended from time to time.

"SEC" - The United States Securities and Exchange Commission.

"Section" - Unless the context clearly requires otherwise, refers to a Section of the Supplements.

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

"Security Register" - 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.

"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.

"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, this Master Ordinance as may be supplemented or amended from time to time as authorized by the City and such Supplement.
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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 Tax Increment Zone Number One 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. This 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 this Master Ordinance. The City covenants that it will not issue obligations payable from the Tax Increment Account with a lien superior to the lien created by this 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 this Master Ordinance.

Section 2. SECURITY AND PLEDGE. (a) Pledge. Parity Debt shall be secured by and payable solely from a lien on and pledge of the following (collectively, the "Security"): (i) all amounts in the Tax Increment Account and the Interest and Sinking Account; (ii) any additional account or subaccount that is subsequently established and so designated as being included within the Security pursuant to Section 3(f) hereof; (iii) all of the proceeds of the foregoing, including, without limitation, investments thereof; and (iv) 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 this Master Ordinance and any Supplement.

(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 Tax Increment Fund or Account (the "Tax Increment Account");

(ii) the Tax Increment Interest and Sinking Account (the "Interest and Sinking Account"); and

(iii) the Tax Increment Bond Proceeds Account (the "Bond Proceeds Account").

(b) Tax Increment Account. Subject to the provisions of Section 4 of this Master Ordinance, moneys in the Tax Increment 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 Tax Increment shall be deposited in the Tax Increment Account immediately upon receipt by the City. All Tax Increment is hereby and shall be appropriated, deposited, and transferred from the Tax Increment 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 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 then coming due on or with respect to the payment of Parity Debt as the same mature or come due;

SECOND: 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;

THIRD: 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;

FOURTH: 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

FIFTH: all remaining Tax Increment shall be retained in the Tax Increment Account and may be used for any lawful purpose authorized pursuant to the Enabling Act and other State law.

Section 5. GENERAL REPRESENTATIONS AND COVENANTS. The City further represents, covenants and agrees that while Parity Debt or interest thereon is 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 this 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 this 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 6 of this 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 this 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 this 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 this Master Ordinance, is hereby declared to be Subordinated Debt junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this 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 this 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 this 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 Zone. 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 Zone 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 Zone and the Financing Program, except such records as federal or State law may designate as privileged and exempt from disclosure.

Section 6. 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, 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 this 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 this 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 Tax Increment were, in the opinion thereof, at least equal to the sum of 1.50 times the average[*] Annual Debt Service Requirements (computed on a Fiscal Year basis) of the Parity Debt and Subordinate Debt to be outstanding after the issuance of the then proposed Parity Debt.

(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.

[*] maximum Annual Debt Service Requirements while the Bonds are outstanding. See "Excerpted Provisions of the Fifth Supplement" herein.

(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 7. WAIVER OF CERTAIN COVENANTS. The City may omit in any particular instance to comply with any covenant or condition set forth in Sections 5 and 6 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 8. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the City contained in this Master Ordinance and any Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, the Zone 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 9. 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 this Master Ordinance or any Supplement. The obligation of the City to pay or cause to be paid the amounts payable under this 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 10. DEFAULTS AND REMEDIES. (a) Events of Default. Each of the following occurrences or events for the purpose of this 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 this 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 this 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 this Master Ordinance, the right to accelerate the Debt shall not be available as a remedy under this 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 this Master Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this 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 this Master Ordinance, or because of any Event of Default or alleged Event of Default under this Master Ordinance.

Section 11. 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 12. AMENDMENT OF MASTER ORDINANCE. (a) Amendment Without Consent. This 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 this 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 this Master Ordinance;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this 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 this 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 12(g) of this 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 this 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 this 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 this 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 this Master Ordinance pursuant to the provisions of this Section, this 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 this 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 Fifth Supplement

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Section 1.01. **DEFINITIONS**. (a) Definitions. The capitalized terms used herein (except in the FORM OF BOND set forth in Exhibit "B" hereto) and not otherwise defined shall have the meanings given in the Master Ordinance or in Exhibit "A" to this Fifth Supplement. The recitals to this Fifth Supplement and the exhibits hereto are incorporated herein and made a part hereof for all purposes.

(b) Construction of Terms. If appropriate in the context of this Fifth Supplement, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, words of the masculine, feminine, or neuter gender shall be considered to include the other genders, and words importing persons shall include firms, associations, and corporations.

Section 1.02. **ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT.** (a) Fifth Supplement. By adoption of the Master Ordinance, the City has established the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program for the purpose of enabling the City to provide for the financing of projects within the Zone authorized by the Enabling Act and any other applicable provisions of State law pursuant to which, 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. This Fifth Supplement provides for the authorization, form, characteristics, provisions of payment and redemption, and security of the Bonds. This Fifth 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 6 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. **FIFTH 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, this Fifth 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 this Fifth Supplement by the City and the covenants and agreements set forth in this Fifth 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 this Fifth Supplement and the Master Ordinance.

Section 1.04. **LIMITATION OF BENEFITS WITH RESPECT TO THIS FIFTH SUPPLEMENT.** With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Fifth 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 this Fifth Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Fifth 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 Interest. Immediately after the delivery of the Bonds the City shall deposit any accrued interest 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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Section 4.03. RESERVE ACCOUNT. (a) To establish a reserve for the payment of the Bonds equal to the maximum 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 will be established with available cash on the date of issuance of the Bonds 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 Tax Increment Account. All funds and investments authorized by this Fifth Supplement 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 and (ii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds. The Reserve Account is solely for the benefit of the series of Bonds authorized by this Fifth Supplement and is not available to pay Annual Debt Service Requirements on any other Parity Debt.

(b) When and for so long as the cash and investments 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 making deposits to such Account from the funds on deposit in the Tax Increment Account by monthly deposits and credits in amounts equal to not less than 1/36th of the Required Reserve Amount until 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. 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 funds on deposit in the Tax Increment Account shall be applied and appropriated and used to maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of this Fifth Supplement.

During such time as the Reserve Account contains the Required Reserve Amount 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 surplus shall be deposited into the Rebate Account.

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Section 6.01. **AMENDMENTS OR MODIFICATIONS WITHOUT CONSENT OF OWNERS OF BONDS.** Subject to the provisions of the Master Ordinance, this Fifth Supplement and the rights and Bonds 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 this Fifth Supplement, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City in this Fifth Supplement;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Fifth 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 this Fifth 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 this Fifth Supplement and the Master Ordinance, 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 this Fifth 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 this Fifth 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 this Fifth 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 or ordinance to amend this Fifth Supplement pursuant to the provisions of this Article, this Fifth Supplement shall be deemed to be amended in accordance with the amendatory resolution or ordinance, and the respective rights, duties, and Bonds of the City and all the Owners of Outstanding Bonds shall thereafter be determined, exercised, and enforced under the Master Ordinance and this Fifth Supplement, as amended.

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Section 7.03. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Fifth Supplement, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, 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 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 or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Security as provided in this Fifth Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities and thereafter the City will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond 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 this Fifth Supplement. Any money so deposited with the Paying Agent/Registrar 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 or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the City.

(c) Notwithstanding any provision of any other Section of this Fifth 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 the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Fifth Supplement.

(d) Notwithstanding anything elsewhere in this Fifth Supplement, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar 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 Bond affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the City retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of this Fifth Supplement, the City may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

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Section 7.08. **EFFECT OF SATURDAYS, SUNDAYS, AND LEGAL HOLIDAYS.** Whenever this Fifth 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 this Fifth 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 7.12. **DEFAULT AND REMEDIES**. (a) Events of Default. Each of the following occurrences or events for the purpose of this Fifth 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 this Fifth 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) 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 this Fifth 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) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Fifth Supplement, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Fifth 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 this Fifth Supplement, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Fifth 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 this Fifth Supplement, or because of any Event of Default or alleged Event of Default under this Fifth Supplement.

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Section 7.14. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the City contained in this Fifth Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, 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.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

**CITY OF TEMPLE, TEXAS
REINVESTMENT ZONE NUMBER ONE TAX INCREMENT
REVENUE BONDS, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $124,900,000***

AS BOND COUNSEL FOR THE CITY OF TEMPLE, TEXAS (the "City") for the above described tax increment 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 and in the "Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program" adopted by the City Council on June 5, 2008 (the "Master Ordinance"), the "Fifth Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program Authorizing the Issuance of $124,900,000* City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2026" adopted by the City Council on August 6, 2026* authorizing the issuance of the Bonds (the "Fifth Supplement" together with the Master Ordinance, the "Ordinance").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been 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 principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the City payable, together with outstanding and any additional Parity Debt, from and secured by a first lien on the Security including the Tax Increment Account, all as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified

* 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.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

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

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

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