NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON

$16,000,000*
CITY OF TEMPLE, TEXAS
(A political subdivision of the State of Texas located in Bell County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2026

Bids Due Monday, August 24, 2026 at 10:00 AM, CDT

THE SALE

TAXABLE SERIES 2026 CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Temple, Texas (the "City"), is offering for sale its $16,000,000* Combination Tax and Revenue Certificates of Obligation, Taxable Series 2026 (the "Taxable Series 2026 Certificates"). Bids may be submitted by either of two alternative procedures: (i) written bids; or (ii) electronic bids. Prospective bidders may select one of the two alternative bidding procedures in their sole discretion. Neither the City nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

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

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

WRITTEN BIDS DELIVERED IN PERSON . . . Signed bids, plainly marked "Bid for Taxable Series 2026 Certificates," should be addressed to "Mayor and City Council, City of Temple, Texas," and delivered to the City's Financial Advisor, Specialized Public Finance Inc. at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746 by 10:00 AM, CDT on August 24, 2026 (the "date of the bid opening"). All bids must be submitted on the Official Bid Form, without alteration or interlineation.

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

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Taxable Series 2026 Certificates on the terms provided in the Notice of Sale, and shall be binding upon the bidder as if made by a signed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

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

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

PLACE AND TIME OF BID OPENING . . . The bids for the Taxable Series 2026 Certificates will be publicly opened and read in the office of the Financial Advisor at 10:00 AM, CDT, Monday, August 24, 2026.

AWARD OF THE TAXABLE SERIES 2026 CERTIFICATES . . . On August 6, 2026, the City Council adopted an ordinance (the "Ordinance") authorizing the Director of Finance or City Manager (each a "Pricing Officer") to accept bids and award the sale of the Taxable Series 2026 Certificates; approving preparation of the Official Statement, which will be an amended form of the Preliminary Official Statement; and authorizing the issuance of the Taxable Series 2026 Certificates. In the Ordinance, the City Council delegated to the Pricing Officer the authority to complete the sale of the Taxable Series 2026 Certificates which may occur on August 24, 2026 if the Taxable Series 2026 Certificates are priced. The terms of the sale will be included in a "Pricing Certificate." On the Sale Date, the Pricing Officer, will take prompt action to award the sale of the Taxable Series 2026 Certificates or reject any or all bids, subject to the terms of the Ordinance and subject to compliance with the verifications described herein. The Pricing Officer, acting for City Council, also reserves the right to waive, without limitation, any irregularity or informality with respect to any bid, except the time of receipt of bids.

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

SIGNED OFFICIAL BID FORM . . . The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately and must submit via email a Signed Official Bid Form in connection with the sale, by 10:30 AM CDT on the date of the sale to Monica Melvin, Specialized Public Finance Inc. at monica@spfmuni.com.

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

EXTENSION OF SALE DATE . . . The City reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, CDT on Friday, August 21, 2026 of the new date and time of receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

THE TAXABLE SERIES 2026 CERTIFICATES

DESCRIPTION . . . The Taxable Series 2026 Certificates will be dated August 31, 2026 (the "Dated Date"). Interest will accrue from the date of initial delivery of the Taxable Series 2026 Certificates and will be due on February 1, 2027, and each August 1 and February 1 thereafter until the earlier of maturity or prior redemption. The Taxable Series 2026 Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity. The Taxable Series 2026 Certificates will mature on August 1 in each year as follows:

MATURITY SCHEDULE*

Maturity (August 1)	Principal Amount	Maturity (August 1)	Principal Amount
2029	$ 280,000	2038	$ 965,000
2030	305,000	2039	1,015,000
2031	515,000	2040	1,070,000
2032	425,000	2041	1,130,000
2033	380,000	2042	1,195,000
2034	655,000	2043	1,260,000
2035	820,000	2044	1,330,000
2036	865,000	2045	1,400,000
2037	910,000	2046	1,480,000

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

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Taxable Series 2026 Certificates having stated maturities on and after August 1, 2037, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

SERIAL TAXABLE SERIES 2026 CERTIFICATES AND/OR TAXABLE SERIES 2026 TERM CERTIFICATES . . . Bidders may provide that all of the Taxable Series 2026 Certificates be issued as serial Taxable Series 2026 Certificates or may provide that any two or more consecutive annual principal amounts be combined into one or more Taxable Series 2026 term Certificates.

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

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

SOURCE OF PAYMENT . . . The Taxable Series 2026 Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a continuing direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus revenues of the City's combined waterworks and sewer system (the "System") after payment of all maintenance and operations expenses or collections thereof and all debt service, reserves and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the City's System which shall not exceed $10,000.

Further details regarding the Taxable Series 2026 Certificates are set forth in the Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . **The Taxable Series 2026 Certificates will be sold in one block on an "All or None" basis, and at a price of not less than 101% of their par value and not more than 110% of their par value.** Bidders are invited to name the rate(s) of interest to be borne by the Taxable Series 2026 Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Taxable Series 2026 Certificates of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

POST BID MODIFICATION OF PRINCIPAL AMORTIZATION . . . After selecting the winning bid, the aggregate principal amount of the Taxable Series 2026 Certificates and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in $5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Taxable Series 2026 Certificates by more than 15% from the amount set forth herein. The dollar amount bid for the Taxable Series 2026 Certificates by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Taxable Series 2026 Certificates finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Taxable Series 2026 Certificates as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Taxable Series 2026 Certificates from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Taxable Series 2026 Certificates and/or the maturity schedule for the Taxable Series 2026 Certificates made by the City or its Financial Advisor shall be subsequent to the award of the Taxable Series 2026 Certificates to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – Basis for Award" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of bid submission, the sale of the Taxable Series 2026 Certificates will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the "Taxable Series 2026 Purchaser") making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the date of initial delivery of all debt service payments on the Taxable Series 2026 Certificates on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Taxable Series 2026 Certificates plus any premium bid, if any. In the event of a bidder's error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Taxable Series 2026 Purchaser will be required to provide the City with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

PROVISION OF TEXAS ETHICS COMMISSION FORM 1295 ("TEC FORM 1295") . . . In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Taxable Series 2026 Certificates to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the "TEC Form 1295") to the City as prescribed by the Texas Ethics Commission ("TEC"), or

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

In the event that the bidder's bid for the Taxable Series 2026 Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the City to complete the award. The City reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*City of Temple, Texas*) and box 3 is the identification number assigned to this contract by the City *(Temple CO Taxable 2026)* and description of the goods or services *(Purchase of the City of Temple Combination Tax and Revenue Certificates of Obligation, Taxable Series 2026)*. **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the City to complete the TEC Form 1295 electronically at https://www.ethics.state.tx.us/main/file.htm, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC's "electronic portal" to the City. The completed and signed**

TEC Form 1295 must be sent by email, to the City's financial advisor at dan@spfmuni.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: jhale@mphlegal.com.

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the City, the Interested Party Disclosure Act and the TEC 1295 provide that such declaration is made "under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Taxable Series 2026 Certificates until a completed TEC Form 1295 is received. The City reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein. Neither the City nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Taxable Series 2026 Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS . . . The City will not award the Taxable Series 2026 Certificates to a bidder unless the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the "Government Code"), are included in the bid. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of the Official Bid Form shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or Official Notice of Sale (collectively, the "Agreement"), notwithstanding anything in the Agreement to the contrary.

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

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

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

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

FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT . . . Each prospective bidder must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting a bid, a bidder represents to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Taxable Series 2026 Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The City will not accept a bid from a bidder (including each syndicate member listed on the Official Bid Form) that does not have such standing letter on file as of the deadline for bids for the Taxable Series 2026 Certificates. If requested by the City, the Taxable Series 2026 Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications (defined below), as of the Delivery Date or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

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

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

To the extent the Taxable Series 2026 Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit"). **THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH CHAPTERS 2252, 2271, 2274, AND 2276, TEXAS GOVERNMENT CODE, AS AMENDED (COLLECTIVELY, THE "COVERED VERIFICATIONS") SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THE AGREEMENT. ADDITIONALLY, THE CITY RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.**

GOOD FAITH DEPOSIT . . . A bank cashier's check, payable to the order of "City of Temple," in the amount of $320,000 which is 2% of the proposed par value of the Taxable Series 2026 Certificates (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Taxable Series 2026 Purchaser will be retained uncashed by the City pending the Taxable Series 2026 Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Taxable Series 2026 Purchaser should fail or refuse to take up and pay for the Taxable Series 2026 Certificates in accordance with its bid then said check shall be cashed and accepted by the City and shall constitute full and complete liquidated damages; however, if it is determined after the acceptance of the bid by the City that the Taxable Series 2026 Purchaser was found not to satisfy the requirements described under "Verifications of Statutory Representations and Covenants" and as a result the Texas Attorney General will not deliver its approving opinion of the Taxable Series 2026 Certificates, then said check shall be cashed and accepted by the City but shall not be the sole or exclusive remedy available to the City. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Taxable Series 2026 Purchaser who shall be named in such instructions. The Good Faith Deposit of the Taxable Series 2026 Purchaser will be returned to the Taxable Series 2026 Purchaser on the date of Initial Delivery. No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Taxable Series 2026 Certificates has been made by the City.

DELIVERY OF THE TAXABLE SERIES 2026 CERTIFICATES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Taxable Series 2026 Certificates, but neither the failure to print or type such number on any Taxable Series 2026 Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Taxable Series 2026 Purchaser to accept delivery of and pay for the Taxable Series 2026 Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Taxable Series 2026 Purchaser at the time the Taxable Series 2026 Certificates are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Taxable Series 2026 Certificates shall be paid by the City.

DELIVERY OF TAXABLE SERIES 2026 CERTIFICATES . . . Delivery will be accomplished by the issuance of one Initial Certificate (also called the "Certificate" or "Certificates"), either in typed or printed form, in the aggregate principal amount of $16,000,000*, payable in stated installments to the Taxable Series 2026 Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's book-entry-only system. Delivery will be at a principal office of the Paying Agent/Registrar. Payment for the Taxable Series 2026 Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Taxable Series 2026 Purchaser will be given six business days' notice of the time fixed for delivery of the Taxable Series 2026 Certificates. It is anticipated that delivery of the Taxable Series 2026 Certificates can be made on or about August 31, 2026, and it is understood and agreed that the Taxable Series 2026 Purchaser will accept delivery and make payment for the Taxable Series 2026 Certificates by 10:00 AM, CDT, on August 31, 2026, or thereafter on the date the Taxable Series 2026 Certificate is tendered for delivery, up to and including September 14, 2026. If for any reason the City is unable to make delivery on or before September 14, 2026, the City shall

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

immediately contact the Taxable Series 2026 Purchaser and offer to allow the Taxable Series 2026 Purchaser to extend its offer for an additional thirty days. If the Taxable Series 2026 Purchaser does not elect to extend its offer within six days thereafter, then its

Good Faith Deposit will be returned, and both the City and the Taxable Series 2026 Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Taxable Series 2026 Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Taxable Series 2026 Purchaser to take up and pay for the Taxable Series 2026 Certificates is subject to the Taxable Series 2026 Purchaser's receipt of (a) the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement.

LEGAL OPINION . . . The Taxable Series 2026 Certificates are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Taxable Series 2026 Certificates is subject to the receipt by the Taxable Series 2026 Purchaser of opinions of Bond Counsel, to the effect that the Taxable Series 2026 Certificates are valid and binding obligations of the City (except as the enforceability may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion).

NO MATERIAL ADVERSE CHANGE . . . The obligations of the City to deliver the Taxable Series 2026 Certificates and of the Taxable Series 2026 Purchaser to accept delivery of and pay for the Taxable Series 2026 Certificates are subject to the condition that at the time of delivery of and receipt of payment for the Taxable Series 2026 Certificates, there shall have been no material adverse change in the condition of the City from those set forth in or contemplated by the "Preliminary Official Statement" as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Taxable Series 2026 Certificates to the Taxable Series 2026 Purchaser, the City will deliver to the Taxable Series 2026 Purchaser a certificate, as of the same date, to the effect that to the best of the City's knowledge no litigation of any nature is pending or, to the best of the certifying officials' knowledge or belief, threatened against the City, contesting or affecting the Taxable Series 2026 Certificates; restraining or enjoining the authorization, execution, or delivery of the Taxable Series 2026 Certificates; affecting the provision made for the payment of or security for the Taxable Series 2026 Certificates; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Taxable Series 2026 Certificates; or affecting the validity of the Taxable Series 2026 Certificates or the title of the present officials of the City.

GENERAL

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Taxable Series 2026 Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Taxable Series 2026 Certificates is contingent upon the issuance and delivery of the Taxable Series 2026 Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Taxable Series 2026 Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Taxable Series 2026 Purchaser represents that the sale of the Taxable Series 2026 Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Taxable Series 2026 Purchaser will register the Taxable Series 2026 Certificates in accordance with the securities law of the states in which the Taxable Series 2026 Certificates are offered or sold. The City agrees to cooperate with the Taxable Series 2026 Purchaser, at the Taxable Series 2026 Purchaser's written request and expense, in registering the Taxable Series 2026 Certificates or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Taxable Series 2026 Certificates, but is merely notice of the sale of the Taxable Series 2026 Certificates. The offer to sell the Taxable Series 2026 Certificates is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Taxable Series 2026 Certificates.

ISSUANCE OF ADDITIONAL DEBT . . . The City does not anticipate issuing additional ad valorem tax debt within the next six months.

RATING . . . The Taxable Series 2026 Certificates and the outstanding tax supported debt of the City are rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement.

THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12 . . . The City has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Taxable Series 2026 Certificates. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The City will furnish to the Taxable Series 2026 Purchaser, acting through a designated senior representative, in accordance with instructions received from the Taxable Series 2026 Purchaser, within seven (7) business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Taxable Series 2026 Certificates. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Taxable Series 2026 Purchaser. The Taxable Series 2026 Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the subject securities.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Taxable Series 2026 Purchaser's obligation to accept and pay for the Taxable Series 2026 Certificates is conditioned upon delivery to the Taxable Series 2026 Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

The City has approved the form and content of the Notice of Sale and Bidding Instructions, the Official Bid Form and Official Statement, and authorized the use thereof in its initial offering of the Taxable Series 2026 Certificates. On the date of the sale, the City Council will, in the Taxable Series 2026 Certificate Ordinance authorizing the issuance of the Taxable Series 2026 Certificates, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Taxable Series 2026 Certificates by the Taxable Series 2026 Purchaser.

/s/ TIM DAVIS
Mayor
City of Temple, Texas

ATTEST:

/s/ JANA LEWELLEN
City Secretary
City of Temple, Texas

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OFFICIAL BID FORM

Honorable Mayor and City Council
City of Temple, Texas
101 East 7th Street
Temple, Texas 78627

August 17, 2026

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated August 17, 2026, of $16,000,000* CITY OF TEMPLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2026, both of which constitute a part hereof.

For your legally issued Taxable Series 2026 Certificates, in the aggregate principal amount of $16,000,000*, we will pay you a price of $_____________________, representing approximately ________% of the par value. Such Taxable Series 2026 Certificates mature August 1, in each of the years and in the amounts and interest rates shown below:

Maturity (August 1)	Principal Amount*	Interest Rate	Maturity (August 1)	Principal Amount*	Interest Rate
2029	$ 280,000	%	2038	$ 965,000	%
2030	305,000	%	2039	1,015,000	%
2031	515,000	%	2040	1,070,000	%
2032	425,000	%	2041	1,130,000	%
2033	380,000	%	2042	1,195,000	%
2034	655,000	%	2043	1,260,000	%
2035	820,000	%	2044	1,330,000	%
2036	865,000	%	2045	1,400,000	%
2037	910,000	%	2046	1,480,000	%

Of the principal maturities set forth in the table above, Taxable Series 2026 term certificates have been created as indicated in the following table (which may include multiple Taxable Series 2026 term certificates, one Taxable Series 2026 term certificate or no Taxable Series 2026 term certificate if none is indicated). For those years which have been combined into Taxable Series 2026 term certificates, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Taxable Series 2026 term certificate maturity date shall mature in such year. The Taxable Series 2026 term certificates created are as follows:

Taxable Series 2026 Term Certificates Maturing August 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%
		$	%
		$	%

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

TRUE INTEREST COST _____________________%

The Initial Certificates shall be registered in the name of _____________________, which will, upon payment for the Taxable Series 2026 Certificates, be cancelled by the Paying Agent/Registrar. The Taxable Series 2026 Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

____

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

A wire transfer or a cashiers or certified check to the City in the amount of $320,000 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Taxable Series 2026 Certificates in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us.

We agree to accept delivery of the Taxable Series 2026 Certificates utilizing the book-entry-only system through DTC and make payment for the Initial Certificate in immediately available funds in the Corporate Trust Division, The Bank of New York Mellon Trust Company, National Association, Dallas, Texas, not later than 10:00 AM, CDT, on August 31, 2026, or thereafter on the date the Taxable Series 2026 Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Taxable Series 2026 Certificates to complete the DTC Eligibility Questionnaire.

Upon notification of conditional verbal acceptance, the undersigned will either (1) complete an electronic form of the Taxable Series 2026 Certificate of Interested Parties Form 1295 (the “Form 1295”) through the Texas Ethics Commission’s (the “TEC”) electronic portal and the resulting certified Form 1295 that is generated by the TEC’s electronic portal will be printed, signed, notarized and sent by email to the City’s Bond Counsel at jhale@mphlegal.com or (2) provide written confirmation of its exemption from such requirement to complete a Form 1295. The undersigned understands that, unless exempt, the failure to provide the certified Form 1295 will prohibit the City from awarding the enclosed bid.

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

(i) <u>No Boycott of Israel Verification (Texas Government Code, Chapter 2271).</u> The Taxable Series 2026 Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Agreement. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

(ii) <u>Not a Sanctioned Company (Texas Government Code, Chapter 2252).</u> The Taxable Series 2026 Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) <u>No Boycott of Energy Companies (Texas Government Code, Chapter 2276).</u> The Taxable Series 2026 Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

(iv) <u>No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code, Chapter 2274).</u> The Taxable Series 2026 Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

By submitting this bid, the Taxable Series 2026 Purchaser understands and agrees that if the Taxable Series 2026 Purchaser should fail or refuse to take up and pay for the Taxable Series 2026 Certificates in accordance with this bid, or it is determined that after the acceptance of this bid by the City that the Taxable Series 2026 Purchaser was found not to satisfy the requirements described in the Official Notice of Sale under the heading “CONDITIONS OF THE SALE” and as a result the Texas Attorney General will not deliver its approving opinion of the Taxable Series 2026 Certificates, then the check submitted herewith as the Taxable Series 2026 Purchaser’s Good Faith Deposit shall be cashed and accepted by the City. IF THE CITY CASHES THE TAXABLE SERIES 2026 PURCHASER’S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE TAXABLE SERIES 2026 PURCHASER’S BREACH OF ANY OF THE COVERED VERIFICATIONS.

By submitting this bid, the Taxable Series 2026 Purchaser understands and agrees that the liability of the Taxable Series 2026 Purchaser for breach of any of the verifications made in connection with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended and as described above (collectively, the “Covered Verifications”) shall survive until barred by the statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Agreement. Additionally, the Taxable Series 2026 Purchaser acknowledges and agrees that the City reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

By submitting this bid, the Taxable Series 2026 Purchaser understands and agrees that it must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting this bid, the Taxable Series 2026 Purchaser represents to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. The Taxable Series 2026 Purchaser hereby further agrees that it will not rescind its standing letter at any time before the delivery of the Taxable Series 2026 Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The Taxable Series 2026 Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the delivery date of the Taxable Series 2026 Certificates or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

The Taxable Series 2026 Purchaser acknowledges that the City, in its sole discretion, has reserved the right to reject the bid of any bidder who is, or whose parent company, subsidiaries or affiliates are, on a list maintained by the Texas Comptroller or the Texas Attorney General of financial companies boycotting energy companies or discriminating against firearm entities.

The Taxable Series 2026 Purchaser understands and agrees that to the extent the Taxable Series 2026 Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit" in the Official Notice of Sale).

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE REPRESENTATIONS AND COVENANTS CONTAINED IN THIS OFFICIAL BID FORM SHALL SURVIVE TERMINATION OF THE AGREEMENT FORM OF THE TAXABLE SERIES 2026 PURCHASER TO PURCHASE THE TAXABLE SERIES 2026 CERTIFICATES UNTIL THE STATUTE OF LIMITATIONS HAS RUN.

The undersigned agrees to complete, execute, and deliver to the City, at least five business days prior to delivery of the Taxable Series 2026 Certificates, a certificate relating to the "issue price" of the Taxable Series 2026 Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City and Bond Counsel.

The undersigned certifies that the Taxable Series 2026 Purchaser [is]/[is not] exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

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

Respectfully submitted,

____
Name of Taxable Series 2026 Purchaser or Manager

____
Authorized Representative

____
Phone Number

____
Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Temple, Texas, this the 24th day of August, 2026.

ATTEST:

______________________________	______________________________
City Secretary	Mayor
City of Temple, Texas	City of Temple, Texas

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NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON

$1,500,000*
CITY OF TEMPLE, TEXAS
(A political subdivision of the State of Texas located in Bell County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Bids Due Monday, August 24, 2026 at 10:30 AM, CDT

THE SALE

SERIES 2026 CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Temple, Texas (the "City"), is offering for sale its $1,500,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Series 2026 Certificates"). Bids may be submitted by either of two alternative procedures: (i) written bids; or (ii) electronic bids. Prospective bidders may select one of the two alternative bidding procedures in their sole discretion. Neither the City nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

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

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

WRITTEN BIDS DELIVERED IN PERSON . . . Signed bids, plainly marked "Bid for Series 2026 Certificates," should be addressed to "Mayor and City Council, City of Temple, Texas," and delivered to the City's Financial Advisor, Specialized Public Finance Inc. at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746 by 10:30 AM, CDT on August 24, 2026 (the "date of the bid opening"). All bids must be submitted on the Official Bid Form, without alteration or interlineation.

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

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Series 2026 Certificates on the terms provided in the Notice of Sale, and shall be binding upon the bidder as if made by a signed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

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

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

PLACE AND TIME OF BID OPENING . . . The bids for the Series 2026 Certificates will be publicly opened and read in the office of the Financial Advisor at 10:30 AM, CDT, Monday, August 24, 2026.

AWARD OF THE SERIES 2026 CERTIFICATES . . . On August 6, 2026, the City Council adopted an ordinance (the "Ordinance") authorizing the Director of Finance or City Manager (each a "Pricing Officer") to accept bids and award the sale of the Series 2026 Certificates; approving preparation of the Official Statement, which will be an amended form of the Preliminary Official Statement; and authorizing the issuance of the Series 2026 Certificates. In the Ordinance, the City Council delegated to the Pricing Officer the authority to complete the sale of the Series 2026 Certificates which may occur on August 24, 2026 if the Series 2026 Certificates are priced. The terms of the sale will be included in a "Pricing Certificate." On the Sale Date, the Pricing Officer, will take prompt action to award the sale of the Series 2026 Certificates or reject any or all bids, subject to the terms of the Ordinance and subject to compliance with the verifications described herein. The Pricing Officer, acting for City Council, also reserves the right to waive, without limitation, any irregularity or informality with respect to any bid, except the time of receipt of bids.

___

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

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

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

Extension of Sale Date . . . The City reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, CDT on Friday, August 21, 2026 of the new date and time of receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

THE SERIES 2026 CERTIFICATES

Description . . . The Series 2026 Certificates will be dated August 31, 2026 (the "Dated Date"). Interest will accrue from the date of initial delivery of the Series 2026 Certificates and will be due on February 1, 2027, and each August 1 and February 1 thereafter until the earlier of maturity or prior redemption. The Series 2026 Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity. The Series 2026 Certificates will mature on August 1 in each year as follows:

MATURITY SCHEDULE*

Maturity (August 1)	Principal Amount	Maturity (August 1)	Principal Amount
2029	$ 55,000	2038	$ 85,000
2030	55,000	2039	85,000
2031	60,000	2040	90,000
2032	60,000	2041	95,000
2033	65,000	2042	100,000
2034	70,000	2043	105,000
2035	70,000	2044	110,000
2036	75,000	2045	115,000
2037	80,000	2046	125,000

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

Optional Redemption . . . The City reserves the right, at its option, to redeem Series 2026 Certificates having stated maturities on and after August 1, 2037, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

Serial Series 2026 Certificates and/or Series 2026 Term Certificates . . . Bidders may provide that all of the Series 2026 Certificates be issued as serial Series 2026 Certificates or may provide that any two or more consecutive annual principal amounts be combined into one or more Series 2026 term Certificates.

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

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

Source of Payment . . . The Series 2026 Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a continuing direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus revenues of the City's combined waterworks and sewer system (the "System") after payment of all maintenance and operations expenses or collections thereof and all debt service, reserves and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the City's System which shall not exceed $10,000.

Further details regarding the Series 2026 Certificates are set forth in the Official Statement.

CONDITIONS OF THE SALE

<u>TYPE OF BIDS AND INTEREST RATES</u> . . . **The Series 2026 Certificates will be sold in one block on an "All or None" basis, and at a price of not less than 103.5% of their par value and not more than 110% of their par value.** Bidders are invited to name the rate(s) of interest to be borne by the Series 2026 Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2.5% in rate. For Series 2026 Certificates having stated maturities on and after August 1, 2036, no reoffering yield producing a dollar price less than 97.5% for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Series 2026 Certificates of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

<u>POST BID MODIFICATION OF PRINCIPAL AMORTIZATION</u> . . . After selecting the winning bid, the aggregate principal amount of the Series 2026 Certificates and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in $5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Series 2026 Certificates by more than 15% from the amount set forth herein. The dollar amount bid for the Series 2026 Certificates by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Series 2026 Certificates finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Series 2026 Certificates as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Series 2026 Certificates from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Series 2026 Certificates and/or the maturity schedule for the Series 2026 Certificates made by the City or its Financial Advisor shall be subsequent to the award of the Series 2026 Certificates to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – Basis for Award" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

<u>BASIS FOR AWARD</u> . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of bid submission, the sale of the Series 2026 Certificates will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the "Series 2026 Purchaser") making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the date of initial delivery of all debt service payments on the Series 2026 Certificates on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Series 2026 Certificates plus any premium bid, if any. In the event of a bidder's error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Series 2026 Purchaser will be required to provide the City with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

<u>ESTABLISHING THE ISSUE PRICE FOR THE SERIES 2026 CERTIFICATES</u> . . . The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which require, among other things, that the City receives bids from **at least three underwriters** of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds **(the "Competitive Sale Requirement")**.

In the event that the bidding process does not satisfy the Competitive Sale Requirement, Bids will **<u>not</u>** be subject to cancellation and the winning bidder (i) agrees to promptly report to the City the first prices at which at least 10% of each maturity of the Series 2026 Certificates **(the "First Price Maturity")** have been sold to the Public on the Sale Date **(the "10% Test")** (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the- offering-price of each maturity of the Series 2026 Certificates that does not satisfy the 10% Test **("Hold-the-Price Maturity")**, as described below.

In order to provide the City with information that enables it to comply with the establishment of the issue price of the Series 2026 Certificates under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the City or to the City's municipal advisor, Specialized Public Finance Inc. (the "City's Financial Advisor") the appropriate certification as to the Series 2026 Certificates' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions, at least 5 business days before the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Series 2026 Certificates for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

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

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

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2026 Certificates to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2026 Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2026 Certificates to the Public),

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

(iv) "Sale Date" means the date that the Series 2026 Certificates are awarded by the City to the winning bidder.

All actions to be taken by the City under this Notice of Sale and Bidding Instructions to establish the issue price of the Series 2026 Certificates may be taken on behalf of the City by the City's Financial Advisor, and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

The City will consider any bid submitted pursuant to this Notice of Sale and Bidding Instructions to be a firm offer for the purchase of the Series 2026 Certificates, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Series 2026 Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Series 2026 Certificates of each maturity allocated to it until either all such Series 2026 Certificates have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Series 2026 Certificates of that maturity, (B) to promptly notify the winning bidder of any sales of Series 2026 Certificates that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Series 2026 Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2026 Certificates to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Series 2026 Certificates of each maturity allocated to it until either all such Series 2026 Certificates have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Series 2026 Certificates of that maturity. Sales of any Series 2026 Certificates to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale and Bidding Instruction.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Series 2026 Certificates, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the City when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

PROVISION OF TEXAS ETHICS COMMISSION FORM 1295 ("TEC FORM 1295") . . . In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Series 2026 Certificates to a bidder unless the winning bidder either:

(iii) submits a Certificate of Interested Parties Form 1295 (the "TEC Form 1295") to the City as prescribed by the Texas Ethics Commission ("TEC"), or

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

In the event that the bidder's bid for the Series 2026 Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the City to complete the award. The City reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*City of Temple, Texas*) and box 3 is the identification number assigned to this contract by the City *(Temple CO 2026)* and description of the goods or services *(Purchase of the City of Temple Combination Tax and Revenue Certificates of Obligation, Series 2026)*. **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the City to complete the TEC Form 1295 electronically at https://www.ethics.state.tx.us/main/file.htm, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC's "electronic portal" to the City. The completed and signed TEC Form 1295 must be sent by email, to the City's financial advisor at dan@spfmuni.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: jhale@mphlegal.com.

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the City, the Interested Party Disclosure Act and the TEC 1295 provide that such declaration is made "under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Series 2026 Certificates until a completed TEC Form 1295 is received. The City reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein. Neither the City nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Series 2026 Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS . . . The City will not award the Series 2026 Certificates to a bidder unless the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the "Government Code"), are included in the bid. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of the Official Bid Form shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or Official Notice of Sale (collectively, the "Agreement"), notwithstanding anything in the Agreement to the contrary.

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

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

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

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

FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT . . . Each prospective bidder must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting a bid, a bidder represents to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Series 2026 Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The City will not accept a bid from a bidder (including each syndicate member listed on the Official Bid Form) that does not have such standing letter on file as of the deadline for bids for the Series 2026 Certificates. If requested by the City, the Series 2026 Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications (defined below), as of the Delivery Date or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

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

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

To the extent the Series 2026 Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit"). **THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH CHAPTERS 2252, 2271, 2274, AND 2276, TEXAS GOVERNMENT CODE, AS AMENDED (COLLECTIVELY, THE "COVERED VERIFICATIONS") SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THE AGREEMENT. ADDITIONALLY, THE CITY RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.**

GOOD FAITH DEPOSIT . . . A bank cashier's check, payable to the order of "City of Temple," in the amount of $30,000 which is 2% of the proposed par value of the Series 2026 Certificates (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Series 2026 Purchaser will be retained uncashed by the City pending the Series 2026 Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Series 2026 Purchaser should fail or refuse to take up and pay for the Series 2026 Certificates in accordance with its bid then said check shall be cashed and accepted by the City and shall constitute full and complete liquidated damages; however, if it is determined after the acceptance of the bid by the City that the Series 2026 Purchaser was found not to satisfy the requirements described under "Verifications of Statutory Representations and Covenants" and as a result the Texas Attorney General will not deliver its approving opinion of the Series 2026 Certificates, then said check shall be cashed and accepted by the City but shall not be the sole or exclusive remedy available to the City. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Series 2026 Purchaser who shall be named in such instructions. The Good Faith Deposit of the Series 2026 Purchaser will be returned to the Series 2026 Purchaser on the date of Initial Delivery. No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Series 2026 Certificates has been made by the City.

DELIVERY OF THE SERIES 2026 CERTIFICATES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Series 2026 Certificates, but neither the failure to print or type such number on any Series 2026 Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Series 2026 Purchaser to accept delivery of and pay for the Series 2026 Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Series 2026 Purchaser at the time the Series 2026 Certificates are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Series 2026 Certificates shall be paid by the City.

DELIVERY OF SERIES 2026 CERTIFICATES . . . Delivery will be accomplished by the issuance of one Initial Certificate (also called the "Certificate" or "Certificates"), either in typed or printed form, in the aggregate principal amount of $1,500,000*, payable in stated installments to the Series 2026 Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's book-entry-only system. Delivery will be at a principal office of the Paying Agent/Registrar. Payment for the Series 2026 Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Series 2026 Purchaser will be given six business days' notice of the time fixed for delivery of the Series 2026 Certificates. It is anticipated that delivery of the Series 2026 Certificates can be made on or about August 31, 2026, and it is understood and agreed that the Series 2026 Purchaser will accept delivery and make payment for the Series 2026 Certificates by 10:00 AM, CDT, on August 31, 2026, or thereafter on the date the Series 2026 Certificate is tendered for delivery, up to and including September 14, 2026. If for any reason the City is unable to make delivery on or before September 14, 2026, the City shall immediately contact the Series 2026 Purchaser and offer to allow the Series 2026 Purchaser to extend its offer for an additional thirty days. If the Series 2026 Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Series 2026 Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Series 2026 Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Series 2026 Purchaser to take up and pay for the Series 2026 Certificates is subject to the Series 2026 Purchaser's receipt of (a) the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Series 2026 Certificates from the gross income of their owners, the Series 2026 Purchaser will be required to complete, execute, and deliver to the City (no later than the close of business on the business day following the award of the bid) a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions. In the event the successful bidder will not reoffer the Series 2026 Certificates for sale, such certificate may be modified in a manner approved by the City. In no event will the City fail to deliver the Series 2026 Certificates as a result of the Series 2026 Purchaser's inability to sell a substantial amount of the Series 2026 Certificates at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the City. It will be the responsibility of the Series 2026 Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINION . . . The Series 2026 Certificates are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Series 2026 Certificates is subject to the receipt by the Series 2026 Purchaser of opinions of Bond Counsel, to the effect that the Series 2026 Certificates are valid and binding obligations of the City (except as the enforceability may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion) and that the interest on the Series 2026 Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the City to deliver the Series 2026 Certificates and of the Series 2026 Purchaser to accept delivery of and pay for the Series 2026 Certificates are subject to the condition that at the time of delivery of and receipt of payment for the Series 2026 Certificates, there shall have been no material adverse change in the condition of the City from those set forth in or contemplated by the "Preliminary Official Statement" as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Series 2026 Certificates to the Series 2026 Purchaser, the City will deliver to the Series 2026 Purchaser a certificate, as of the same date, to the effect that to the best of the City's knowledge no litigation of any nature is pending or, to the best of the certifying officials' knowledge or belief, threatened against the City, contesting or affecting the Series 2026 Certificates; restraining or enjoining the authorization, execution, or delivery of the Series 2026 Certificates; affecting the provision made for the payment of or security for the Series 2026 Certificates; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Series 2026 Certificates; or affecting the validity of the Series 2026 Certificates or the title of the present officials of the City.

GENERAL

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Series 2026 Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2026 Certificates is contingent upon the issuance and delivery of the Series 2026 Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2026 Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

BLUE SKY LAWS . . . By submission of its bid, the Series 2026 Purchaser represents that the sale of the Series 2026 Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Series 2026 Purchaser will register the Series 2026 Certificates in accordance with the securities law of the states in which the Series 2026 Certificates are offered or sold. The City agrees to cooperate with the Series 2026 Purchaser, at the Series 2026 Purchaser's written request and expense, in registering the Series 2026 Certificates or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Series 2026 Certificates, but is merely notice of the sale of the Series 2026 Certificates. The offer to sell the Series 2026 Certificates is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Series 2026 Certificates.

ISSUANCE OF ADDITIONAL DEBT . . . The City does not anticipate issuing additional ad valorem tax debt within the next six months.

RATING . . . The Series 2026 Certificates and the outstanding tax supported debt of the City are rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement.

THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12 . . . The City has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Series 2026 Certificates. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The City will furnish to the Series 2026 Purchaser, acting through a designated senior representative, in accordance with instructions received from the Series 2026 Purchaser, within seven (7) business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Series 2026 Certificates. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Series 2026 Purchaser. The Series 2026 Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the subject securities.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Series 2026 Certificate Ordinance to provide certain periodic information and notices of certain events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Series 2026 Purchaser's obligation to accept and pay for the Series 2026 Certificates is conditioned upon delivery to the Series 2026 Purchaser or its agent of a certified copy of the Series 2026 Certificate Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

The City has approved the form and content of the Notice of Sale and Bidding Instructions, the Official Bid Form and Official Statement, and authorized the use thereof in its initial offering of the Series 2026 Certificates. On the date of the sale, the City Council will, in the Series 2026 Certificate Ordinance authorizing the issuance of the Series 2026 Certificates, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Series 2026 Certificates by the Series 2026 Purchaser.

/s/ TIM DAVIS
Mayor
City of Temple, Texas

ATTEST:

/s/ JANA LEWELLEN
City Secretary
City of Temple, Texas

OFFICIAL BID FORM

Honorable Mayor and City Council
City of Temple, Texas
101 East 7th Street
Temple, Texas 78627

August 17, 2026

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated August 17, 2026, of $1,500,000* CITY OF TEMPLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, both of which constitute a part hereof.

For your legally issued Series 2026 Certificates, in the aggregate principal amount of $1,500,000*, we will pay you a price of $_____________________, representing approximately ________% of the par value. Such Series 2026 Certificates mature August 1, in each of the years and in the amounts and interest rates shown below:

Maturity (August 1)	Principal Amount*	Interest Rate	Maturity (August 1)	Principal Amount*	Interest Rate
2029	$ 55,000	%	2038	$ 85,000	%
2030	55,000	%	2039	85,000	%
2031	60,000	%	2040	90,000	%
2032	60,000	%	2041	95,000	%
2033	65,000	%	2042	100,000	%
2034	70,000	%	2043	105,000	%
2035	70,000	%	2044	110,000	%
2036	75,000	%	2045	115,000	%
2037	80,000	%	2046	125,000	%

Of the principal maturities set forth in the table above, Series 2026 term certificates have been created as indicated in the following table (which may include multiple Series 2026 term certificates, one Series 2026 term certificate or no Series 2026 term certificate if none is indicated). For those years which have been combined into Series 2026 term certificates, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Series 2026 term certificate maturity date shall mature in such year. The Series 2026 term certificates created are as follows:

Series 2026 Term Certificates Maturing August 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%
		$	%
		$	%

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

TRUE INTEREST COST _____________________%

The Initial Certificates shall be registered in the name of_____________________, which will, upon payment for the Series 2026 Certificates, be cancelled by the Paying Agent/Registrar. The Series 2026 Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

____

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

A wire transfer or a cashiers or certified check to the City in the amount of $30,000 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Series 2026 Certificates in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us.

We agree to accept delivery of the Series 2026 Certificates utilizing the book-entry-only system through DTC and make payment for the Initial Certificate in immediately available funds in the Corporate Trust Division, The Bank of New York Mellon Trust Company, National Association, Dallas, Texas, not later than 10:00 AM, CDT, on August 31, 2026, or thereafter on the date the Series 2026 Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Series 2026 Certificates to complete the DTC Eligibility Questionnaire.

Upon notification of conditional verbal acceptance, the undersigned will either (1) complete an electronic form of the Series 2026 Certificate of Interested Parties Form 1295 (the "Form 1295") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Form 1295 that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the City's Bond Counsel at jhale@mphlegal.com or (2) provide written confirmation of its exemption from such requirement to complete a Form 1295. The undersigned understands that, unless exempt, the failure to provide the certified Form 1295 will prohibit the City from awarding the enclosed bid.

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

(v) <u>No Boycott of Israel Verification (Texas Government Code, Chapter 2271).</u> The Series 2026 Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(vi) <u>Not a Sanctioned Company (Texas Government Code, Chapter 2252).</u> The Series 2026 Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(vii) <u>No Boycott of Energy Companies (Texas Government Code, Chapter 2276).</u> The Series 2026 Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

(viii) <u>No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code, Chapter 2274).</u> The Series 2026 Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

By submitting this bid, the Series 2026 Purchaser understands and agrees that if the Series 2026 Purchaser should fail or refuse to take up and pay for the Series 2026 Certificates in accordance with this bid, or it is determined that after the acceptance of this bid by the City that the Series 2026 Purchaser was found not to satisfy the requirements described in the Official Notice of Sale under the heading "CONDITIONS OF THE SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the Series 2026 Certificates, then the check submitted herewith as the Series 2026 Purchaser's Good Faith Deposit shall be cashed and accepted by the City. IF THE CITY CASHES THE SERIES 2026 PURCHASER'S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE SERIES 2026 PURCHASER'S BREACH OF ANY OF THE COVERED VERIFICATIONS.

By submitting this bid, the Series 2026 Purchaser understands and agrees that the liability of the Series 2026 Purchaser for breach of any of the verifications made in connection with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended and as described above (collectively, the "Covered Verifications") shall survive until barred by the statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Agreement. Additionally, the Series 2026 Purchaser acknowledges and agrees that the City reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

By submitting this bid, the Series 2026 Purchaser understands and agrees that it must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting this bid, the Series 2026 Purchaser represents to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. The Series 2026 Purchaser hereby further agrees that it will not rescind its standing letter at any time before the delivery of the Series 2026 Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The Series 2026 Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the delivery date of the Series 2026 Certificates or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

The Series 2026 Purchaser acknowledges that the City, in its sole discretion, has reserved the right to reject the bid of any bidder who is, or whose parent company, subsidiaries or affiliates are, on a list maintained by the Texas Comptroller or the Texas Attorney General of financial companies boycotting energy companies or discriminating against firearm entities.

The Series 2026 Purchaser understands and agrees that to the extent the Series 2026 Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit" in the Official Notice of Sale).

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE REPRESENTATIONS AND COVENANTS CONTAINED IN THIS OFFICIAL BID FORM SHALL SURVIVE TERMINATION OF THE AGREEMENT FORM OF THE SERIES 2026 PURCHASER TO PURCHASE THE SERIES 2026 CERTIFICATES UNTIL THE STATUTE OF LIMITATIONS HAS RUN.

The undersigned agrees to complete, execute, and deliver to the City, at least five business days prior to delivery of the Series 2026 Certificates, a certificate relating to the "issue price" of the Series 2026 Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City and Bond Counsel.

The undersigned certifies that the Series 2026 Purchaser [is]/[is not] exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

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

Respectfully submitted,

____
Name of Series 2026 Purchaser or Manager

____
Authorized Representative

____
Phone Number

____
Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Temple, Texas, this the 24th day of August, 2026.

ATTEST:

________________________________	________________________________
City Secretary	Mayor
City of Temple, Texas	City of Temple, Texas

(This page intentionally left blank.)

ISSUE PRICE CERTIFICATE

(Sales where at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Series 2026 Purchaser"), with respect to the purchase at competitive sale of the Combination Tax and Revenue Certificates of Obligation, Series 2026 issued by the City of Temple, Texas ("Issuer") in the principal amount of $1,500,000* ("Series 2026 Certificates"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Series 2026 Certificates by the Series 2026 Purchaser, the Series 2026 Purchaser's reasonably expected initial offering prices of each maturity of the Series 2026 Certificates with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Series 2026 Certificates, as attached to this Series 2026 Certificate as Schedule A. The Expected Offering Prices are the prices for the Series 2026 Certificates used by the Series 2026 Purchaser in formulating its bid to purchase the Series 2026 Certificates.

(b) The Series 2026 Purchaser had an equal opportunity to bid to purchase the Series 2026 Certificates and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Series 2026 Purchaser constituted a firm bid to purchase the Series 2026 Certificates.

(d) The Series 2026 Purchaser [has] [has not] purchased bond insurance for the Series 2026 Certificates. The bond insurance has been purchased from ________________________________ (the "Insurer") for a fee of $_______ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Series 2026 Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Series 2026 Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Series 2026 Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2026 Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2026 Certificates to the Public) to participate in the initial sale of the Series 2026 Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2026 Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Series 2026 Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Series 2026 Certificates. Notwithstanding anything set forth herein, the Series 2026 Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _______________, 2026.

[NAME OF SERIES 2026 PURCHASER], as Series 2026 Purchaser

By:____________________________________

____

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

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(*Attached*)

ISSUE PRICE CERTIFICATE

(**Form of Certificate if less than 3 bids are received from underwriters**)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Series 2026 Purchaser"), with respect to the purchase at competitive sale of the Combination Tax and Revenue Certificates of Obligation, Series 2026 issued by the City of Temple, Texas ("Issuer") in the principal amount of $1,500,000* ("Series 2026 Certificates"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Series 2026 Certificates maturing in ______________ ("Hold-the-Price Maturities"), the][The] first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Series 2026 Certificates having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Series 2026 Certificates that is attached to this Series 2026 Certificate as Schedule A.

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

(b) On or before the first day on which there is a binding contract in writing for the sale of the Series 2026 Certificates ("Sale Date"), the Series 2026 Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Series 2026 Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Series 2026 Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Series 2026 Certificates to the Public at no higher price than the Initial Offering Price for such Maturity.

(d) The Series 2026 Purchaser [has] [has not] purchased bond insurance for the Series 2026 Certificates. The bond insurance has been purchased from ________________________________ (the "Insurer") for a fee of $_______ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Series 2026 Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Series 2026 Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Series 2026 Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2026 Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2026 Certificates to the Public) to participate in the initial sale of the Series 2026 Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2026 Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Series 2026 Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Series 2026 Certificates. Notwithstanding anything set forth herein, the Series 2026 Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _______________, 2026.

[NAME OF SERIES 2026 PURCHASER], as Series 2026 Purchaser

By:_____________________________________

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

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(*Attached*)

PRELIMINARY OFFICIAL STATEMENT

Dated August 17, 2026

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

NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, interest on the Series 2026 Certificates (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. The Taxable Series 2026 Certificates (as defined herein) are not obligations described in Section 103(a) of the Code. See "TAX MATTERS."

CITY OF TEMPLE, TEXAS

(A political subdivision of the State of Texas located in Bell County)

$16,000,000*	$1,500,000*
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2026	**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

Dated Date: August 31, 2026
Interest to accrue from the Date of Initial Delivery (defined below)

Due: August 1 for the Certificates as shown on pages 2 and 3

PAYMENT TERMS . . . Interest on the $16,000,000* City of Temple, Texas Combination Tax and Revenue Certificates of Obligation, Taxable Series 2026 (the "Taxable Series 2026 Certificates") and the $1,500,000* City of Temple, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Series 2026 Certificates" and together with the Taxable Series 2026 Certificates, the "Certificates") will accrue from the Date of Initial Delivery, will be payable on February 1 and August 1 of each year commencing February 1, 2027 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates (see "THE CERTIFICATES – Book-Entry-Only System"). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the "Certificate of Obligation Act of 1971"), Chapter 1502, Texas Government Code, as amended, and the ordinance (the "Ordinance") adopted by the City Council of the City of Temple, Texas (the "City") on August 6, 2026. In the Ordinance adopted August 6, 2026, the City Council delegated to a designated officer of the City pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Certificates and to establish certain terms related to the issuance and sale of the Certificates. The terms of the sale of the Taxable Series 2026 Certificates are included in a "Pricing Certificate," which completed the sale of the Taxable Series 2026 Certificates (the "Taxable Series 2026 Pricing Certificate"), and the terms of the sale of the Series 2026 Certificates are included in a "Pricing Certificate," which completed the sale of the Series 2026 Certificates (the "Series 2026 Pricing Certificate" and collectively with the Taxable Series 2026 Pricing Certificate, the "Pricing Certificates"). The Ordinance and the Pricing Certificates are collectively referred to herein as the "Certificate Ordinance." The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and a limited pledge of the surplus revenues of the City's Waterworks and Sewer System (the "System") after payment of all maintenance and operations expenses or collection thereof and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the City's System which amount shall not exceed $10,000 ("Surplus Revenues") as provided in the Certificate Ordinance (see "THE CERTIFICATES – Authority for Issuance" and "THE CERTIFICATES – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for paying contractual obligations incurred or to be incurred by the City for the purposes authorized under the Certificate of Obligation Act of 1971 as described herein under "THE CERTIFICATES – Purpose" and paying professional services incurred in connection with issuing the Certificates as further set forth herein.

CUSIP PREFIX: 880065
MATURITY SCHEDULE
See Pages 2 and 3 hereof

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the respective initial purchaser (the "Taxable Series 2026 Purchaser" and "Series 2026 Purchaser" or collectively the "Purchaser") 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 – Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Certificates will be available for initial delivery through DTC on August 31, 2026 (the "Date of Initial Delivery").

TAXALBE SERIES 2026 CERTIFICATE BIDS DUE ON MONDAY, AUGUST 24, 2026, BY 10:00 AM, CDT
SERIES 2026 CERTIFICATE BIDS DUE ON MONDAY, AUGUST 24, 2026, BY 10:30 AM, CDT

____

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

MATURITY SCHEDULE FOR THE TAXABLE SERIES 2026 CERTIFICATES*

8/1 Maturity	Principal Amount	Rate	Initial Yield	CUSIP Numbers(1)
2029	$ 280,000			
2030	305,000			
2031	515,000			
2032	425,000			
2033	380,000			
2034	655,000			
2035	820,000			
2036	865,000			
2037	910,000			
2038	965,000			
2039	1,015,000			
2040	1,070,000			
2041	1,130,000			
2042	1,195,000			
2043	1,260,000			
2044	1,330,000			
2045	1,400,000			
2046	1,480,000			

(Interest to Accrue 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 Taxable Series 2026 Certificates. None of the City, the Financial Advisor or the Taxable Series 2026 Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Taxable Series 2026 Certificates having stated maturities on and after August 1, 2037, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”). Additionally, the Taxable Series 2026 Certificates may be subject to mandatory sinking fund redemption if the Taxable Series 2026 Purchaser elects to aggregate two or more consecutive maturities as Taxable Series 2026 Term Certificates.

SEPARATE ISSUES . . . The Taxable Series 2026 Certificates and the $1,500,000* City of Temple, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Series 2026 Certificates” and together with the Taxable Series 2026 Certificates, the “Certificates”) are being offered by the City concurrently under the same Official Statement. As such, each series of the Certificates are separate and distinct securities offerings being issued and sold independently from the other and should be reviewed and analyzed independently, including, without limitation, the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the rights of the City to redeem the Certificates of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates and other features.

MATURITY SCHEDULE FOR THE SERIES 2026 CERTIFICATES*

8/1 Maturity	Principal Amount	Rate	Initial Yield	CUSIP Numbers(1)
2029	$ 55,000			
2030	55,000			
2031	60,000			
2032	60,000			
2033	65,000			
2034	70,000			
2035	70,000			
2036	75,000			
2037	80,000			
2038	85,000			
2039	85,000			
2040	90,000			
2041	95,000			
2042	100,000			
2043	105,000			
2044	110,000			
2045	115,000			
2046	125,000			

(Interest to Accrue 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 Series 2026 Certificates. None of the City, the Financial Advisor or the Series 2026 Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Series 2026 Certificates having stated maturities on and after August 1, 2037, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption"). Additionally, the Series 2026 Certificates may be subject to mandatory sinking fund redemption if the Series 2026 Purchaser elects to aggregate two or more consecutive maturities as Series 2026 Term Certificates.

SEPARATE ISSUES . . . The Series 2026 Certificates and the $16,000,000* City of Temple, Texas Combination Tax and Revenue Certificates of Obligation, Taxable Series 2026 (the "Taxable Series 2026 Certificates" and together with the Series 2026 Certificates, the "Certificates") are being offered by the City concurrently under the same Official Statement. As such, each series of the Certificates are separate and distinct securities offerings being issued and sold independently from the other and should be reviewed and analyzed independently, including, without limitation, the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the rights of the City to redeem the Certificates of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates and other features.

[The remainder of this page intentionally left blank.]

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, (the "Rule"), this document constitutes an "Official Statement" of the City with respect to the Certificates 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 Purchaser 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 Certificates 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.

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

THE CERTIFICATES 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 CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, ITS FINANCIAL ADVISOR OR THE PURCHASER 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 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 Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY	The City is a political subdivision located in Bell County, and is operating as a home-rule city under the laws of the State of Texas (the "State") and a charter approved by voters in 1907, as amended (the "Charter"). The Charter provides for the governing and law-making body to be a City Council composed of a Mayor and four Councilmembers. Councilmembers are elected from single member districts of equal population and the Mayor is elected at large. The Mayor is chief executive officer of the City and may vote on all motions before the Council, but does not have veto power. The City Manager is appointed by the City Council as the chief administrative officer of the City. The City is approximately 77.975 square miles in area (see "INTRODUCTION – Description of the City").
THE CERTIFICATES	The City is issuing its $16,000,000* Combination Tax and Revenue Certificates of Obligation, Taxable Series 2026 (the "Taxable Series 2026 Certificates") as serial Certificates maturing on August 1 in the years 2029 through 2046, inclusive, unless the Taxable Series 2026 Purchaser elects to aggregate two or more consecutive maturities as Taxable Series 2026 Term Certificates. The City is also issuing $1,500,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Series 2026 Certificates") as serial Series 2026 Certificates maturing on August 1 in the years 2029 through 2046, inclusive, unless the Series 2026 Purchaser elects to aggregate two or more consecutive maturities as Series 2026 Term Certificates (see "THE CERTIFICATES – General"). The Taxable Series 2026 Certificates and the Series 2026 Certificates are sometimes referred to herein collectively as the "Certificates."
PAYMENT OF INTEREST	Interest on the Certificates 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 CERTIFICATES").
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the "Certificate of Obligation Act of 1971"), Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council of the City on August 6, 2026. In the Ordinance adopted August 6, 2026, the City Council delegated to a designated officer of the City pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Certificates and to establish certain terms related to the issuance and sale of the Certificates. The terms of the sale of the Taxable Series 2026 Certificates are included in a "Pricing Certificate," which completed the sale of the Taxable Series 2026 Certificates (the "Taxable Series 2026 Pricing Certificate"), and the terms of the sale of the Series 2026 Certificates are included in a "Pricing Certificate," which completed the sale of the Series 2026 Certificates (the "Series 2026 Pricing Certificate" and collectively with the Taxable Series 2026 Pricing Certificate, the "Pricing Certificates"). The Ordinance and the Pricing Certificates are collectively referred to herein as the "Certificate Ordinance" (see "THE CERTIFICATES – Authority for Issuance").
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the City payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a limited pledge of the surplus revenues of the City's Waterworks and Sewer System (the "System") after payment of all maintenance and operations expenses or collection thereof and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the City's System which amount shall not exceed $10,000 ("Surplus Revenues") (see "THE CERTIFICATES – Security and Source of Payment").

*Preliminary, subject to change.

REDEMPTION .... The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 1, 2037, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption"). Additionally, the Taxable Series 2026 Certificates or the Series 2026 Certificates may be subject to mandatory sinking fund redemption if the respective Purchaser elects to aggregate two or more consecutive maturities as Taxable Series 2026 Term Certificates or Series 2026 Term Certificates (see "THE CERTIFICATES – Optional Redemption").

TAX EXEMPTION............................... In the opinion of Bond Counsel, the interest on the Series 2026 Certificates will be excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax on certain corporations.

The Taxable Series 2026 Certificates are not obligations described in Section 103(a) of the Code. See "TAX MATTERS – Taxable Series 2026 Certificates."

USE OF PROCEEDS .... Proceeds from the sale of the Taxable Series 2026 Certificates will be used for the purpose of (a) acquiring, designing, constructing, improving, extending, and expanding City landfill facilities, including the acquisition of future landfill sites; and (b) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Taxable Series 2026 Certificates.

Proceeds from the sale of the Series 2026 Certificates will be used for the purpose of (a) acquiring, designing, constructing, improving, extending, and expanding City animal shelter facilities, including the acquisition of future animal shelter sites; and (b) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Series 2026 Certificates (see "THE CERTIFICATES – Purpose").

RATING .... The Certificates and the outstanding tax supported debt of the City are rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement. The City also has various issues outstanding which are insured by various commercial insurance companies (see "OTHER INFORMATION – Rating").

BOOK-ENTRY-ONLY SYSTEM........... The definitive Certificates 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 Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates 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 Certificates (see "THE CERTIFICATES – Book-Entry-Only System").

PAYMENT RECORD .... The City has never defaulted in the payment of its debt obligations.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation(1)	Taxable Assessed Valuation Per Capita	Ad Valorem Tax Debt Outstanding at End of Year(2)	Ad Valorem Debt Per Capita	% of Total Tax Collections
2023	91,751	$ 8,240,419,329	$ 89,813	$ 269,185,000	$ 2,934	97.05%
2024	94,579	9,745,329,141	103,039	310,645,000	3,285	97.24%
2025	97,870	10,724,473,005	109,579	343,340,000	3,508	97.73%
2026	101,029	11,800,631,158	116,804	346,150,000 (3)	3,426	97.33% (4)
2027	101,029	12,877,220,685	127,461	328,395,000 (3)	3,251	N/A

(1) Includes tax increment reinvestment zone values, which for fiscal year 2026 is $1,666,819,343.
(2) Excludes self-supporting debt.
(3) Projected; includes the Certificates and the $4,540,000 Limited Tax Notes, Series 2026 which are scheduled to close on August 26, 2026. Preliminary, subject to change.
(4) Collections as of June 30, 2026.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

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

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

PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$16,000,000*	**$1,500,000***
CITY OF TEMPLE, TEXAS	**CITY OF TEMPLE, TEXAS**
COMBINATION TAX AND REVENUE	**COMBINATION TAX AND REVENUE**
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2026	**CERTIFICATES OF OBLIGATION, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $16,000,000* City of Temple, Texas Combination Tax and Revenue Certificates of Obligation, Taxable Series 2026 (the "Taxable Series 2026 Certificates"), and the $1,500,000* City of Temple, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Series 2026 Certificates," and together with the Taxable 2026 Certificates, the "Certificates"). The Certificates are being issued pursuant to an ordinance adopted by the City Council (the "City Council") of the City of Temple, Texas (the "City") on August 6, 2026 (the "Ordinance"). In the Ordinance adopted August 6, 2026, the City Council delegated to a designated officer of the City pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Certificates and to establish certain terms related to the issuance and sale of the Certificates. The terms of the sale of the Taxable Series 2026 Certificates are included in a "Pricing Certificate," which completed the sale of the Taxable Series 2026 Certificates (the "Taxable Series 2026 Pricing Certificate"), and the terms of the sale of the Series 2026 Certificates are included in a "Pricing Certificate," which completed the sale of the Series 2026 Certificates (the "Series 2026 Pricing Certificate" and collectively with the Taxable Series 2026 Pricing Certificate, the "Pricing Certificates"). The Ordinance and the Pricing Certificates are collectively referred to herein as the "Certificate 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 Certificates 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. Copies of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1907 and the Charter was most recently amended in 2014. The City operates under the Council/Manager form of government with a City Council comprised of the Mayor and four Councilmembers. Councilmembers are elected from single member districts of equal population and the Mayor is elected at large. The Mayor is chief executive officer of the City and may vote on all motions before the Council, but does not have veto power. The City Manager is appointed by the City Council as the chief administrative officer of the City. The City covers approximately 77.975 square miles. For more information regarding the City, see "APPENDIX A – General Information Regarding the City."

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated August 31, 2026 and mature on August 1 in each of the years and in the amounts shown on pages 2 and 3 hereof, respectively. Interest will accrue from the Date of Initial Delivery, will be computed on the basis of a 360-day year comprised of twelve 30-day months, and will be payable on February 1 and August 1, commencing February 1, 2027 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Certificate Ordinance.

____
*Preliminary, subject to change.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and a limited pledge of the surplus revenues of the City's Waterworks and Sewer System (the "System") after payment of all maintenance and operations expenses or collection thereof and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the City's System which amount shall not exceed $10,000 ("Surplus Revenues") as provided in the Certificate Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities to $2.50 per $100 taxable assessed valuation for all purposes. Administratively, the Attorney General of Texas will permit allocation of $1.50 of the $2.50 maximum tax rates for ad valorem tax debt service. 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.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 1, 2037, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities to be redeemed, or sinking fund installments in the case of Term Certificates. If less than all the Certificates of any maturity, or sinking fund installment in the case of Term Certificates, are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in book-entry-only form) shall determine by lot or other customary random method the Certificates or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (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 Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificate 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 OR CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR CERTIFICATE 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 Certificates will send any notice of optional redemption for the Certificates, notice of proposed amendment to the Certificate Ordinance or other notices with respect to the Certificates 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 Certificate called for redemption or any other action premised or any such notice.

Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates 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 Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Certificate 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 Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "THE CERTIFICATES – Book-Entry-Only System" herein.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the respective Certificate Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates 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 Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates 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 Certificates, will send any notice of redemption, notice of proposed amendment to the respective Certificate Ordinance or other notices with respect to the Certificates 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 Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates 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 Certificates 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 Certificates or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "THE CERTIFICATES – Book-Entry-Only System" herein.

DEFEASANCE . . . *General*. The Ordinance provides for the defeasance of the Certificates and the termination of the pledge of taxes, revenues and all other general defeasance covenants in the Ordinance under certain circumstances. Any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Obligation") within the meaning of the Ordinance, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the City to retain the right to call Defeased Obligations to be paid at maturity, when the payment of all principal and interest payable with respect to such Certificate 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 Obligations shall have become due and payable or (c) any combination of (a) and (b). At such time as any Certificate shall be deemed to be a Defeased Obligation, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied 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 Certificate 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.

Any money so deposited with the Paying Agent/Registrar or eligible trust company or commercial bank may at the discretion of the City Council also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times as set forth in the Ordinance, and all income from such Defeasance Securities received by the Paying Agent/Registrar or eligible trust company or commercial bank that is not required for the payment of the Certificates 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 Ordinance for the payment of principal of the Certificates and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Certificates and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Obligations the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by the Ordinance.

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

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 Obligations may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or eligible trust company or commercial bank, which is not required for the payment of the Certificates, and interest thereon, with respect to which such money has been so deposited, will be remitted to the City Council.

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

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 Certificates. 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 Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates 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 Certificates, 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 Certificates), 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 Certificates. The Certificates will be issued as fully-registered Certificates 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 Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of

Certificates may wish to ascertain that the nominee holding the Certificates 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 Certificates 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 Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).
All payments on the Certificates 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 Certificates 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 Certificates 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 Purchaser 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 Certificates 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 Certificates, 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 Purchaser.

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 Certificates 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 Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates 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 Certificates 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.

Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates 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 Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates 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 Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate 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 Certificate.

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 an Certificate 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.

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates 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 Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Registered owners upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by the city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. The Texas Supreme Court reviewed Wasson again in *Wasson Interest, Ltd. v. City of Jacksonville*, 559 S.W. 3d 142 (Tex. 2018) and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. 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, Registered owners may not be able to bring such a suit against the City for breach of the Certificates 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 Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Registered owners of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates 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 ORDINANCE . . . In the Ordinance, the City has reserved the right to amend such Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the owners, (4) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the owners.

The Ordinance further provides that the owners of the Certificates aggregating in principal amount 51% of the outstanding Certificates 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 Certificates no amendment may be made for the purpose of: (1) making any change in the maturity of any of the outstanding Certificates; (2) reducing the rate of interest borne by any of the outstanding Certificates; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

PURPOSE . . . Proceeds from the sale of the Taxable Series 2026 Certificates will be used for the purpose of (a) acquiring, designing, constructing, improving, extending, and expanding City landfill facilities, including the acquisition of future landfill sites; and (b) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Taxable Series 2026 Certificates.

Proceeds from the sale of the Series 2026 Certificates will be used for the purpose of (a) acquiring, designing, constructing, improving, extending, and expanding City animal shelter facilities, including the acquisition of future animal shelter sites; and (b) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Series 2026 Certificates.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Taxable Series 2026 Certificates and Series 2026 Certificates will be applied approximately as follows:

	The Taxable Series 2026 Certificates	The Series 2026 Certificates
Sources:		
Principal	$	$
Bid Premium		
Total Sources	$	$
Uses:		
Deposit to Project Fund	$	$
Deposit to Debt Service Fund		
Underwriters' Discount		
Costs of Issuance		
Total Uses	$	$

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TAX INFORMATION

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.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Bell County Appraisal District (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.

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "subjected property") whose appraised values are not more than $5 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 (20%) 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 (collectively, the "appraisal cap"). After the 2024 tax year, through December 31, 2026, 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 cap took effect on January 1, 2024.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "– City and Taxpayer Remedies."

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

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

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

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.

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

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.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> "unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.
>
> "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 Certificates.

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 one 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 $61,349,201 for the 2025 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.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $10,000 and the disabled are granted an exemption of $3,000.

The City has granted an additional exemption of 20% of the market value of the residence homesteads; minimum exception of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

The City does not tax nonbusiness personal property; and the Bell County Tax Assessor-Collector collects taxes for the City.

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

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

The City has adopted a tax abatement policy.

The City has adopted a tax freeze for resident homesteads of disabled persons or persons 65 years of age or older.

Tax Abatement Policy . . . In order to be considered for tax abatement, a project must meet several criteria. Generally, projects are eligible for a tax abatement of up to 100% for a period of 10 years. There are minimums required for investments and job creation to be eligible for a tax abatement. The City has a total of 14 current tax abatements. For the current tax year (Fiscal Year 2024/2025), the total appraised value of property subject to the City's abatement agreements equals $374,295,386 and the latest expiration date for any of the agreements is 2038. See "APPENDIX B – Excerpts from the City of Temple, Texas Annual Financial Report."

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

Taxes assessed and collected against the base value in the Reinvestment Zone may be used for general fund purposes. However, taxes assessed and collected against the assessed valuation of real property in the Reinvestment Zone in excess of the tax increment base ("Tax Increment Revenues") are restricted to pay or finance projects within the Reinvestment Zone. In the case of the City, such Tax Increment Revenues are pledged to secure payment of the City's Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2018, Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2021A, Reinvestment Zone Number One Tax Increment Revenue Bonds, Taxable Series 2021B, and are available to pay debt service on the City's General Obligation Refunding Bonds, Taxable Series 2020 (Reinvestment Zone's share), Combination Tax & Revenue Bonds Series 2022B, Combination Tax & Revenue Bonds-Taxable Series 2022C, Combination Tax & Revenue Bonds Series 2023B, and Reinvestment

Zone Number One Tax Increment Revenue Refunding Bonds-Series 2025. The City anticipates issuing its Reinvestment Zone Number One Tax Increment Revenue Bonds, Series 2026, which are scheduled to close on August 26, 2026, which will also be payable from the Tax Increment Revenues. There are seven taxing entities including the City that participate in the Reinvestment Zone. The Bell County Road Fund terminated its participation effective October 1, 2021. The following table reports the tax increment value by entity:

CITY OF TEMPLE, TEXAS
REINVESTMENT ZONE NO. 1 - VALUES FOR BASE AND INCREMENT (CAPTURED APPRAISED VALUE)
For the Tax Year 2025/FY 2026 As of 10/1/2025

	ORIGINAL ZONE			*EXPANDED ZONE*			*TOTAL*			
Taxing Jurisdiction	Tax Increment Base	Captured Appraised Value (1)	TOTAL	Tax Increment Base	Captured Appraised Value	TOTAL	Tax Increment Base	Captured Appraised Value	TOTAL	Levy
Temple ISD	$ 97,186,149	$ 1,259,280,096	$ 1,356,466,245	[redacted]			$ 97,186,149	$ 1,259,280,096	$ 1,356,466,245	$ 20,526,266
City of Temple	97,765,552	1,195,043,717	1,292,809,269	267,979,786	397,221,612	665,201,398	365,745,338	1,592,265,329	1,958,010,667	11,144,265
Bell County	97,765,552	1,279,496,886	1,377,262,438	267,979,786	414,358,271	682,338,057	365,745,338	1,693,855,157	2,059,600,495	5,298,379
Temple College District	97,765,552	1,332,629,837	1,430,395,389	267,979,786	398,743,625	666,723,411	365,745,338	1,731,373,462	2,097,118,800	3,492,180
Troy ISD	8,146,123	73,598,739	81,744,862	[redacted]			8,146,123	73,598,739	81,744,862	1,230,939
Elm Creek	28,984,337	367,633,776	396,618,113				28,984,337	367,633,776	396,618,113	91,908
Belton ISD	18,028	29,811,669	29,829,697				18,028	29,811,669	29,829,697	512,314
										$ 42,296,251

(1) Note: Captured Appraised Value for each taxing entity will vary based on exemptions allowed, participation in tax abatements and varying geographical boundaries.

(1) The originally created Reinvestment Zone is referred to as "Original Zone." On November 4, 2010, the City expanded the boundary of the Reinvestment Zone to include approximately 2,221 acres of an area known as the Temple Medical and Education District ("Expanded Zone") and also extended the duration of the Reinvestment Zone from 2022 to 2062. The tax increment base of the Expanded Zone is $267,979,786.

TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT

2026/2027 Market Valuation Established by the Tax Appraisal District of Bell County		
(excluding totally exempt property)		$ 15,767,635,931
Less Exemptions/Reductions at 100% Market Value:		2,890,415,246
2026/2027 Taxable Assessed Valuation		$ 12,877,220,685 (1)
City Funded Debt Payable from Ad Valorem Taxes (as of July 1, 2026)	$ 489,115,000 (2)	
The Taxable Series 2026 Certificates	16,000,000 (3)	
The Series 2026 Certificates	1,500,000 (3)	
Total Debt Payable from Ad Valorem Taxes		$ 506,615,000 (3)
Less Self-Supporting Debt:		
Reinvestment Zone		$ 104,620,000 (3)
Solid Waste		16,700,000 (3)
Water & Sewer		15,215,000
Drainage		9,240,000 (3)
Net Debt Payable from Ad Valorem Taxes		$ 360,840,000 (3)
Interest and Sinking Fund as of July 1, 2026		$ 21,689,067
Ratio Tax Supported Debt to Taxable Assessed Valuation		2.80% (3)

2026 Estimated Population - 101,029
Per Capita Taxable Assessed Valuation - $127,461
Per Capita Net Debt Payable from Ad Valorem Taxes - $3,572

____

(1) Includes $1,666,819,343 of Reinvestment Zone value.
(2) Excludes the Certificates. Includes the $4,540,000 Limited Tax Notes, Series 2026 which are scheduled to close on August 26, 2026, preliminary, subject to change.
(3) Preliminary, subject to change.

TABLE 2 – VALUATION AND AD VALOREM TAX DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation[1]	Taxable Assessed Valuation Per Capita	Ad Valorem Debt Outstanding at End Of Year[2]	Ratio of Ad Valorem Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2023	91,751	$ 8,240,419,329	$ 89,813	$ 269,185,000	3.27%	$ 2,934
2024	94,579	9,745,329,141	103,039	310,645,000	3.19%	3,285
2025	97,870	10,724,473,005	109,579	343,340,000	3.20%	3,508
2026	101,029	11,800,631,158	116,804	346,150,000 [3]	2.93%	3,426
2027	101,029	12,877,220,685	127,461	328,395,000 [3]	2.55%	3,251

(1) Includes the Reinvestment Zone values, which for fiscal year 2026 is $1,666,819,343.
(2) Excludes self-supporting debt.
(3) Projected; includes the Certificates and the $4,540,000 Limited Tax Notes, Series 2026 which are scheduled to close on August 26, 2026. Preliminary, subject to change.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution General Fund	Distribution Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	$ 0.6400	$ 0.3030	$ 0.3370	$ 37,755,601	98.52%	98.64%
2023	0.6130	0.2863	0.3267	43,933,095	97.39%	97.05%
2024	0.6130	0.2670	0.3460	50,938,518	97.73%	97.24%
2025	0.6265	0.2976	0.3289	55,791,326	97.14%	97.73%
2026	0.6999	0.3754	0.3245	67,480,553	97.33% [1]	97.33% [1]

(1) Collections as of June 30, 2026.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
BKV-BPP Power LLC	$ 287,532,675	2.44%
H.E. Butt Grocery	285,663,923	2.42%
Temple Genergation II, LLC	251,616,868	2.13%
Oncor Electric Delivery Co. LLC	142,792,063	1.21%
Wilsonart LLC	135,334,177	1.15%
Niagara Bottling LLC	120,597,418	1.02%
Wal-Mart Real Estate Business Trust	111,208,698	0.94%
McLane Company, Inc.	102,529,220	0.87%
Polmer LLC	97,677,911	0.83%
Temple Green Data LLC	90,563,125	0.77%
	$ 1,625,516,078	13.77%

(1) Percentage calculated using the 2026 Taxable Assessed Valuation of $11,800,631,158.

AD VALOREM TAX DEBT INFORMATION

TABLE 5 – PRO-FORMA AD VALOREM TAX DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt[1] Principal	Outstanding Debt[1] Interest	Total	The Taxable Series 2026 Certificates[2] Principal	The Taxable Series 2026 Certificates[2] Interest	The Taxable Series 2026 Certificates[2] Total	The Series 2026 Certificates[2] Principal	The Series 2026 Certificates[2] Interest	The Series 2026 Certificates[2] Total	Less: Self-Supporting[3]	Total Tax-Supported Debt Service Requirements
2026	$ 26,080,000	$ 21,046,676	$ 47,126,676	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,347,483	$ 29,779,193
2027	28,525,000	19,471,423	47,996,423	-	809,111	809,111	-	68,958	68,958	16,455,152	32,419,341
2028	29,330,000	18,238,857	47,568,857	-	880,000	880,000	-	75,000	75,000	16,026,723	32,497,134
2029	29,025,000	16,939,913	45,964,913	280,000	880,000	1,160,000	55,000	75,000	130,000	14,426,438	32,828,475
2030	29,865,000	15,676,604	45,541,604	305,000	864,600	1,169,600	55,000	72,250	127,250	14,005,988	32,832,466
2031	28,610,000	14,370,272	42,980,272	515,000	847,825	1,362,825	60,000	69,500	129,500	11,640,280	32,832,317
2032	29,440,000	13,149,745	42,589,745	425,000	819,500	1,244,500	60,000	66,500	126,500	11,126,726	32,834,019
2033	29,575,000	11,966,116	41,541,116	380,000	796,125	1,176,125	65,000	63,500	128,500	10,015,447	32,830,294
2034	27,785,000	10,778,020	38,563,020	655,000	775,225	1,430,225	70,000	60,250	130,250	7,290,501	32,832,994
2035	25,145,000	9,644,614	34,789,614	820,000	739,200	1,559,200	70,000	56,750	126,750	7,283,739	29,191,825
2036	24,020,000	8,591,545	32,611,545	865,000	694,100	1,559,100	75,000	53,250	128,250	7,282,907	27,015,987
2037	23,495,000	7,593,607	31,088,607	910,000	646,525	1,556,525	80,000	49,500	129,500	7,287,307	25,487,325
2038	21,625,000	6,618,631	28,243,631	965,000	596,475	1,561,475	85,000	45,500	130,500	7,026,256	22,909,350
2039	22,240,000	5,686,612	27,926,612	1,015,000	543,400	1,558,400	85,000	41,250	126,250	7,025,975	22,585,287
2040	21,470,000	4,788,550	26,258,550	1,070,000	487,575	1,557,575	90,000	37,000	127,000	7,023,375	20,919,750
2041	21,255,000	3,975,428	25,230,428	1,130,000	428,725	1,558,725	95,000	32,500	127,500	6,767,204	20,149,450
2042	18,515,000	3,145,736	21,660,736	1,195,000	366,575	1,561,575	100,000	27,750	127,750	6,502,686	16,847,375
2043	16,380,000	2,362,501	18,742,501	1,260,000	300,850	1,560,850	105,000	22,750	127,750	6,505,651	13,925,450
2044	13,860,000	1,661,652	15,521,652	1,330,000	231,550	1,561,550	110,000	17,500	127,500	6,504,003	10,706,700
2045	9,775,000	1,059,344	10,834,344	1,400,000	158,400	1,558,400	115,000	12,000	127,000	6,508,345	6,011,400
2046	5,890,000	615,112	6,505,112	1,480,000	81,400	1,561,400	125,000	6,250	131,250	6,505,112	1,692,650
2047	6,135,000	366,893	6,501,893	-	-	-	-	-	-	6,501,893	-
2048	2,625,000	108,281	2,733,281	-	-	-	-	-	-	2,733,281	-
	$ 490,665,000	$ 197,856,133	$ 688,521,133	$ 16,000,000	$ 11,947,161	$ 27,947,161	$ 1,500,000	$ 952,958	$ 2,452,958	$ 209,792,472	$ 509,128,780

(1) Includes the $4,540,000 Limited Tax Notes, Series 2026 which are scheduled to close on August 26, 2026.
(2) Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.
(3) Preliminary, subject to change.

TABLE 6 – INTEREST AND SINKING FUND PROJECTION TABLE

Ad Valorem Debt Service Requirements, Fiscal Year Ending 9/30/2026		$ 47,126,676 (1)
2026 Budgeted Interest and Sinking Fund Tax Levy	$ 29,034,830	
Fiscal Year 2025 Interest and Sinking Fund Balance	160,680	
PTF Reimbursement from State	1,450,617	
Self-Supporting Debt Service	17,347,483	47,993,610
Estimated Balance, 9/30/2026		$ 866,934

(1) Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt as of 7/31/2026
City of Temple	$ 360,840,000 (1)	100.00%	$ 360,840,000 (1)
Academy Independent School District	87,549,994	39.45%	34,538,473
Bell County	122,675,000	28.18%	34,569,815
Belton Independent School District	354,440,000	35.08%	124,337,552
Temple Independent School District	332,915,000	95.49%	317,900,534
Temple Junior College District	112,570,000	96.72%	108,877,704
Troy Independent School District	24,689,997	15.21%	3,755,349
Total Direct and Overlapping Tax Supported Debt			$ 984,819,426
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation			8.35%
Per Capita Overlapping Tax Supported Debt			$ 10,063

(1) Includes the Certificates, the $4,540,000 Limited Tax Notes, Series 2026 which are scheduled to close on August 26, 2026, and the self-supporting debt. Preliminary, subject to change.

TABLE 7 – AUTHORIZED BUT UNISSUED AD VALOREM TAX DEBT – None. However, the City may incur non-voted debt payable from or secured by its collection of taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, refunding bonds, and leases for various purposes.

ANTICIPATED ISSUANCE OF AD VALOREM TAX DEBT . . . The City does not anticipate issuing additional ad valorem tax debt within the next six months.

OTHER OBLIGATIONS . . . As of September 30, 2026, the City has lease liabilities totaling $2,062,321 with interest rates ranging from 2.97% to 3.96%. For more detailed information, please see "APPENDIX B – Excerpts from the City of Temple, Texas Annual Financial Report," particularly the Notes Section III. I.

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

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

FINANCIAL INFORMATION

TABLE 8 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ending September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Taxes	$ 66,686,289	$ 61,894,578	$ 58,330,680	$ 51,997,603	$ 45,980,308
Licenses, Permits and Franchise Fees	12,432,826	11,527,331	10,591,407	9,298,359	8,431,386
Intergovernmental	2,469,440	14,242,426	-	-	-
Charges for Services	44,054,538	38,871,966	36,541,616	33,018,538	28,588,869
Fines and Forfeitures	1,583,128	1,219,810	1,287,461	1,247,159	1,479,146
Miscellaneous and Interest	7,660,113	5,339,458	4,486,830	2,335,945	3,543,621
Total Revenues	$ 134,886,334	$ 133,095,569	$ 111,237,994	$ 97,897,604	$ 88,023,330
Expenditures:					
General Government	$ 29,567,164	$ 26,034,540	$ 22,597,084	$ 19,490,978	$ 17,263,730
Public Safety	52,854,863	57,615,926	42,014,127	38,844,602	36,382,465
Highways & Streets	5,877,555	5,812,231	4,367,198	3,407,259	3,257,137
Airport	4,793,247	3,959,980	3,942,325	3,525,419	2,166,905
Sanitation	13,772,866	18,271,232	11,480,699	9,792,108	8,602,091
Culture & Leisure Services	22,246,208	18,711,544	16,481,969	13,335,458	11,676,734
Debt Service	1,813,494	1,666,388	754,271	323,722	366,730
Total Expenses	$ 130,925,397	$ 132,071,841	$ 101,637,673	$ 88,719,546	$ 79,715,792
Excess (Deficiency) of Revenues over Expenditures	$ 3,960,937	$ 1,023,728	$ 9,600,321	$ 9,178,058	$ 8,307,538
Loans, Leases and Bond Proceeds	$ 1,558,424	$ 8,366,776	$ 358,600	$ 182,654	$ -
Budgeted Transfers In	338,129	334,630	321,516	312,349	299,261
Budgeted Transfers Out	(5,374,657)	(4,754,709)	(5,506,614)	(4,026,049)	(2,217,382)
	$ (3,478,104)	$ 3,946,697	$ (4,826,498)	$ (3,531,046)	$ (1,918,121)
Net Increase (Decrease)	$ 482,833	$ 4,970,425	$ 4,773,823	$ 5,647,012	$ 6,389,417
Fund Equity at Beginning of Year	$ 55,292,682	$ 50,322,257	$ 45,548,434	$ 39,901,422	$ 33,512,005
Prior Period Adjustment	-	-	-	-	-
Fund Equity at End of Year	$ 55,775,515	$ 55,292,682	$ 50,322,257	$ 45,548,434	$ 39,901,422

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TABLE 9 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.A.T.C.S., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In January of 1990, the voters of the City approved the imposition on an additional sales and use tax of one-half of one percent (1/2% of 1%) for ad valorem property tax relief. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%). The City's total sales and use tax collections are set forth in the following table:

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	$ 32,579,840	86.29%	$ 0.4865	$ 366
2023	36,496,375	83.07%	0.4429	398
2024	37,769,286	74.15%	0.3876	399
2025	38,776,639	69.50%	0.3616	396
2026(1)	38,607,340	57.21%	0.3272	382

(1) Partial collections as of June 30, 2026.

FINANCIAL POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

The Texas Municipal Retirement System administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of $7,500.

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

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

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

INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) where (a) the funds are invested by the City through (1) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (2) a depository institution that has its main office or branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3(17 C.F.R. Section 240.15c3-3); (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are secured by a combination of cash and/or obligations described in clause (1) above, (iii) requires the securities being purchased by the City or cash held by the City to be pledged to the City either directly or through a joint account (an account maintained by a custodian bank and established on behalf of two or more parties to engage in aggregate repurchase agreement transactions) approved by the City held in the City's name either directly or through a joint account approved by the City and deposited at the time the investment is made with the City or with a third party selected and approved by the City, (iv) are placed through a primary government securities dealer (as defined by the Federal Reserve) or a financial institution doing business in the State of Texas, and (v) collateralized in accordance with the City's investment policy; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA," "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940

(15 U.S.C. Section 80b-1 et seq.) or with the Texas Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

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

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

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

TABLE 10 – CURRENT INVESTMENTS

As of June 30, 2026 (unaudited), the City's investable funds were invested in the following categories:

Investments	Market Value	% of Total
Cash	$ 9,888,465	2.12%
CD's	53,636,360	11.49%
Government Pools	403,448,210	86.40%
	$ 466,973,035	100.00%

As of such date, 100.00% of the City's investment portfolio will mature within one year. The market value of the investment portfolio was approximately 100% of its purchase price.

TAX MATTERS

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS . . . *General*. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Certificates and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Certificates and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Certificates as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar." This summary is further limited to investors who will hold the Certificates as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Certificate who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Certificate that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF CERTIFICATES IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE CERTIFICATES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE CERTIFICATES. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE CERTIFICATES UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under sections 1471 through 1474 or 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.

SERIES 2026 CERTIFICATES:

OPINION . . . On the date of initial delivery of the Series 2026 Certificates, 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 Series 2026 Certificates will be excludable from the "gross income" of the holders thereof and (ii) the Series 2026 Certificates will not be treated as "specified private activity obligations" 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 Series 2026 Certificates. See "APPENDIX C – Forms of Bond Counsel's Opinions."

In rendering its opinion, Bond Counsel will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of proceeds to be received from the issuance and sale of the Series 2026 Certificates and certain other matters. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Series 2026 Certificates 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 Series 2026 Certificates in order for interest on the Series 2026 Certificates 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 Series 2026 Certificates to be included in gross income retroactively to the date of issuance of the Series 2026 Certificates. 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 Series 2026 Certificates.

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 Series 2026 Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Series 2026 Certificates or the property financed or refinanced with proceeds of the Series 2026 Certificates. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Series 2026 Certificates, 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 Certificateholders 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 Series 2026 Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2026 Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Series 2026 Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Series 2026 Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Series 2026 Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Interest on the Series 2026 Certificates 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 Series 2026 Certificates, 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 Series 2026 Certificates, 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 bond" to the extent such gain does not exceed the accrued market discount of such Series 2026 Certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Series 2026 Certificates 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.

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 Series 2026 Certificates under Federal or state law and could affect the market price or marketability of the Series 2026 Certificates. 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 Series 2026 Certificates should consult their own tax advisors regarding the foregoing matters.

Taxable Series 2026 Certificates:

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS . . . *Periodic Interest Payments and Original Issue Discount*. The Taxable Series 2026 Certificates are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Series 2026 Certificates or original issue discount, if any, accruing on the Taxable Series 2026 Certificates will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Taxable Series 2026 Certificates. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Taxable Series 2026 Certificate equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Taxable Series 2026 Certificates. Generally, a U.S. Holder's tax basis in the Taxable Series 2026 Certificates will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Taxable Series 2026 Certificates has been held for more than one year.

Defeasance of the Taxable Series 2026 Certificates. Defeasance of any Taxable Series 2026 Certificate may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Series 2026 Certificates under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Taxable Series 2026 Certificates. PROSPECTIVE PURCHASERS OF THE

TAXABLE SERIES 2026 CERTIFICATES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS . . . A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Taxable Series 2026 Certificate, will not be subject to U.S. federal income or withholding tax in respect of such Taxable Series 2026 Certificate, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Taxable Series 2026 Certificate.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

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 Certificates and the Ordinance contained under the captions, "THE CERTIFICATES" (exclusive of subcaptions "– Book-Entry-Only System," "– Sources and Uses of Proceeds" and "– Certificateholders' Remedies"), "TAX MATTERS," "LEGAL MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of subcaption "– Compliance with Prior Agreements,"), "OTHER INFORMATION – Registration and Qualification of Certificates for Sale," "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas," and "APPENDIX C – Forms of Bond Counsel's Opinions" contained in the Official Statement and Bond Counsel is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. In connection with the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the City.

The legal opinions to be delivered concurrently with the delivery of the Certificates 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 Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the following agreement for the benefit of the registered and beneficial owners of the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 10 and in APPENDIX B. The City will update and provide this information within 6 months after the end of each fiscal year beginning with fiscal year ending 2026. If audited financial statements are not available when the information is provided, the City will provide audited financial statements when and if they become available and unaudited financial statements within 12 months after the fiscal year end, unless audited financial statements are sooner provided. 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 may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB. If the City fails to provide updated information as described above, it will provide timely notice of the failure to the MSRB.

EVENT NOTICES . . . The City will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The City will provide notice of any of the following events with respect to the Certificates: (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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of Beneficial Owners of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, 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 Certificates nor the Ordinance make any provision for debt service reserves, 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 Certificate" is defined in the Ordinance to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Ordinance further provides that the City intends the words used in such clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

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 Certificates 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 Certificates 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 Certificates 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 Certificates. 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 Certificates in the primary offering of the Certificates.

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

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 Certificates or the legal ability of the City to issue the same.

Registration and Qualification of Certificates for Sale . . . The sale of the Certificates 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 Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates 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 Certificates 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 Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates 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 Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates 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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. No review by the City has been made of the laws in other states to determine whether the Certificates 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 Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. 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 Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

Forward-Looking Statements . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

INITIAL PURCHASER . . . After requesting competitive bids for the Taxable Series 2026 Certificates, the City accepted the bid of _______________________ (the "Taxable Series 2026 Purchaser") to purchase the Taxable Series 2026 Certificates at the interest rates shown on page 2 of the Official Statement at a price of approximately _________% of par. The Taxable Series 2026 Purchaser can give no assurance that any trading market will be developed for the Taxable Series 2026 Certificates after their sale by the City to the Taxable Series 2026 Purchaser. The City has no control over the price at which the Taxable Series 2026 Certificates are subsequently sold and the initial yield at which the Taxable Series 2026 Certificates will be priced and reoffered will be established by and will be the responsibility of the Taxable Series 2026 Purchaser.

After requesting competitive bids for the Series 2026 Certificates, the City accepted the bid of _______________________ (the "Series 2026 Purchaser" and collective with the Taxable Series 2026 Purchaser, the "Purchaser") to purchase the Series 2026 Certificates at the interest rates shown on page 3 of the Official Statement at a price of approximately _________% of par. The Series 2026 Purchaser can give no assurance that any trading market will be developed for the Series 2026 Certificates after their sale by the City to the Series 2026 Purchaser. The City has no control over the price at which the Series 2026 Certificates are subsequently sold and the initial yield at which the Series 2026 Certificates will be priced and reoffered will be established by and will be the responsibility of the Series 2026 Purchaser.

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

Reference is made to original documents in all respects. The Ordinance authorizing the issuance of the Certificates 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 Certificates by the respective Purchaser.

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.

UPDATING THE OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . . If, subsequent to the date of the Official Statement to and including the date the respective Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the City learns or is notified by the respective Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the City will promptly prepare and supply to the respective Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Certificates as described in the notice of sale accompanying this Official Statement. The obligation of the City to update or change the Official Statement will terminate when the City delivers the Certificates to the Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the respective Purchaser provides written notice the City that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Certificates have been sold to ultimate customers. In the event the Purchaser provides written notice to the City that less than all of the Certificates have been sold to ultimate customers, the Purchaser agrees to notify the City in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

The various legal opinions to be delivered concurrently with the delivery of the Certificates 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.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The City, acting by and through its City Council in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the City and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the City, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the City has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the City delivers the Certificates to the respective Purchaser at closing, unless extended by the respective Purchaser. All information with respect to the resale of the Certificates subsequent to the "end of the underwriting period" is the responsibility of the respective Purchaser.

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

____
City of Temple, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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

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

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

BASIC ECONOMIC SECTORS & STRENGTHS

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

COMMUNITY-PLANNED DEVELOPMENT AREAS

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

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

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

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

MAJOR EMPLOYERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Airport consists of:

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

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

Rail Services

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

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

Bus Lines

Inter-City Services

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

Utility Services:

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

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

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

Recreational Amenities

Playgrounds and Basketball Courts	68
Public Swimming Pools/Water Park	5
Golf Courses	1
Tennis Courts	13
Pickleball Courts	14
Community and Recreation Centers	5
Soccer Complex and Multi-Purpose Fields	21
Baseball/Softball/Football Fields	27
Picnic Pavilions	35

Belton Lake – 9 miles west of Temple:

A 2,000 acre Corp of Engineers lake with a 136 mile shore line.

Stillhouse Hollow Lake – 15 miles southwest of Temple

LABOR MARKET PROFILE

	City of Temple	
	June 2026	June 2025
Total Civilian Labor Force	42,259	42,258
Total Employment	40,078	40,510
Total Unemployment	2,181	1,748
Percent Unemployed	5.2%	4.1%

	State of Texas	
	June 2026	June 2025
Total Civilian Labor Force	15,921,944	15,866,465
Total Employment	15,140,964	15,193,245
Total Unemployment	780,980	673,220
Percent Unemployed	4.9%	4.2%

APPENDIX B

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.

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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.

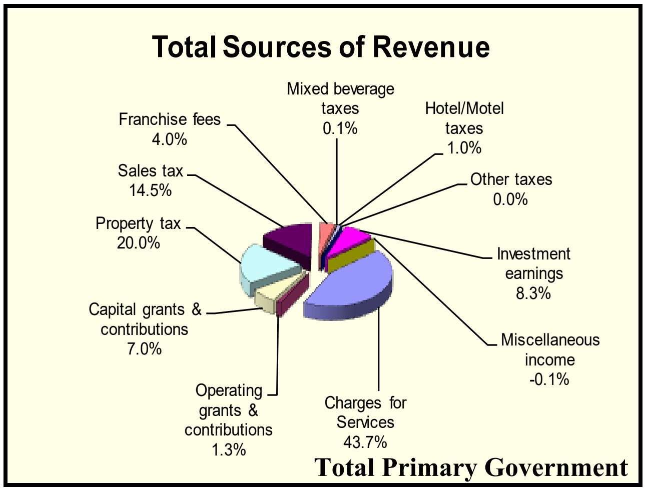
There was an increase of $ 11,183,848 in net position reported in connection with the City of Temple's business-type activities. The net increase is the result of an increase in investments in capital assets in FY 2025.

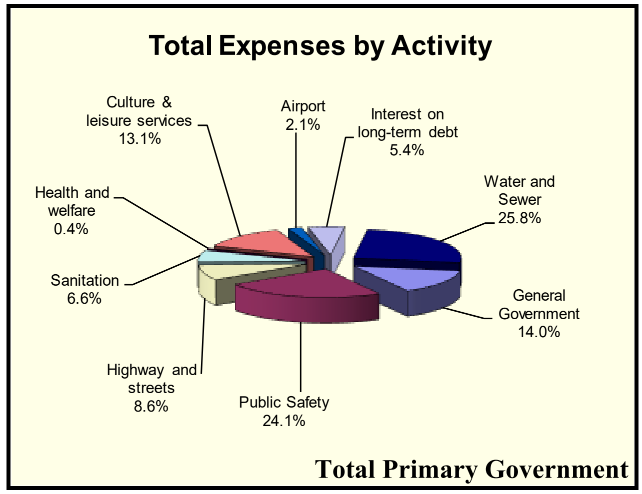
Governmental and business-type activities increased the City's net position by $ 25,547,160. The key elements of this increase are as follows:

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

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

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.

CITY OF TEMPLE

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING MODEL AND ENTITY

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Units

The Reinvestment Zone No. 1 (Zone) was established during 1982 to provide funds for development and improvement projects within the Zone. The receipt of property taxes from taxing units with property within the boundaries of the Zone provides the funding for projects. The Zone has been included in the reporting entity as a discretely presented component unit of the City because the City appoints a voting majority of the board, approves the budget and maintains the ability to impose its will on the board.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temple Economic Development Corporation (TEDC) is a legally separate entity from the City. TEDC was created for the purpose of promoting economic development within the City of Temple. The Board of Directors 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	Governmental Activities		Business-type Activities		Component Units		
September 30,	Principal	Interest	Principal	Interest	Principal	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	Governmental Activities		Component Units		
September 30,	Principal	Interest	Principal	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	Governmental Activities		Business-type Activities		
September 30,	Principal	Interest	Principal	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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (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.

Provisions Regarding Medicare for Retirees Over the Age of 65

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

IV. OTHER INFORMATION (Continued)

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

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

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

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

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

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

Employees Covered by Benefit Terms –

At the December 31, 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 C

FORMS OF BOND COUNSEL'S OPINIONS

[*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, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2026 IN THE AGGREGATE PRINCIPAL AMOUNT OF $16,000,000*

AS BOND COUNSEL FOR THE CITY OF TEMPLE, TEXAS (the "City") of the certificates of obligation described above (the "Taxable Certificates"), we have examined into the legality and validity of the Taxable Certificates, which bear interest from the dates specified in the text of the Taxable Certificates, until maturity or redemption, at the rates and payable on the dates specified in the text of the Taxable Certificates and in the Ordinance of the City adopted on August 6, 2026 authorizing the issuance of the Taxable Certificate (the "Ordinance") and the Pricing Certificate of the Pricing Officer authorized by the Ordinance (the "Pricing Certificate").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Taxable Certificates have been authorized, issued and delivered in accordance with law; and that said Taxable Certificates, except the enforceability thereof as may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, the Taxable Certificates constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Taxable Certificates have been levied and pledged for such purpose, within the limit prescribed by law, on all taxable property within the City and the Taxable Certificates are additionally secured by and payable from a limited pledge of surplus revenue of the City's waterworks and wastewater system all as provided in the Ordinance.

WE EXPRESS NO OPINION as to any federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Taxable Certificates, including the amount, accrual or receipt of interest on, the Taxable Certificates. 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.

* Preliminary, subject to change.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Taxable Certificates 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 Taxable Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Taxable Certificates 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 Taxable Certificates and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Taxable Certificates and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the assessed valuation of taxable property within the City and the sufficiency of the ad valorem taxes pledged by the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Taxable Certificates 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,

[*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, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026 IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,500,000*

AS BOND COUNSEL FOR THE CITY OF TEMPLE, TEXAS (the "City") of the certificates of obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates, until maturity or redemption, at the rates and payable on the dates specified in the text of the Certificates and in the Ordinance of the City adopted on August 6, 2026 authorizing the issuance of the Certificates (the "Ordinance") and the Pricing Certificate of the Pricing Officer authorized by the Ordinance (the "Pricing Certificate").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Certificates have been authorized, issued and delivered in accordance with law; and that said Certificates, except the enforceability thereof as may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, on all taxable property within the City and the Certificates are additionally secured by and payable from a limited pledge of surplus revenue of the City's waterworks and wastewater system all as provided in the Ordinance.

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

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* Preliminary, subject to change.

we have not independently verified, and assume compliance by the City with certain covenants, regarding the use and investment of the proceeds of the Certificates 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 Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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 Certificates, including the amount, accrual or receipt of interest on, the Certificates. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates 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 Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates 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 Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the assessed valuation of taxable property within the City and the sufficiency of the revenues pledged by the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates 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,