

Comprehensive Annual Financial Report



City of Temple, Texas

**For the year ended
September 30, 2012**

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Introductory Section





February 7, 2013

Honorable Mayor and City Council
City of Temple
Temple, Texas

Dear Council Members:

The Comprehensive Annual Financial Report (CAFR) of the City of Temple, Texas for the fiscal year ended September 30, 2012, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Brockway, Gersbach, Franklin & Niemeier, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Temple financial statements for the year ended September 30, 2012. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliments this letter of transmittal and should be read in conjunction with it.

GENERAL INFORMATION – CITY OF TEMPLE

Temple is located near the geographic and population center of the State of Texas, 67 miles north of Austin, 130 miles north of San Antonio, 160 miles northwest of Houston, and 120 miles south of the Dallas-Fort Worth Metroplex. There are approximately 69 square miles in the City's corporate boundary.

The City was founded on June 20, 1881, when the original town lots were sold by the Gulf, Colorado and Santa Fe Railway. It was subsequently chartered on March 27, 1907, and operates under a Council-Manager form of government. The City Council is comprised of a Mayor and four members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing members of various statutory and advisory boards, the City Manager, City Attorney, Director of Finance, City Secretary, and a Municipal Judge. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors and heads of departments, and the performance of functions within the municipal organization.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Temple as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; economic development; sanitation services; community development; building inspection; parks and recreation; the construction and operation of water, sewer, drainage, solid waste services, streets and infrastructure; convention and tourism activities and a civic center, library and airport facilities.

Discretely presented component units are legally separate entities and not part of the primary government's operations. Accordingly, the Temple Economic Development Corporation, the Tax Increment Financing District (Reinvestment Zone No. 1), and the Railroad and Heritage Museum are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The Temple Housing Authority, a related organization, is not a part of this report, as the City's accountability does not extend beyond appointing some members of the Board. The Temple Health and Bioscience Economic Development District is shown as an agency fund in this report. The District is a legally separate entity from the City.

ECONOMIC CONDITIONS AND OUTLOOK

Temple's location close to the geographic center of the State of Texas provides a strategic location in the State and has been important for economic development. Temple continues to be a regional center for manufacturers, distribution centers and medical facilities in the Central Texas area. Temple's location is enhanced being located at the intersection of Interstate Highway 35 (NAFTA link with Mexico and the U.S.), State Highways 36, 190, 53, 93, and 95. Additionally, major rail services intersect within Temple's city limits. During the past year, the City has experienced a steady increase in economic development. New construction permits of \$ 85,621,640 for fiscal year 2012 underscore the continued steady expansion of our residential base. Sales tax receipts of \$ 16,967,401 show an increase of 5.22% over fiscal year 2011. Local unemployment is currently 5.84%, representing one of the lowest rates in the State of Texas.

After experiencing the first decline in taxable assessed property value in twenty consecutive years in FY 2011, the City experienced a 3.41% increase in FY 2012 to the current value of \$ 3,311,259,863. The census figures for 2010 of 66,102 residents show an average growth of over 2% per year over the past ten years.

Given Temple's continued pro-business attitude and enthusiastic accommodation of industry, the city continues to prosper economically. Highlights include:

- In September 2010, the Temple City Council authorized the City Manager to execute a Pass-Through Financing agreement for improvements to the Northwest Loop 363 with the Texas Department of Transportation (TxDOT). Total project costs are estimated at \$ 53,541,208. The project scope is an expansion of NW Loop 363, to include adding two frontage roads on NW Loop 363 from FM 2305 / West Adams north up to the BNSF main line, a grade separated interchange at SH 36 / Airport Road, and a grade separation at Wendland Road. The State will reimburse construction costs up to \$ 36,555,000 of the estimated \$ 53,541,208 project cost over the next 10 to 20 years. The City will be responsible for the remaining \$ 16,986,208 from a variety of revenue sources, to include revenue utility bond reallocations, C.O. bond reallocations, Reinvestment Zone fund reallocations, and lastly the tax rate. On related notes, the City has been working with TxDOT on two projects related to the NW Loop 363 project. One is the IH-35 Troy segment, which includes the expansion of IH-35 from four to six lanes from the NW Loop to the north of Troy. The project includes improvements to the IH-35 interchange at the NW Loop and a direct connector from IH-35 to the NW Loop. Total project cost for this segment of IH-35 is estimated to be at \$135.5 million and was let in 2012. In addition, TxDOT has already let a \$7.9 million contract for an overpass over the BNSF mainline at the NW Loop. Final design and right-of-way acquisition are currently underway. Construction began October 2012.
- The City of Temple is the recipient of a Surface Transportation Enhancement Grant (STEP) from the Texas Department of Transportation (TxDOT). This grant will provide approximately \$ 2.155 million towards the \$ 2.75 million project that will include an approximately 3,000-foot-long, 10-foot-wide pedestrian and bicycle trail, lighting, median, landscaping, and streetscape that will be part of a critical interconnected network of trails within the Temple Medical and Education District (TMED). The grant will provide the necessary funding to begin the first of several phases of re-development for 1st Street from the Loop to Avenue R. The STEP trail will complement an already funded trail in the critical interconnected network of trails. This trail network will connect important public educational entities, research entities, and private sector companies within the TMED area by offering alternative, multimodal transportation. TMED is a major employment center and gateway to downtown Temple. Phase I of the trail is complete and Phase II construction is expected to begin in January 2013. It is anticipated that the project will be complete in the summer of 2013.
- In November 2007, Gulf States Toyota announced the intentions to build a vehicle processing center in Temple valued at \$ 50 million. The center will employ 240 at first, but will likely grow to more than twice that number over 10 to 15 years. Gulf States Toyota, of Houston, is the independent distributor of Toyota vehicles in Texas, Arkansas, Louisiana, Mississippi, and Oklahoma. Gulf States Toyota has one other

processing center in Houston, but demand created the need for a second location. Operations were scheduled to begin in December 2011. The City and Gulf States Toyota have recognized for some time now that the turmoil in the overall U.S. economy the past two years has dramatically and negatively impacted the sale of cars and trucks in the United States. Toyota sales have also been negatively impacted in the past twenty four months by several product recalls. The combined impact of these events has led to negotiations between the City and GST to allow GST some flexibility to delay construction and operation of their vehicle processing center. In September 2010, the City Council adopted a resolution authorizing an amendment to the 2008 Economic Development Agreement. The amendment to the 2008 EDA provides a three year extension of the projected times for GST to complete and begin operations of their vehicle processing center, while also giving them the option to further postpone construction and operation for up to two additional one year periods, or a total of up to five years. GST recognizes that a delay in construction and the commencement of operations of a Toyota/Scion vehicle processing center impacts the City, and as part of the amendment, GST has agreed to compensate the City for that impact by making annual payments totaling \$ 4.6 million in a three year installment period. Should GST desire to exercise either or both additional one year extensions, they agree to pay the City an additional \$ 2.25 million for each one year extension.

- Panda Temple Power, L.L.C. broke ground on the company's 758-megawatt natural gas-fueled, combined-cycle power plant in southeast Temple. On November 5, 2009, Council authorized a 30-year development agreement with Panda Temple Power, L.L.C. that commits the City to sell effluent water from the City's Doshier Farm Wastewater Treatment Plant to provide water for the operation of the electric generation facility. The proposed plant uses gas turbines to generate electricity and uses water (effluent) to generate steam and cool the system. Preliminary data suggests that they will need somewhere between 4-5 million gallons of water per day for peak operations. The City commitment is on average no more than 4 million gallons of effluent or potable water per day. Their actual usage will vary from day to day depending on weather and demand for electricity. Panda Temple Power, L.L.C. closed on 250 acres in January 2011. The Temple Panda Power Funds were joined by officials from across the state to break ground on September 6, 2012. Phase I of the construction of the facility is expected to be complete by the summer of 2014. It is anticipated that Phase II will be completed by the end of the year in 2015.
- May 5, 2011, Council authorized an economic development agreement with Panda Temple Power, L.L.C. As part of the project, Panda proposes to build: 1) an extension of Lorraine Drive (approximately 2,050 feet) to serve their facility; 2) associated storm water improvements associated with Lorraine Drive; 3) an eight inch wastewater line; and 4) a twelve inch water line to serve their facility. The City's share of over sizing/bettering the wastewater and water improvements is the not to exceed amount of \$ 564,580, and payment of the City's share is due one year after Panda's power plant becomes operational. Panda estimates that their investment will be approximately \$ 500 million with about \$ 130 million of that amount tax exempt in the form of required emissions control equipment. In addition, the Council authorized a tax abatement agreement which gives the company 10 years of 50% tax abatement on the increased taxable value of real property improvements.

- In January 2012, the Temple Economic Development Corporation (TEDC) announced that a \$ 6 million entertainment venue, Sparetime Family Entertainment, will open in Temple. Sparetime's operating partner anticipates that the unique family entertainment venue will be a "destination" that attracts people from all over the region, which has more than 450,000 residents in Temple, Belton, Killeen, Harker Heights and rural Bell County, combined. The business, which will employ approximately 25 full-time and 55 part-time employees, is expected to draw \$ 5 million in annual sales, according to recent feasibility studies. The facility is expected to be complete by February 2013.
- In September 2012, Cinemark Holdings, Inc. announced plans to construct a 12-screen, all-digital movie theatre in Temple, Texas that will feature the company's new Cinemark NextGen design concept. The theatre will anchor the redevelopment of the Outdoor America Mall to be renamed Gateway Center, strategically located along Interstate 35, just south of the intersection of I-35 and SW HK Dodgen Loop. They plan to open the theatre in the fall of 2013.

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. Scott & White Hospital (S&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 S&W and Veterans Hospital provide the four years of medical school as well as research and development.

In April 2009, the former King's Daughters Hospital became part of Scott & White Healthcare. In September 2011, the newest pediatric hospital in the state and the only stand-alone facility between Dallas and Austin opened its doors to the community. The new 148,000-square-foot facility offers convenient, world-class pediatric care to families in 32 counties, who previously had to travel far from home to receive treatment. The Children's Hospital is a 64-bed inpatient facility including 48 private rooms and 16 pediatric Intensive Care Unit (ICU) rooms. The facility has been designed to allow staff to deliver family-centered care in a healing and secure environment for the pediatric patient.

In August 2012, Scott & White Healthcare broke ground on a \$ 32 million, five story pediatric clinic adjacent to the McLane Children's Hospital. The 112,000 square foot facility will coordinate both outpatient and inpatient pediatric specialty services with physicians in one location. This facility is expected to take 14 months to construct and is scheduled to be open by fall 2013.

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 health systems to create a \$ 7.7 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 new system, named Baylor Scott & White Health, will include the organizations' combined 42 hospitals, more than 350 patient care sites, more than 4,000 active physicians, 34,000

employees and the Scott & White Health Plan. It would be the largest not-for-profit health system in Texas and one of the largest in the United States.

In addition, the Temple Health and Bioscience District was created as a result of legislation passed by the State of Texas in 2003 and approved by Temple voters, to establish the district, in that same year. The first such district created in Texas, Temple's Health and Bioscience District is devoted to the development and creation of health and bioscience/biotechnology opportunities within the City of Temple.

Serving the Temple area are fifteen major schools and universities, detailed in the statistical section of this document, which offer one of the highest levels of educational opportunities available in the nation.

The City of Temple also operates the Frank Mayborn Civic and Convention Center which can accommodate both small activities and major conventions. There are sixty-one public parks and special use areas, ranging from small neighborhood parks to major sport activity facilities; such as, Lions Park which hosts major intra-mural softball events for teams throughout the State of Texas. The City has four swimming pools/water parks. The Hardin Swim Center, owned and operated by the Temple Independent School District, is a heated indoor junior Olympic size pool that hosts statewide high school and intra-mural competitions. The City has several neighborhood and recreational centers which provide day-time activities for the youths of Temple. There are three golf facilities; the Temple College Golf Course (9 holes), the City owned Sammons Park (18 holes), and the private Wildflower Country Club (18 holes).

Many new jobs continue to be created with the opening, expansion and relocation of the businesses to the city.

LONG-TERM FINANCIAL PLANNING

The City of Temple is currently managing the largest capital improvement program in the history of the community. As of September 30, 2012, a total of \$ 110,373,372 has been allocated for various capital projects including such improvements as water and sewer infrastructure, transportation infrastructure, parks improvements and public safety infrastructure. Funding sources for these projects can be identified in eight major areas:

- ▶ Utility Revenue Bonds
- ▶ General Obligation Bonds
- ▶ Certificates of Obligation
- ▶ General Operating Budget Funding
- ▶ Limited Tax Notes
- ▶ TxDOT Pass Through Financing Agreement & Other TxDOT Agreements
- ▶ Grants
- ▶ Reinvestment Zone No. 1

During FY 2012, several major capital projects are underway or have been completed such as the Police Headquarter Improvements, Central Station #1, Fire Station #8, 1st Street Improvements, Northwest Loop 363 Improvements, Airport Corporate Hangar Development and TBRSS Wastewater Plant Expansion preliminary design.

During FY 2012, the City of Temple began construction on the single largest capital improvement project ever undertaken by the community which is the expansion of the NW Loop 363. This is a significant project for the City and one that has been a desire of the community for many decades. The project includes upgrading approximately four miles of the existing two lane NW Loop from just west of the BNSF railroad crossing to FM 2305. This will create a continuous four lane highway from the NW Loop at I-35 to the SW Loop at I-35. The project includes grade separated interchanges at both SH 36/Airport Road and Wendland Road.

Current project cost estimates are \$ 53,541,208, with approximately \$ 36.5 million funded through TxDOT (Category 12 and Pass-Through Financing funds) and approximately \$ 17 million funded through the City of Temple. The project is scheduled to be completed in summer 2014.

The FY 2012 Budget includes \$ 7,040,910 for routine capital for the general operating budget which includes equipment and public infrastructure projects that are underway and/or planned for this fiscal year. In accordance with current fiscal and financial policies, \$ 3,776,601 of the routine capital is funded with fund balance or retained earnings. The breakdown of this amount is as follows:

- ▶ \$ 1,519,400 – General Fund
- ▶ \$ 666,504 – Drainage Fund
- ▶ \$ 390,000 – Water & Sewer Fund
- ▶ \$ 1,200,697 – Reinvestment Zone No. 1

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

The City's accounting records for general governmental activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility fund are maintained on the accrual basis.

Budgetary control is maintained at the department level, and encumbrances are entered at the time a purchase order is issued. Open encumbrances are recorded as reservations of fund balance as of September 30 of each year, and the subsequent year's budget is increased to reflect these carried-forward encumbrances. Unspent and unencumbered appropriations lapse at the end of the fiscal year.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City department. Budgets are reviewed by the Director of Finance. The City Manager makes final decisions and submits a recommended budget to the City Council. The proposed budget is reviewed extensively by the City Council, a process which includes a Charter-mandated public hearing, in addition to work sessions, which are open to the public. The City Charter requires adoption of the City budget by no later than September 15.

While the budget is developed and controlled at the departmental level, appropriations are made at the account level. An ordinance establishes the budget for operating expenditures, debt service payments, and interfund transfers, while a separate ordinance establishes the property tax rate.

During the course of the fiscal year, expenditure controls are maintained by each department head with overall review exercised by the Director of Finance and the City Manager. Monthly departmental expenditure reports are generated by an automated management accounting system and provide expenditure totals and encumbrances at the line-item level for the most recently completed month, as well as a year-to-date total, and an actual versus planned rate of expenditure.

Constant review of revenue and expenditure trends is maintained with specific responsibility assigned to the Director of Finance. Recommendations for corrective action are made to the City Manager (and to the City Council, if appropriate) as needed to ensure compliance with the adopted budget.

The City's Finance Department publishes a Quarterly Financial Report directed at providing internal and external users with the general awareness of the City's financial positions and economic activity. The report includes a Financial Summary section reporting the performances of the major operating funds and a status report of the City's capital projects; a section summarizing key economic indicators and an in-depth review with graphic illustrations; and a section describing investment activity, interest earnings and the City's investment portfolio. The highlights of each quarter's report are presented to the City Council.

General Governmental Functions

Tax Rates All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. Under State law and provisions of the City Charter, the City is limited to a maximum tax rate of \$ 1.20 per \$ 100 assessed valuation. As shown below, the tax rate adopted by the City Council has historically been substantially lower than the maximum allowed by law.

The allocation of the property tax rate by purpose (General Fund operations and Debt Service) for fiscal year 2011-12 and the preceding four fiscal-years is reflected in the following table:

Purpose	Fiscal Year				
	2012	2011	2010	2009	2008
General Fund	\$ 0.3240	\$ 0.3300	\$ 0.3173	\$0.3322	\$ 0.3392
Debt Service	0.2439	0.2379	0.2473	0.2273	0.2289
Total Tax Rate	<u>\$ 0.5679</u>	<u>\$ 0.5679</u>	<u>\$ 0.5646</u>	<u>\$0.5595</u>	<u>\$ 0.5681</u>

Tax Appraisal/Collection Responsibilities

Under Texas law enacted in 1979, and subsequent revisions to the State Property Tax Code, the appraised value of taxable property in Temple is established by the Tax Appraisal District of Bell County. The City of Temple and other taxing jurisdictions in Bell County pay a pro rata share of the budgeted expenditures incurred by the Appraisal District, based upon individual levy. In fiscal year 2011-12, the City's payment to the Appraisal District for tax collection and appraisal services was \$ 208,110, an increase of \$ 1,276 from the amount paid by the City in fiscal year 2010-11.

Debt Administration

Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since service and user charges made by utility system customers are used to retire such debt and no ad valorem tax proceeds are used for utility revenue bond debt service.

Outstanding General Bonded Debt at 9-30-12 (Net of Debt Service)	\$ 127,535,393
Estimated Population	68,315
Net Bonded Debt per Capita	\$ 1,867
Net Bonded Debt per Assessed Value	3.85%

The City's latest bond issues received the rating of "AA" from Standard & Poor's.

Cash Management

According to the City of Temple's Investment Policy, the Investment Officer has three main objectives in managing the portfolio, in order of priority: safety, liquidity and yield.

Safety

Safety is insured in several ways: investing only in securities allowed by state statute and the City's investment policy; using delivery versus payment for all security transactions; requiring all cash in the bank be collateralized with government securities pledged to the City and safekept at a third party institution; and diversifying investment purchases to minimize individual security market risk. In addition, the City uses an approved list of security brokers when making investment transactions.

The City's bank deposits are secured by \$ 3,234,123 in government securities at market value held as collateral at the Bank of New York Mellon.

Liquidity

Liquidity is the second objective of the Investment Officer's management of the portfolio. To ensure sufficient funds to meet scheduled obligations, investment maturities are matched to projected expenditures. In addition, a portion of the portfolio is invested in liquid assets, such as pools and short-term securities, to cover unforeseen expenditures and day-to-day fluctuations. By using the matching strategy, a portion of the portfolio can be extended out longer, thus increasing yield and stabilizing interest earnings.

At September 30, 2012, 100% of the portfolio consisted of maturity dates of one year or less.

Yield

Maximizing yield is the third objective of the Investment Officer. Although maintaining safety and liquidity are always more important than increasing yield, the Investment Officer should be able to maintain a reasonable rate of return and at the same time avoid taking on unnecessary risks.

The City of Temple uses the 91-day T-bill rate as a yield benchmark. The City's portfolio average yield was 0.14 % in 2012, which was above the T-bill yield of 0.10%.

As of September 30, 2012, the City's cash and investment resources were divided between cash on hand of \$ 12,174, deposits of \$ 1,787,497, and investments of \$ 102,300,277.

MAJOR INITIATIVES

Budget Development & Background

Budget Process- The budget is now a year round process and the framework for the development of this budget continued to be very similar to previous budgets. Planning and work for this budget began in late 2011 with the City Manager working on timelines and issue identification. Through late 2011 and early 2012, the Manager worked with Finance to develop the budget calendar and process for the FY 2013 Budget.

In January, the City Manager held a planning retreat with Departments to identify and discuss issues for the upcoming budget and in February, the City Manager and Finance staff met with Departments to conduct a status review of current year budget and performance indicators and provide initial direction regarding issues identified in the planning retreat.

In mid-February, the City Council held a strategic planning retreat to review and, as might be needed, update the City's strategic plan, "Temple Tomorrow: Strategic Vision and Plan". This plan establishes the mission and vision of the City, identifies four major areas of focus, and establishes the City's goals and objectives. The areas of focus identified in the Plan were: Expand the Tax Base, Grow Health and Bioscience, Improve the Transportation Infrastructure,

and Serve our Community. These focus areas and their associated goals and objectives guided the development of the FY 2013 Budget. During the planning retreat, Council also reviewed the budget calendar and parameters and received information regarding potential budget issues identified by staff.

The FY 2013 Budget includes a slight modification to one of the 4 strategic focus areas, 'Improve the Transportation Infrastructure'. This budget modifies this strategic focus area to 'Improve Our Infrastructure'. While our transportation infrastructure is no doubt significant and critical, we would submit we should broaden the focus area to allow the inclusion of our entire infrastructure, in particular, our utility infrastructure.

The City has invested almost \$ 60,000,000 over the past 5 years in improving and extending our water and sewer infrastructure. The FY 2013 Budget includes an additional \$ 30,000,000 over the next 5 years to continue this work. Our utility infrastructure, no less so than our transportation infrastructure, is extremely important to our ability to deliver services in one of our core mission areas. I believe our strategic focus area should reflect this.

From February through the delivery of the FY 2013 Budget, staff has worked countless hours on preparing, reviewing, researching and responding to questions from Finance and the Manager relating to the programs and services the budget recommends.

Budget Approach- The FY 2013 Budget continues the 'activity-based' perspective began in FY 2010. Each Department was asked to identify each and every activity that they provide. They were also asked to identify the cost for providing each activity. This 'activity-based' approach allows for better identification of the services and service levels that we provide.

Budget 'Fence Posts'- This year's budget, as with every budget we have presented you, has been developed within the framework of the strategic plan priorities adopted by the City Council and the budget parameters, or 'fence posts', that were briefed to the Council at the February 9 planning retreat and the March 1 and May 24, 2012 work sessions. Those 'fence posts' are:

1. Maintain fiscal soundness;
2. Maintain core services;
3. Focus on people;
4. Align strategic, financial & tactical plan.

Financial Highlights

The FY 2013 Budget authorizes and allocates a total \$ 110,125,258. Of this amount, \$ 104,119,895 is allocated for the operations and maintenance budget which includes debt service and transfers and \$ 6,005,363 is allocated for routine capital for the general operating budget which includes equipment and public infrastructure projects. In accordance with current fiscal and financial policies, \$ 2,965,281 of the routine capital is funded with fund balance or retained earnings. The breakdown of this amount is as follows:

- ▶ \$ 773,400 – General Fund
- ▶ \$ 2,191,881 – Reinvestment Zone No. 1

As in previous years, the FY 2013 Budget is a balanced budget under the policies and parameters discussed in earlier planning sessions with the City Council.

In addition, \$ 65,454,456 is included for capital improvements programs (CIP). The CIP allocated in FY 2013 can be divided into three categories:

- ▶ Routine Capital Recommended for Limited Tax Note Funding (L.T.N. CIP) - \$ 2,255,000
- ▶ Multi-year Non-Routine Capital Recommended for Certificates of Obligation Funding (C.O. CIP) - \$ 60,180,000
- ▶ Multi-year Non-Routine Capital Recommended for General Obligation Bond Funding (G.O.CIP) - \$ 3,019,456 (Proposed projects will be funded with project savings)

City Manager's Highlights

With the above background in mind, I would like to highlight a few areas of general priority and significance in the FY 2013 Budget.

Serving our Community-

You have heard me say many times that our most important asset isn't our brick and mortar, it isn't our trucks or tools...it is our people. Our ability to provide and deliver services is dependent upon our employees. .

Accordingly, the FY 2013 Budget includes the continuation of a multi-year plan to enhance our police services. In FY 2011, we added 1 police officer (a school resource officer position). In FY 2012 we added 2 more police officers (additions to the traffic unit). The FY 2013 Budget includes 2 more police officers for the purpose of enhancing our Criminal Investigations Division ('CID').

While the CID division has seen increases in caseload numbers over the past several years, staffing assigned to the CID division has not increased. CID's ability to manage caseloads is directly dependent upon staffing levels and 2 additional police officers will significantly help address service level expectations.

The FY 2013 Budget also includes an additional three Firefighter positions. With the opening of Station 8 this past year we have seen an increase in overtime costs with the Fire Department. Most of these overtime costs can be attributed to 'known unknowns' associated with paid leave within the Department. In any given year, we don't know how many firefighters will take leave, nor do we know how much leave they will take, nor when they will take it. But, what we do know is that it will occur. An analysis of leave within the Department has provided us with a

'template' or 'formula' for better forecasting this factor in our budgeting process and it suggests the addition of 3 firefighter positions would mitigate our overtime costs.

The FY 2013 Budget also includes adding an Animal Control Officer position. The City has a history of providing a high level of service delivery to our residents when it comes to animal services. Currently, Animal Control provides services 7 days a week, with Shelter days and hours being Monday through Friday from 10:00 a.m. to 4:00 p.m. and Saturday from 12:00 p.m. to 4:00 p.m. And while demand and service levels for animal services have grown substantially over the past decade, staffing levels at Animal Services have not. Not since 2002 has the City added to the ranks of Animal Control. Animal Services has been, and will continue to be, a critical part of our overall services relating to public safety.

The cost for adding these public safety positions is approximately 0.60 cents on the tax rate.

The FY 2013 Budget also includes the addition of a Development Coordinator to our Planning & Development staff. This position would help the City oversee and monitor planning and development issues in the field. The City has initiated multiple new programs and services related to planning and development over the past several years, but has no dedicated position to oversee and monitor the programs and development. This position will be dedicated to working in the field and insuring compliance. The position is funded by an increase to permit and development fees.

With regard to the Water & Sewer Fund, one additional Maintenance Technician and three additional Maintenance Laborer positions assigned to the Water Treatment Plant are included. Our Water Treatment Plant is one of our most critical assets. Staffing levels at the Water Treatment Plant over the past several years have been at minimal levels and the FY 2013 Budget includes adding these positions to better protect this critical piece of infrastructure and to better protect our people who work there. These positions will be paid for by an adjustment to the water and sewer rates.

Finally, the FY 2013 Budget also provides for a 3% base pay adjustment for all city employees. While a 3% one-time lump sum payment for all employees was provided for in FY 2012, no base pay adjustments have been made for general government employees since 2007. There is no additional cost to the FY 2013 Budget over the FY 2012 Budget for implementing this recommendation. If we are a service-delivery organization, and if our primary and best assets are our people, then we should provide a compensation plan that reflects these priorities. I believe this base pay adjustment would be yet another action that demonstrates the commitment and priority we place on our people.

Improving our Infrastructure

In FY 2010, Temple's Street Department completed a comprehensive Pavement Condition Assessment ('PCA') for all city streets and alleys. The PCA found the overall condition of our streets to be in good condition. The PCA, and a 2012 Mobility Report which included a listing of street projects, also found significant challenges ahead for the City to maintain the overall good condition of the majority of our streets. The reports identified almost \$ 1 billion dollars in

maintenance and project needs. The streets project listing alone identified approximately \$ 200 million in projects. Also recommended was a more comprehensive street maintenance program that includes more aggressive approaches for crack seal, seal coat, overlay, and reconstruction.

The FY 2011 Budget funded the first phase of a multi-year approach to work toward the recommended maintenance strategy. The first phase of that strategy was the establishment of a five member year-round crack sealing crew. The second phase, an enhanced seal coat program in the amount of \$ 1,000,000 from unreserved fund balance designated for capital expenditures was funded in the FY 2012 Budget. This funding allowed for approximately 60 additional lane miles of streets to be seal coated.

With the completion of the 2012 Mobility Report, a better, more comprehensive view of our transportation needs and issues was provided. This report provides a compilation of existing master plans, transportation studies, thoroughfare plans, capital improvement projects, inspection reports, and local policies related to Temple's transportation system and identifies specific transportation project recommendations to address needs in the categories of connectivity, congestion, capacity, condition, and multi-modal options.

The FY 2013 Budget includes a multi- year capital improvement program to focus on re-construction, capacity, and connectivity transportation projects. All total, \$ 60,180,000 worth of transportation projects are recommended.

The cost for this transportation initiative to the tax rate is 1.25 cents.

Financial Highlights by Fund

General Fund Revenues- Total revenues for the FY 2013 General Fund Budget are presented at \$ 57,614,525, an increase of 3.42% compared to the FY 2012 adopted budget.

The three largest sources of revenue for the General Fund are sales tax, property tax, and solid waste charges.

Property Tax- In the FY 2013 Budget, property tax accounts for 19.96% of the General Fund budgeted revenues and is the second largest revenue source of the General Fund. The tax rate for FY 2013 is 58.64¢ per \$100 valuation.

We think it is worth noting that the FY 2013 tax rate is lower than the tax rate that was set in 2001. This speaks volumes about our economic development policies and strategies.

This rate is based on an assessed taxable value of \$ 3,377,876,619 (net taxable value not adjusted for frozen values). The tax rate is comprised of two components, the Maintenance and Operations rate (M&O) and the Interest Sinking rate (I&S). This year's tax rate is 33.00¢ for the M&O rate and 25.64¢ for the I&S rate.

The M&O rate reflects a 0.60¢ tax rate increase to address the public safety staffing needs detailed in the 'Staffing' section above. The I & S rate reflects a 1.25¢ to fund the Streets CIP program detailed in the 'Streets Maintenance' section above.

Sales Tax- While much attention is focused on the property tax rate number, our single largest source of revenue for the General Fund continues to be sales tax revenue. In the FY 2013 Budget, sales tax is projected to account for 28.93% of the General Fund budgeted revenues and continues to be the single largest revenue source of the General Fund.

The FY 2013 Budget estimates \$ 16,670,000 in sales tax revenue, a 5.51% increase in sales tax revenue over budgeted FY 2012 sales tax revenue.

Solid Waste Rates- Charges associated with solid waste services represent the third largest source of revenue for the General Fund and are projected to account for 14.76% of total General Fund revenues. \$ 8,503,630 in solid waste revenue is projected for FY 2013, representing a 1.12% increase from the FY 2012 solid waste revenue adopted budget of \$ 8,409,750. These revenues are based on rates that remain unchanged from current year.

General Fund Expenditures- Total expenditures for the FY 2013 General Fund Budget are presented at \$ 59,069,645, an increase of 0.58% compared to the FY 2012 adopted budget. As noted above, a significant area of emphasis in the FY 2013 Budget that has contributed to this increase includes public safety staffing.

The FY 2013 Budget continues to provide funding to Public Service Agencies ('PSAs'). As you are aware, our PSAs provide much needed services to the community and our support to them 'leverages' their resources with ours. The FY 2013 Budget includes \$ 503,431 in funding for sixteen organizations. Many of these organizations are funded through the City's General Fund. Organizations whose services are eligible for funding by hotel/motel tax revenues are funded through the City's Hotel/Motel Tax Fund.

One of the strategic focus areas identified in our Strategic Plan is to 'expand the tax base'. In order for us to continue to meet the demands for current service, and in order for us to meet the needs of projected growth and development, it is critical that this objective be met. As Council will recall, the FY 2008 Budget included a funding commitment to a 'matrix incentive pool' at \$ 800,000. This 'matrix incentive pool' was intended to provide funding for economic development incentives relating to economic development agreements with new and/or expanding businesses. The FY 2013 Budget continues that commitment and includes a \$ 400,000 'placeholder' investment to maintain the matrix funding level.

Water and Wastewater Fund- Total revenues for the FY 2013 Water and Wastewater Fund Budget are presented at \$ 28,684,076, an increase of 6.84% compared to the FY 2012 adopted budget.

Expenses, capital improvements, and debt service for the FY 2013 Water and Wastewater Fund Budget are presented at \$ 28,330,899, an increase of 4.02% compared with prior year. Cost drivers for this increase include: 1) updating our cost accounting recovery methodology; 2) additional staffing at the Water Treatment Plant; 3) cash capital outlays; and 4) debt service associated with the water & sewer CIP. The capital improvements include the allocation of \$ 2,277,325 to continue the long-term replacement program of water and sewer infrastructure and equipment needs. A 6.39% rate increase for water and wastewater service is included in the FY 2013 Budget to support these operational and capital programs.

Hotel and Motel Fund- Total revenues and expenditures for Hotel/Motel Fund Budget are presented at \$ 1,702,900, an increase of 21.68% compared to the FY 2012 adopted budget. Funding for the Mayborn Center program as well as the Tourism/Marketing program are funded through the Hotel/Motel Tax Fund. Public Service Agencies whose services are eligible for funding by hotel/motel tax revenues are also funded through the Hotel/Motel Tax Fund.

In accordance with discussions with the Temple Railroad and Heritage Museum's board of directors, the FY 2013 Budget includes the City resuming the management and operation of the Temple Railroad and Heritage Museum previously operated by the non-profit. This transition is included at the same cost as previous contracts.

Federal and State Grant Fund- Total revenues and expenditures for Federal and State Grant Fund Budget are presented at \$ 386,943, a decrease of 26.14% compared to the FY 2012 adopted budget. Total revenues include the award of the Community Development Block Grant (CDBG) at \$ 386,943. The allocation of CDBG funds are as follows: public service agencies \$ 54,000, demolition \$ 85,000, sidewalk improvements \$ 192,757, and general administration \$ 55,186.

Drainage Fund- Total revenues are presented at \$ 1,079,523, a 0.96% decrease from prior year. Expenditures are presented at \$ 1,079,523, a decrease of 38.54% compared to the FY 2012 adopted budget. The expenditures of the drainage fund represent personnel, operational, and capital cost related to maintenance of existing drainage systems.

OTHER INFORMATION

Independent Audit According to the City Charter of the City of Temple, an annual independent audit is required to be made of the financial records of the City by a Certified Public Accountant selected by the City Council. The City of Temple engaged the firm of Brockway, Gersbach, Franklin & Niemeier, P.C. and the opinion has been included in this report.

It should be noted that the auditors included all funds in their audit, performed their audit in accordance with auditing standards generally accepted in the United States of America and stated that, in their opinion, the statements herein present fairly, in all material respects, the

financial position of the City at September 30, 2012, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certificate of Achievement The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Temple for its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Temple has received a Certificate of Achievement for the last thirty-one consecutive years (Fiscal Years ended 1981-2011). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Distinguished Budget Presentation Award For the fiscal year 2011-12 Budget document, the City received, for the seventeenth consecutive year, the distinguished Budget Presentation Award from the Governmental Finance Officers Association (GFOA).

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the dedicated services of a highly qualified staff in the Finance Department. We would like to express our appreciation to all the staff of the Finance Department who assisted and contributed to the preparation of this report. In particular, we would like to thank Assistant Director of Finance, Melissa Przybylski, CPA, Treasury/Grants Manager, Stacey Reisner, CPA, Senior Accountant, Miranda Hennig, and Senior Accountant, Kiyoko McDonald, for their exemplary efforts in assuming primary responsibility for producing this document.

Other departments and offices of the City have also contributed directly or indirectly to the preparation of this report. We acknowledge the efforts of the departments in following good financial management practices and in providing information and assistance during the preparation of this report.

We acknowledge the thorough, professional, and timely manner in which the audit was conducted by our independent auditors, Brockway, Gersbach, Franklin & Niemeier, P.C.

Finally, we acknowledge the Mayor and Council Members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated.

In conclusion, this report reflects the overall financial condition of the City as the City continues to provide the necessary services to the citizens of Temple.

Respectfully submitted,



Traci L. Barnard, CPA
Director of Finance



David Blackburn
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Temple
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morinell

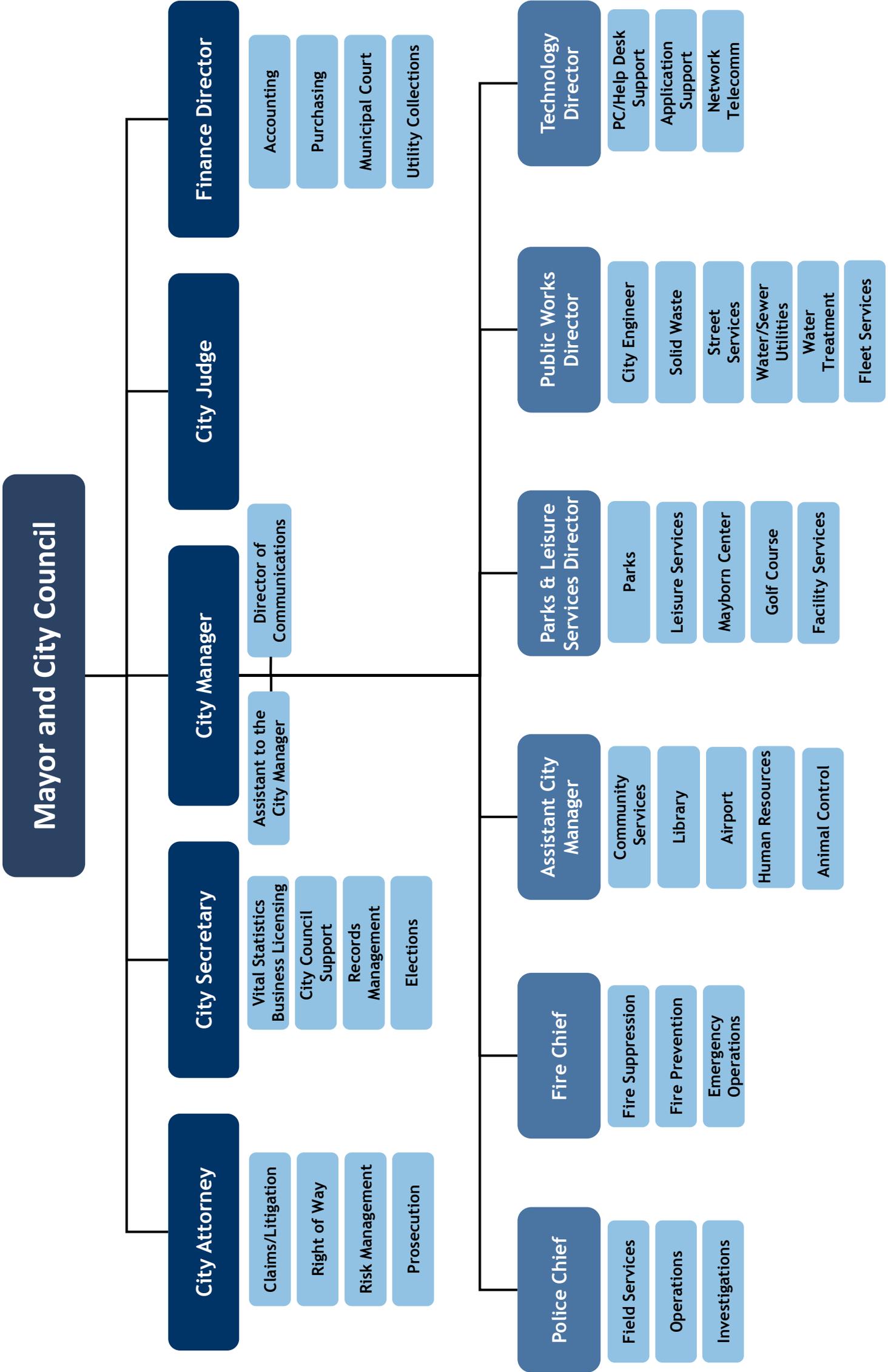
President

Jeffrey R. Emer

Executive Director



Citizens of Temple



**CITY OF TEMPLE
PRINCIPAL OFFICIALS**

MAYOR
WILLIAM A. JONES, III

MAYOR PRO-TEMPORE
DANIEL A. DUNN

COUNCILMEMBER
RUSSELL T. SCHNEIDER

COUNCILMEMBER
JUDY MORALES

COUNCILMEMBER
PERRY T. CLOUD

D. A. BLACKBURN, *CITY MANAGER*

TRACI L. BARNARD, C.P.A., *DIRECTOR OF FINANCE*

JONATHAN GRAHAM, *CITY ATTORNEY*

LACY BORGESON, *CITY SECRETARY*

Financial Section





Independent Auditors' Report

The Honorable Mayor and
City Council
City of Temple, Texas

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 for the City of Temple, Texas (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the pass-through financing project fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 4, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Independent Auditors' Report
(continued)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Funding Progress and Employer Contributions for defined benefit pension plans and other post employment benefit plan on pages 35 through 48 and pages 123 and 124 be presented to supplement the basic financial statements. Such information, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Temple's financial statements. The accompanying combining and individual nonmajor fund financial statements and the schedules of revenues, expenditures and changes to fund balance-budget to actual and the schedule of expenditures of federal awards, as required by U. S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 nonmajor fund financial statements and the schedules of revenues, expenditures and changes to fund balance-budget to actual and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



February 4, 2013

CITY OF TEMPLE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2012

Our discussion and analysis of the City of Temple's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets of the primary government were \$ 158,741,413 at September 30, 2012. Of this amount, \$ 40,378,342 is unrestricted and may be used to meet the City's future obligations. Of the \$ 40 million unrestricted net assets, \$ 18,302,720 is related to governmental activities, which includes the General Fund. The \$ 22,075,622 remaining balance of unrestricted assets is related to Business-type activities, which is the City's enterprise fund (water and sewer).
- The City of Temple's total net assets increased by \$ 1,928,910 during the current fiscal year. Net assets of governmental activities decreased \$ 2,929,255 from \$ 71,817,076, as restated. Net assets of business-type activities increased \$ 4,858,165 from \$ 84,995,427. This increase is attributable to an increase in the City's investment in capital assets.
- As of September 30, 2012, the City of Temple's governmental funds reported combined ending fund balances of \$ 60,722,692, an increase of \$ 27,414,744 in comparison with the prior fiscal year. The majority of this increase, \$ 23,067,736, was due to the issuance of the Pass-Through Financing Agreement bonds. In addition, the increase was also attributable to a net increase of \$ 2,745,433 in the capital projects fund related to the issuance of bonds, and in debt service fund of \$ 1,596,473 and decreases in fund balances in the general fund of \$ 421,192 and non-major governmental funds of \$ 426,294.
- At the end of the current fiscal year, assigned/unassigned fund balance for the general fund was \$ 23,054,509 or approximately 40.64% percent of total general fund expenditures.
- The City's total net bonded debt increased by \$ 58,238,442 during the current fiscal year. This increase was primarily due to the issuance of the Pass-Through Agreement Revenue & Limited Tax bonds.

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

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. The statement of net assets presents information on all of the City of Temple's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Temple is improving or deteriorating. The statement of net assets 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 sewer 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 assets 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 assets and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Assets 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 sewer system activity are reported here.
- **Component units** – The City includes three separate legal entities in its report – the Temple Economic Development Corporation, Reinvestment Zone No. 1 (a tax

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

incremental financing unit), and the Railroad and Heritage Museum. 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 Assets 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, capital projects fund and the pass-through financing project fund, all of which are considered to be major funds. Data from the other three 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.

- Proprietary funds – The City of Temple maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements. The City uses an enterprise

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

fund to account for its water and sewer utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various programs. The City uses an internal service fund to account for its self-funded health insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utility. The water and sewer utility is considered a major fund of the City. The internal service fund is a single presentation in the proprietary fund financial statements.

- Fiduciary funds – fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The City's fiduciary fund consists of the City of Temple Employee Benefits Trust which accounts for the activities of the trust to provide City officers, employees, qualified retirees, and their dependents with life, disability, dental, accident and other health related benefits through the purchase of insurance.

The City's agency fund is used to account for assets held by the City, as an agent for the Health & Bioscience Economic Development District.

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 67-122 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 progress in funding its obligation to provide pension benefits to the employees and the City's contributions related to the Temple Firefighters' Relief and Retirement Fund. Required supplementary information can be found on page 123-124 of this report.

**CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012**

THE CITY AS A WHOLE – Government-Wide Financial Analysis

The City's combined net assets (assets exceeding liabilities) were \$158,741,413 as of September 30, 2012. The following tables focus on the net assets (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 assets (71.46 percent) reflects 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 Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 70,263,996	\$ 43,027,020	\$ 42,195,456	\$ 45,421,637	\$ 112,459,452	\$ 88,448,657
Capital assets	120,127,229	121,169,529	117,497,641	113,702,728	237,624,870	234,872,257
Total assets	190,391,225	164,196,549	159,693,097	159,124,365	350,084,322	323,320,914
Long-term liabilities outstanding	112,919,253	84,168,823	67,438,091	71,909,880	180,357,344	156,078,703
Other liabilities	8,584,151	8,218,377	2,401,414	2,219,058	10,985,565	10,437,435
Total liabilities	121,503,404	92,387,200	69,839,505	74,128,938	191,342,909	166,516,138
Net Assets:						
Invested in capital assets, net of related debt	48,379,646	52,200,366	65,054,555	62,157,571	113,434,201	114,357,937
Restricted	2,205,455	854,162	2,723,415	4,559,630	4,928,870	5,413,792
Unrestricted	18,302,720	18,754,821	22,075,622	18,278,226	40,378,342	37,033,047
Total net assets	\$ 68,887,821	\$ 71,809,349	\$ 89,853,592	\$ 84,995,427	\$ 158,741,413	\$ 156,804,776

An additional portion of the City of Temple's net assets (3.10 percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets*, \$ 40,378,342, 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 assets for the government as a whole.

**CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012**

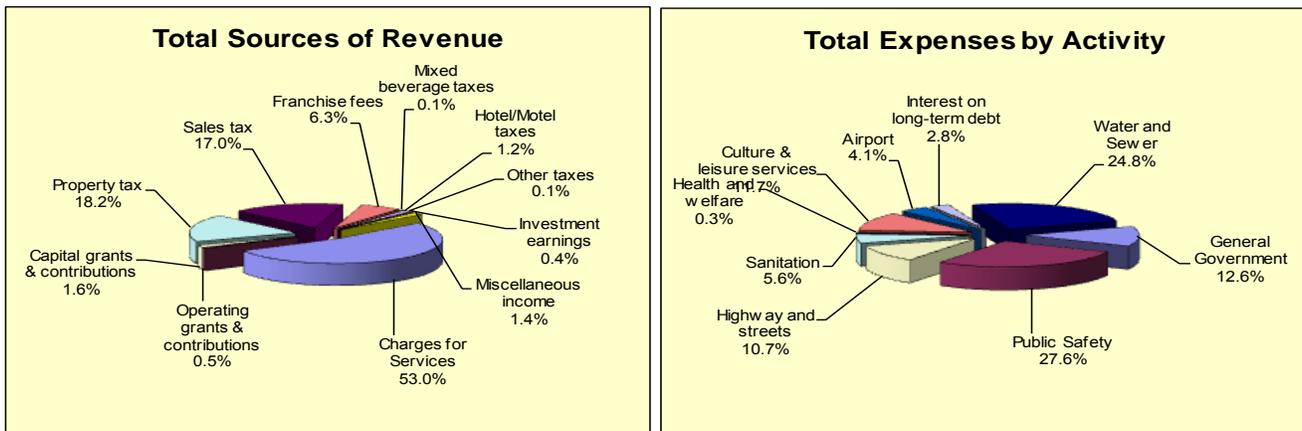
There was a decrease of \$ 1,836,215 in restricted net assets reported in connection with the City of Temple's business-type activities. The decrease resulted from the release of restrictions associated with the refunding of utility revenue bonds.

Governmental and Business-type activities increased the City's net assets by \$ 1,928,910. The key elements of this increase are as follows:

**Table II
Statement of Activities, Changes in Net Assets**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 24,225,263	\$ 23,175,128	\$ 28,645,921	\$ 29,387,212	\$ 52,871,184	\$ 52,562,340
Operating grants and contributions	517,463	867,166	-	-	517,463	867,166
Capital grants and contributions	1,558,087	978,717	74,735	-	1,632,822	978,717
General revenues:						
Property tax	18,195,808	17,582,789	-	-	18,195,808	17,582,789
Sales tax	16,967,401	16,125,862	-	-	16,967,401	16,125,862
Franchise fees	6,260,051	6,216,239	-	-	6,260,051	6,216,239
Mixed beverage taxes	100,164	123,581	-	-	100,164	123,581
Hotel/Motel taxes	1,223,910	1,215,396	-	-	1,223,910	1,215,396
Other taxes	77,451	70,191	-	-	77,451	70,191
Investment earnings	81,493	88,140	358,235	126,718	439,728	214,858
Miscellaneous income	1,422,379	3,150,409	-	-	1,422,379	3,150,409
Total revenues	70,629,470	69,593,618	29,078,891	29,513,930	99,708,361	99,107,548
Expenses:						
General government	12,308,008	12,099,128	-	-	12,308,008	12,099,128
Public safety	26,988,933	29,791,300	-	-	26,988,933	29,791,300
Highway and streets	10,413,550	7,155,289	-	-	10,413,550	7,155,289
Sanitation	5,469,440	5,131,467	-	-	5,469,440	5,131,467
Health and welfare	244,943	273,641	-	-	244,943	273,641
Culture & leisure services	11,463,800	10,908,726	-	-	11,463,800	10,908,726
Airport	3,980,015	3,791,164	-	-	3,980,015	3,791,164
Interest on long-term debt	2,690,036	3,039,907	-	-	2,690,036	3,039,907
Water and sewer	-	-	24,220,726	23,384,255	24,220,726	23,384,255
Total expenses	73,558,725	72,190,622	24,220,726	23,384,255	97,779,451	95,574,877
Increase (decrease) in net assets	(2,929,255)	(2,597,004)	4,858,165	6,129,675	1,928,910	3,532,671
Net assets - beginning, as restated	71,817,076	74,406,353	84,995,427	78,865,752	156,812,503	153,272,105
Net assets - ending	\$ 68,887,821	\$ 71,809,349	\$ 89,853,592	\$ 84,995,427	\$ 158,741,413	\$ 156,804,776

**CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012**



For fiscal year 2012, revenues from governmental activities totaled \$ 70,629,470. Property taxes and sales tax are the largest components of revenues (49.79 percent). Charges for services account for 34.3 percent of total governmental revenue.

For fiscal year 2012, expenses for governmental activities totaled \$ 73,558,725. The City's five largest funded programs are for public safety, general government, highways and streets, sanitation, and culture and leisure services.

For governmental activities, the Statement of Activities on page 51 shows that \$ 24,225,263 was financed by those receiving services, \$ 517,463 from operating grants and contributions, \$ 1,558,087 from capital grants and contributions, with the City's general revenues financing \$ 44,328,657 of the remaining program expenses.

The debt service fund has a total fund balance of \$ 2,960,522, all of which is reserved for the payment of debt service. The increase in fund balance during the current year in the debt service fund was attributable to the amount of debt issued to be used for debt service payments while projects are under construction.

The capital projects fund has a total fund balance of \$ 7,330,474. The fund balance increased by \$ 2,753,160 during the current fiscal year. This net increase is due to the expenditure of the various bond proceeds and to the issuance of debt during the year.

The pass through financing project fund has a total fund balance of \$ 23,067,736. This major fund is new in FY 2012 and was derived from the issuance of pass-through agreement revenue & limited tax bonds.

Business-type Activities

Revenues of the City's business-type activities were \$ 29,078,891 for the fiscal year ended September 30, 2012. Revenues decreased approximately \$ 435,039 as compared to the prior

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

fiscal year. Expenses for the City's business-type activities were \$ 24,220,726, an increase of \$ 836,471, or 3.58%, compared to the prior fiscal year. The decrease in net revenues is the result of the decrease in water consumption by customers. Water consumption decreased 5.45% in fiscal year 2012 compared to the prior fiscal year. Unrestricted net assets of the water and sewer fund were \$ 22,075,622. The water and sewer fund unrestricted net assets increased in the current fiscal year by \$ 3,797,396 due to the release of restrictions associated with the refunding of utility revenue bonds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2012, the City had \$237,618,870 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines.

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

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2012	2011	2012	2011	2012	2011
Land	\$ 13,330,439	\$ 13,099,125	\$ 652,271	\$ 618,471	\$ 13,982,710	\$ 13,717,596
Construction in Progress	3,571,200	14,899,744	10,165,419	3,818,654	13,736,619	18,718,398
Buildings	44,710,669	32,084,937	21,961,704	23,301,909	66,672,373	55,386,846
Infrastructure	44,552,090	47,058,473	81,420,114	82,373,985	125,972,204	129,432,458
Furniture & Equipment	5,113,236	4,888,005	401,998	542,326	5,515,234	5,430,331
Machinery & Equipment	8,849,595	9,139,245	2,890,135	3,047,383	11,739,730	12,186,628
	<u>\$ 120,127,229</u>	<u>\$ 121,169,529</u>	<u>\$ 117,491,641</u>	<u>\$ 113,702,728</u>	<u>\$ 237,618,870</u>	<u>\$ 234,872,257</u>

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

- Police Headquarter Improvements - \$ 5,440,551
- Mobile Data Laptops (102) - \$ 484,565
- Police Vehicle Replacements- \$ 627,690
- Fire Station #1 - \$ 5,161,787
- Fire Station #8 - \$ 3,519,839
- Water Line-FM 2305 to Prairie View - \$ 495,084
- Pepper Creek Tank Rehabilitation - \$ 335,461
- Centex Waterline - \$ 473,989
- Ave G Sidewalks - \$ 208,955
- Water Treatment Plant Improvements - \$ 706,765

**CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012**

Additional information on the City of Temple's capital assets can be found in note III on pages 85-87 of this report.

Debt

At year-end, the City had \$ 164,709,933 in bonds and notes payable outstanding as shown in Table IV.

**Table IV
Outstanding Debt, at Year-End**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 48,315,000	\$ 47,040,000	\$ 32,390,000	\$ 14,150,000	\$ 80,705,000	\$ 61,190,000
Certificate of Obligation	17,160,000	23,625,000	-	-	17,160,000	23,625,000
Contractual Obligations	5,745,000	-	-	-	5,745,000	-
Revenue Bonds	1,730,000	2,110,000	34,110,000	56,770,000	35,840,000	58,880,000
Pass-Through Revenue & Limited Tax Bonds	24,700,000	-	-	-	24,700,000	-
Notes Payable	455,915	771,478	104,018	204,974	559,933	976,452
Totals	\$ 98,105,915	\$ 73,546,478	\$ 66,604,018	\$ 71,124,974	\$ 164,709,933	\$ 144,671,452

The City issued General Obligation Refunding bonds in the amount of \$ 13,450,000 in November 2011. This advanced refunding will reduce the total debt service payments over the next 11 years by \$ 965,137 and will result in an economic gain of \$ 822,939.

The City issued General Obligation Refunding bonds in the amount of \$ 25,375,000 in May 2012. This advanced refunding will reduce the total debt service payments over the next 14 years by \$ 2,509,119 and will result in an economic gain of \$ 2,099,033.

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 3.85%.

Additional information on the City of Temple's long term debt can be found in note III on pages 91-100 of this report.

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available 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 \$ 60,722,692. Approximately 37.97% of this total amount, \$ 23,054,509, constitutes assigned/unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is nonspendable for inventory and prepaid items \$ 503,015; has already been restricted 1) to pay for debt service, \$ 2,960,522; 2) to pay for drug enforcement, \$ 321,867; 3) to pay for library collection enhancement and other, \$ 629,792; 4) to pay for bond-funded construction projects, \$ 30,398,210; and 5) to pay for promotion of tourism \$ 1,350,812 or committed to drainage in the amount of \$ 1,503,965.

In the general fund, the City budgeted for a decrease in the fund balance of \$ 6,648,215, which was primarily resulting from transfers of \$ 2,197,719 to capital project funds. An additional \$ 2,003,824 was to fund capital and economic development matrix incentives. This decrease was a reduction of excess fund balance to fund "pay as you go" capital projects and economic development matrix incentives. The actual fund balance decreased for fiscal year 2012 by \$ 421,192. This decrease was due to a net variance with the final adopted budget of \$ 6,227,023. This increase was comprised of the following: sales tax for the City came in \$ 1,167,401 over the budgeted amount, franchise fees were \$ 158,944 over budget, charges for services were \$ 134,015 over budget, and fines were \$ 90,891 over budget. All other revenues came in over budget in an amount of \$ 371,286. In addition, total expenditures in the General Fund came in \$ 3,914,113 under budget. Expenditures coming in under budget falls in line with our budgetary philosophy of "estimating expenditures high". Hiring lag was one reason that expenditures came in under budget. Other expenditures that came in under budget were tipping fees, electricity, debt service, fuel, and golf course. Across the board expenditures spread across all departments accounted for \$ 1,504,944 of expenditures that came in under budget.

Debt service fund balance increased in 2012 by \$ 1,596,473 for an ending balance of \$ 2,960,522. The net increase in the debt service fund balance was attributable to the issuance of debt to be used for capitalized interest payments during the term of construction and the use of fund balance for debt service payments. Capital projects fund balance had a net increase in 2012 of \$ 2,745,433 due to the issuance of bonds and the expenditure of bond proceeds. Pass-through financing project fund balance increased by \$ 23,067,736 due to the issuance of debt in 2012.

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

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 assets of the Water and Sewer fund are \$ 22,075,622, an increase of \$ 3,797,396. The water and sewer fund unrestricted net assets increased in the current fiscal year by \$ 3,797,396 due to the release of restrictions associated with the refunding of utility revenue bonds.

General Fund Budgetary Highlights – The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase in budgeted expenditures from the original budget of 7.01% or \$ 4,116,110. A significant portion of the increase was due to increases in transfers out of \$ 1,127,728 to the capital projects fund, \$ 497,964 in transfers to the health insurance fund, \$ 412,868 in transfers to the grant fund, and \$ 36,415 in transfers to the bond programs.

During the year there was a \$ 2,041,135 increase in appropriations between the original operating budget and final amended budget. Following are the main components of the increase:

- \$ 1,309,276 increase in personnel services for various departments. Of this amount, \$ 863,600 was re-appropriated from contingency (capital) to the individual department personnel accounts to cover the 3% lump sum payment made to employees during FY 2012. \$ 320,546 was supplemental funding to cover additional cost in the Fire Department related to the staffing of Fire Station #8 and the change from a 27-day to a 14-day FLSA cycle on April 27, 2012.
- \$ 475,667 supplemental funding in operations to various departments within the General Fund for projects that were not completed in the previous year.
- \$ 227,080 supplemental funding in capital to various departments within the General Fund for projects that were not completed in the previous year.
- \$ 175,329 supplemental funding in economic development to fund additional amount needed for the FY 2012 "Incentive Matrix Component" to TEDC.
- \$ 160,000 supplemental funding in Special Services to cover the additional separation pay for General Fund employees in FY 2012.
- \$ 137,033 supplemental funding in police capital from Federal Seized funds. \$ 120,133 was appropriated to fully fund the contract for the contract and remaining accessories for the purchase of 12 marked vehicles and 3 Tahoes for the K-9 unit. \$ 16,900 was appropriated to purchase a canine and pay for the handler training.
- \$ 91,451 supplemental funding to police to purchase eighteen ticket writers and ten printers with the associated software. This appropriation is offset by the appropriation of restricted funds from technology fees.
- \$ 70,000 supplemental appropriation to the airport for additional cost of goods sold in avgas and jet fuel. This appropriation is offset with additional revenue.

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

- \$ 45,625 supplemental appropriation to parks to partially fund a super span shade structure. This appropriation is offset with additional revenue from a Carpenter Foundation grant and donations.
- \$ 28,000 supplemental appropriation for a Chapter 380 agreement between the City and Scott & White to demolish a structure on South 5th Street. Additional funds were needed to fully fund the City's obligation.
- \$ 18,500 supplemental appropriation to facility services to replace a vehicle that was totaled due to an accident. This appropriation is offset by additional revenue received from the sale of assets from the on-line auction site.
- \$ 17,200 supplemental appropriation to municipal court to pay for software modifications to provide the Court a "paperless" warrant system. This appropriation is offset by the appropriation of restricted funds from judicial efficiency funds and technology fees.

The increase in expenditure appropriations was partially possible because of additional anticipated revenues. Increases in revenues were from an increase in various charges for services to cover increases in services provided (\$ 115,625), increase in police revenue (\$ 137,033), increase in appropriation of restricted fees (\$ 108,651), and an increase in other income from various sources (\$ 18,500). 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 fiscal year 2013 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. The City has one of the lowest unemployment rates at 5.84% as compared to the State of Texas, which is 6.87%. 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 indicators are taken into account when adopting the General Fund budget for fiscal year 2013. The total 2012-2013 combined budget appropriation totals \$ 103,591,150 for seven operating funds.

The 2012-2013 General Fund Budget of \$ 59,069,645 represents a 0.58% increase or \$ 339,168 from the adopted 2011-2012 budget. With regard to the FY 2012-2013 budget, the general priorities in the O&M area are as follows:

CITY OF TEMPLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

1. Serving our community;
2. Improving our infrastructure;
3. Expanding the tax base;
4. Growing the health and bioscience industries;

These were the general priorities and parameters used in the development of the FY 2012-2013 budget. As always, the preparation of the budget must also take into consideration our ability to pay for the programs and services that were proposed.

Overall, the City Council has been presented with a budget that requires \$ 1.46 million from fund balance to assist in the funding of \$ 773,400 in capital outlay, \$400,000 for TEDC Matrix allocation, and \$ 100,000 for Strategic Investment Corridor (SIZ) to be funded with Undesignated Fund Balance – Capital Projects. Also included is an appropriation of \$ 181,720 to be funded from Fund Balance Designated for Health Insurance. The budget assesses a tax rate of \$ 0.5864 per \$100 valuation, an increase from last year's actual rate of \$ 0.5679 per \$ 100. The budget recognizes increases in sales tax, solid waste charges for services, culture & recreation charges for services, and licenses and permits.

The General Fund's largest revenue source in fiscal year 2012-2013 is charges for services. For the fiscal year ending 2011-2012, the General Fund's largest revenue source was also charges for services.

As a cost of service Enterprise Fund, Water & Wastewater rates must be sufficiently set to pay the total operations and maintenance, debt and depreciation, and meet bond covenant coverage requirements. During FY 2012, Staff engaged the services of a consultant to develop a five-year cost of service study. One of the key elements of the study was to develop the revenue requirement for a five-year capital improvement program to construction, replace or rehab numerous components in the City of Temple distribution and collection systems, address additional staffing needs for the operations and maintenance of the water treatment plant, and other operations and maintenance cost of the system.

Multiple scenarios were considered. The rate proposal chosen includes all of the rate adjustment in FY 2013 which achieves the lowest rate at the end of the five-year period. The rate schedule adjusts the minimum bill by meter size in proportion to the ability of the meter to demand water from the system.

Cost drivers impacting the FY 2013 revenue requirement increase of \$ 1,836,815 [6.84% compared to prior year] include the following:

1. Adjusting over/under recovery between water and wastewater rates and adjusting reserve levels funding future debt service to achieve greater financial health and stability of the Water/Wastewater Utility - \$ 682,394 [2.54%]
2. Operations –

CITY OF TEMPLE, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
September 30, 2012

- a. Additional staff at the Water Treatment Plant and base pay adjustments for all employees - \$ 373,498 [1.39%]
- b. Supplies and system repair and maintenance - \$ 274,348 [1.02%]
- 3. Cash Capital Outlays –
 - a. Includes outlays related to approach mains, buildings & grounds, automotive and water line replacement - \$ 506,575 [1.89%]
- 4. Debt Service associated with \$ 33,645,000 of capital improvements in the following years:

	2013	2014	2015	2016	Total
Water	\$ -	\$ 6,825,000	\$ -	\$ 4,250,000	\$11,075,000
Wastewater	-	9,460,000	-	13,110,000	22,570,000
Total	\$ -	\$ 16,285,000	\$ -	\$17,360,000	\$33,645,000

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

The new rate structure meets the estimated revenue requirement for the FY 2013 budget of \$ 28,330,899. The rate study included a revenue requirement to continue \$ 2,277,325 of “pay-as-you go” capital improvements (\$ 397,700 funds an in-house sewer crew dedicated to line replacement and repair), and increased operating costs associated with fuel, utilities, and chemicals.

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.

Basic Financial Statements

CITY OF TEMPLE, TEXAS
STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Reinvestment Zone No. 1	Temple Economic Development Corporation	Railroad and Heritage Museum
ASSETS						
Cash	\$ 8,095	\$ 4,079	\$ 12,174	\$ -	\$ 1,463,820	\$ 17,078
Investments	63,623,880	22,338,251	85,962,131	8,275,256	-	-
Property taxes, net of allowance for uncollectibles	377,339	-	377,339	43,869	-	-
Receivables, net of allowance for uncollectibles	2,688,327	2,240,404	4,928,731	2,087	-	103
Due from other governments	747,705	-	747,705	-	-	-
Internal balances	(8,892)	8,892	-	-	-	-
Inventories	408,931	289,878	698,809	-	-	12,577
Prepays	92,684	188,359	281,043	-	-	2,260
Deferred charges	789,420	542,457	1,331,877	233,049	-	-
Other assets	-	-	-	-	-	18,561
Restricted assets:						
Permanently restricted:						
Cash and investments	1,536,507	16,589,136	18,125,643	2,036,161	988,661	232,095
Land held for investment	-	-	-	-	3,084,384	-
Capital assets not being depreciated:						
Land	13,330,439	652,271	13,982,710	6,416,484	-	-
Construction in progress	3,571,200	10,165,419	13,736,619	3,644,244	-	-
Capital assets, net of accumulated depreciation:						
Buildings	44,710,669	21,961,704	66,672,373	902,028	350,556	-
Infrastructure	44,552,090	81,420,114	125,972,204	37,451,991	-	-
Furniture and equipment	5,113,236	401,998	5,515,234	-	36,019	-
Machinery and equipment	8,849,595	2,890,135	11,739,730	28,846	-	-
Total assets	<u>190,391,225</u>	<u>159,693,097</u>	<u>350,084,322</u>	<u>59,034,015</u>	<u>5,923,440</u>	<u>282,674</u>
LIABILITIES						
Vouchers and contracts payable	3,282,881	931,671	4,214,552	154,613	121,450	33,023
Retainage payable	50,580	206,031	256,611	57,966	-	-
Accrued payroll	1,590,227	173,479	1,763,706	-	210	135
Deposits	136,159	-	136,159	-	-	-
Unearned revenues	2,769,197	70,641	2,839,838	-	-	6,860
Accrued interest payable	755,067	400,254	1,155,321	192,556	-	-
Liabilities payable from restricted assets	-	619,338	619,338	-	-	-
Noncurrent liabilities:						
Due within one year	6,124,488	4,654,266	10,778,754	2,604,494	5,683	-
Due in more than one year	106,794,805	62,783,825	169,578,630	27,936,513	-	-
Total liabilities	<u>121,503,404</u>	<u>69,839,505</u>	<u>191,342,909</u>	<u>30,946,142</u>	<u>127,343</u>	<u>40,018</u>
NET ASSETS						
Invested in capital assets, net of related debt	48,379,646	65,054,555	113,434,201	17,902,585	386,575	-
Restricted for:						
Debt service	2,205,455	2,723,415	4,928,870	3,525,108	-	-
Economic development incentives	-	-	-	-	888,661	-
Donor	-	-	-	-	-	232,095
Unrestricted	<u>18,302,720</u>	<u>22,075,622</u>	<u>40,378,342</u>	<u>6,660,180</u>	<u>4,520,861</u>	<u>10,561</u>
Total net assets	<u>\$ 68,887,821</u>	<u>\$ 89,853,592</u>	<u>\$ 158,741,413</u>	<u>\$ 28,087,873</u>	<u>\$ 5,796,097</u>	<u>\$ 242,656</u>

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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Reinvestment Zone No. 1	Temple Economic Development Corp.	Railroad and Heritage Museum
Primary government:										
Governmental activities:										
General government	\$ 12,308,008	\$ 3,359,920	\$ 154,847	\$ 119,517	\$ (8,673,724)	\$ -	\$ (8,673,724)	\$ -	\$ -	\$ -
Public safety	26,988,933	2,756,996	213,589	19,885	(23,998,463)	-	(23,998,463)	-	-	-
Highways and streets	10,413,550	1,235,792	8,352	353,280	(8,816,126)	-	(8,816,126)	-	-	-
Sanitation	5,469,440	10,145,513	-	-	4,676,073	-	4,676,073	-	-	-
Health and welfare	244,943	-	138,401	282,841	176,299	-	176,299	-	-	-
Culture and leisure services	11,463,800	3,689,340	2,274	629,010	(7,143,176)	-	(7,143,176)	-	-	-
Airport	3,980,015	3,037,702	-	153,554	(788,759)	-	(788,759)	-	-	-
Interest on long-term debt	2,690,036	-	-	-	(2,690,036)	-	(2,690,036)	-	-	-
Total governmental activities	<u>73,558,725</u>	<u>24,225,263</u>	<u>517,463</u>	<u>1,558,087</u>	<u>(47,257,912)</u>	<u>-</u>	<u>(47,257,912)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities:										
Water and sewer	24,220,726	28,645,921	-	74,735	-	4,499,930	4,499,930	-	-	-
Total business-type activities	<u>24,220,726</u>	<u>28,645,921</u>	<u>-</u>	<u>74,735</u>	<u>-</u>	<u>4,499,930</u>	<u>4,499,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 97,779,451</u>	<u>\$ 52,871,184</u>	<u>\$ 517,463</u>	<u>\$ 1,632,822</u>	<u>(47,257,912)</u>	<u>4,499,930</u>	<u>(42,757,982)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component units:										
Reinvestment Zone No. 1	\$ 4,810,020	\$ 40,226	\$ 1,300,000	\$ 50,000	-	-	-	(3,419,794)	-	-
Temple Economic Development Corporation	1,554,819	-	1,908,940	-	-	-	-	-	354,121	-
Railroad and Heritage Museum	369,420	86,531	269,007	-	-	-	-	-	-	(13,882)
Total component units	<u>\$ 6,734,259</u>	<u>\$ 126,757</u>	<u>\$ 3,477,947</u>	<u>\$ 50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,419,794)</u>	<u>354,121</u>	<u>(13,882)</u>
General Revenues:										
Property taxes					18,195,808	-	18,195,808	4,310,628	-	-
Sales taxes					16,967,401	-	16,967,401	-	-	-
Franchise fees					6,260,051	-	6,260,051	-	-	-
Mixed beverage taxes					100,164	-	100,164	-	-	-
Hotel/Motel taxes					1,223,910	-	1,223,910	-	-	-
Other taxes					77,451	-	77,451	-	-	-
Investment income					81,493	358,235	439,728	35,366	7,551	2,465
Miscellaneous income					1,422,379	-	1,422,379	213,354	29,214	-
Total general revenues					<u>44,328,657</u>	<u>358,235</u>	<u>44,686,892</u>	<u>4,559,348</u>	<u>36,765</u>	<u>2,465</u>
Change in net assets					<u>(2,929,255)</u>	<u>4,858,165</u>	<u>1,928,910</u>	<u>1,139,554</u>	<u>390,886</u>	<u>(11,417)</u>
Net assets-beginning, as restated					<u>71,817,076</u>	<u>84,995,427</u>	<u>156,812,503</u>	<u>26,948,318</u>	<u>5,405,211</u>	<u>254,073</u>
Net assets-ending					<u>\$ 68,887,821</u>	<u>\$ 89,853,592</u>	<u>\$ 158,741,413</u>	<u>\$ 28,087,872</u>	<u>\$ 5,796,097</u>	<u>\$ 242,656</u>

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

**CITY OF TEMPLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Pass-Through Financing Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash	\$ 4,845	\$ -	\$ -	\$ -	\$ 3,250	\$ 8,095
Investments	27,069,439	2,434,260	7,745,327	23,069,154	2,863,582	63,181,762
Property taxes, net	216,406	160,933	-	-	-	377,339
Due from other funds	319,255	-	-	-	-	319,255
Due from other governments	80,516	-	-	190,190	476,999	747,705
Other receivables, net	2,437,009	40,000	-	-	211,318	2,688,327
Inventories, at cost	406,729	-	-	-	2,203	408,932
Prepaid items	90,684	-	-	-	2,000	92,684
Restricted cash and investments	1,061,445	475,061	-	-	-	1,536,506
Total assets	<u>\$ 31,686,328</u>	<u>\$ 3,110,254</u>	<u>\$ 7,745,327</u>	<u>\$ 23,259,344</u>	<u>\$ 3,559,352</u>	<u>\$ 69,360,605</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Vouchers and contracts payable	\$ 2,111,588	\$ -	\$ 376,653	\$ 181,598	\$ 220,935	\$ 2,890,774
Retainage payable	-	-	38,200	10,010	2,370	50,580
Accrued payroll	1,546,865	-	-	-	43,362	1,590,227
Vacation and sick leave payable	526,064	-	-	-	17,105	543,169
Deposits and refundable contracts	53,339	-	-	-	82,820	136,159
Due to other funds	-	-	-	-	319,255	319,255
Deferred revenues	2,943,492	149,732	-	-	14,525	3,107,749
Total liabilities	<u>7,181,348</u>	<u>149,732</u>	<u>414,853</u>	<u>191,608</u>	<u>700,372</u>	<u>8,637,913</u>
Fund Balances:						
Nonspendable:						
Inventories and prepaid items	498,812	-	-	-	4,203	503,015
Restricted for:						
Debt service	-	2,960,522	-	-	-	2,960,522
Drug enforcement	321,867	-	-	-	-	321,867
Library and other	629,792	-	-	-	-	629,792
Construction	-	-	7,330,474	23,067,736	-	30,398,210
Promotion of tourism	-	-	-	-	1,350,812	1,350,812
Committed to:						
Drainage	-	-	-	-	1,503,965	1,503,965
Assigned to:						
Capital technology acquisition-General Fund	315,618	-	-	-	-	315,618
Capital projects-General Fund	4,277,846	-	-	-	-	4,277,846
Self-funded health insurance-General Fund	300,000	-	-	-	-	300,000
Encumbrances	2,060,396	-	-	-	-	2,060,396
Unassigned	16,100,649	-	-	-	-	16,100,649
Total fund balances	<u>24,504,980</u>	<u>2,960,522</u>	<u>7,330,474</u>	<u>23,067,736</u>	<u>2,858,980</u>	<u>60,722,692</u>
Total liabilities and fund balances	<u>\$ 31,686,328</u>	<u>\$ 3,110,254</u>	<u>\$ 7,745,327</u>	<u>\$ 23,259,344</u>	<u>\$ 3,559,352</u>	<u>\$ 69,360,605</u>

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 ASSETS
September 30, 2012

Total fund balances-governmental funds \$ 60,722,692

Amounts reported for governmental activities in the statement of net assets 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	\$	13,330,439	
Buildings		72,445,345	
Infrastructure		120,564,475	
Furniture and equipment		22,035,499	
Machinery and equipment		27,532,046	
Construction in progress		3,571,200	
Accumulated depreciation		<u>(139,351,775)</u>	
Total capital assets	\$	<u>120,127,229</u>	120,127,229

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, regardless of when they are collected.

Maintenance & operations taxes not collected	\$	188,821	
Interest & sinking fund taxes not collected		<u>149,732</u>	
Total deferred revenue reclassified	\$	<u>338,553</u>	338,553

Internal service funds are used by management to charge the cost of self-funded insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets (net of amount allocated to business-type activities).

Current assets	\$	442,119	
Current liabilities		(392,107)	
Net amount allocated to business-type activities		<u>(8,892)</u>	
	\$	<u>41,120</u>	41,120

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:

Accrued interest	\$	755,067	
Compensated absences		6,079,823	
Other post-employment benefits		1,754,676	
Net pension obligation		2,395,832	
Long-term debt, including premium/discount and deferred charges		<u>101,356,375</u>	
Total long-term liabilities	\$	<u>112,341,773</u>	<u>(112,341,773)</u>

Net assets of governmental activities \$ 68,887,821

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, 2012**

	General	Debt Service	Capital Projects	Pass-Through Financing Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 28,265,985	\$ 7,125,377	\$ -	\$ -	\$ 1,223,910	\$ 36,615,272
Franchise fees	6,260,051	-	-	-	-	6,260,051
Licenses and permits	377,290	-	-	-	-	377,290
Intergovernmental	211,915	-	-	190,190	1,863,636	2,265,741
Drainage fees	-	-	-	-	1,084,423	1,084,423
Charges for services	20,020,074	-	-	-	402,293	20,422,367
Fines	2,133,078	-	-	-	-	2,133,078
Interest and other	852,000	747,431	28,540	10,838	61,520	1,700,329
Total revenues	<u>58,120,393</u>	<u>7,872,808</u>	<u>28,540</u>	<u>201,028</u>	<u>4,635,782</u>	<u>70,858,551</u>
Expenditures:						
Current:						
General government	11,166,805	-	328,107	-	208,219	11,703,131
Public safety	24,971,496	-	2,622,124	-	34,637	27,628,257
Highways and streets	3,807,113	-	1,061,366	2,900,188	1,436,238	9,204,905
Sanitation	4,893,208	-	163,316	-	-	5,056,524
Health and welfare	-	-	35,000	-	170,125	205,125
Culture and leisure services	8,729,435	-	62,720	-	2,186,120	10,978,275
Airport	3,114,535	-	-	-	511,554	3,626,089
Debt service:						
Principal retirement	43,592	5,361,971	-	-	-	5,405,563
Interest and fiscal charges	8,571	3,060,100	46,711	121,288	-	3,236,670
Total expenditures	<u>56,734,755</u>	<u>8,422,071</u>	<u>4,319,344</u>	<u>3,021,476</u>	<u>4,546,893</u>	<u>77,044,539</u>
Excess (deficiency) of revenues over expenditures	<u>1,385,638</u>	<u>(549,263)</u>	<u>(4,290,804)</u>	<u>(2,820,448)</u>	<u>88,889</u>	<u>(6,185,988)</u>
Other financing sources (uses):						
Transfers in	515	118,809	835,725	-	375,306	1,330,355
Transfers out	(1,807,345)	(515)	(88)	-	(37,901)	(1,845,849)
Issuance of loans and bonds	-	-	5,745,000	24,700,000	-	30,445,000
Original issue premium	-	3,276,037	490,339	1,388,247	-	5,154,623
Discount on bond issuance	-	(56,354)	(34,739)	(200,063)	-	(291,156)
Refunding bonds issued	-	9,290,000	-	-	-	9,290,000
Payment to refunded bond escrow agent	-	(10,482,241)	-	-	-	(10,482,241)
Total other financing sources (uses)	<u>(1,806,830)</u>	<u>2,145,736</u>	<u>7,036,237</u>	<u>25,888,184</u>	<u>337,405</u>	<u>33,600,732</u>
Net change in fund balances	(421,192)	1,596,473	2,745,433	23,067,736	426,294	27,414,744
Fund balances, beginning of year	24,926,172	1,364,049	4,577,314	-	2,432,686	33,300,221
Prior period adjustment	-	-	7,727	-	-	7,727
Fund balances, restated, beginning of year	<u>24,926,172</u>	<u>1,364,049</u>	<u>4,585,041</u>	<u>-</u>	<u>2,432,686</u>	<u>33,307,948</u>
Fund balances, end of year	<u>\$ 24,504,980</u>	<u>\$ 2,960,522</u>	<u>\$ 7,330,474</u>	<u>\$ 23,067,736</u>	<u>\$ 2,858,980</u>	<u>\$ 60,722,692</u>

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, 2012

Net change in fund balances-total governmental funds \$ 27,414,744

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	\$ 6,919,396	
Depreciation expense	(7,886,820)	
Net adjustment	<u>(967,424)</u>	(967,424)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals and donations) is to increase net assets. (74,879)

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. (50,538)

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 assets. 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 assets. 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 general obligation bonds refunding bonds	\$ (9,290,000)	
Issuance of limited tax notes	(5,745,000)	
Issuance of pass-through revenue and limited tax bonds	(24,700,000)	
Discount/(Premium) on issuance	(4,863,466)	
To bondholders	5,405,563	
Payment to escrow agent for refunding	10,482,241	
Amortization of deferred charges	80,617	
Amortization of bond premiums/discounts	593,794	
Amortization of bond refunding losses	(131,154)	
Net adjustment	<u>(28,167,405)</u>	(28,167,405)

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.

Decrease in compensated absences liability	\$ (30,721)	
Increase in other post-employment benefits liability	225,938	
Increase in net pension obligation liability	306,606	
Total adjustment	<u>501,823</u>	(501,823)

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, 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. (245,180)

Internal service funds are used by management to charge the costs of self-funded insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities net of amount allocated to business-type activities.

Change in net assets	\$ (386,244)	
Net amount allocated to business-type activities	49,494	
	<u>(336,750)</u>	<u>(336,750)</u>

Change in net assets of governmental activities \$ (2,929,255)

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 BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the year ended September 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 27,017,864	\$ 27,017,864	\$ 28,265,985	\$ 1,248,121
Franchise fees	6,054,227	6,101,107	6,260,051	158,944
Licenses and permits	305,100	308,600	377,290	68,690
Intergovernmental	222,030	216,030	211,915	(4,115)
Charges for services	19,674,362	19,886,059	20,020,074	134,015
Fines	1,959,055	2,042,187	2,133,078	90,891
Interest and other	478,947	626,009	852,000	225,991
Total revenues	<u>55,711,585</u>	<u>56,197,856</u>	<u>58,120,393</u>	<u>1,922,537</u>
Expenditures:				
Current:				
General government:				
City council	214,660	199,825	177,401	22,424
City manager	744,137	778,930	732,601	46,329
Finance	1,105,314	1,146,708	1,051,921	94,787
Purchasing	319,642	330,134	295,647	34,487
City secretary	270,775	296,640	271,275	25,365
Special services	1,712,126	1,151,294	863,100	288,194
Legal	628,854	652,632	629,368	23,264
City planning	429,270	491,805	357,389	134,416
Information technology services	1,783,843	1,869,391	1,763,446	105,945
Human resources	666,081	696,258	564,972	131,286
Economic development	2,272,905	2,459,236	2,379,699	79,537
Garage	874,012	888,301	812,225	76,076
Facility services	1,364,563	1,602,354	1,267,761	334,593
Total general government	<u>12,386,182</u>	<u>12,563,508</u>	<u>11,166,805</u>	<u>1,396,703</u>
Public safety:				
Municipal court	645,720	671,248	605,471	65,777
Police	12,739,698	13,324,836	12,941,318	383,518
Animal control	411,193	421,520	392,867	28,653
Fire	8,944,932	9,505,251	9,371,712	133,539
Communications	680,612	680,612	680,612	-
Inspections	875,329	981,932	979,516	2,416
Total public safety	<u>24,297,484</u>	<u>25,585,399</u>	<u>24,971,496</u>	<u>613,903</u>
Highways and streets:				
Street	3,206,816	3,286,158	3,009,092	277,066
Traffic signals	280,261	319,306	286,653	32,653
Engineering	529,238	543,069	511,368	31,701
Totals highways and streets	<u>4,016,315</u>	<u>4,148,533</u>	<u>3,807,113</u>	<u>341,420</u>
Sanitation:	<u>5,609,353</u>	<u>5,659,855</u>	<u>4,893,208</u>	<u>766,647</u>
Culture and leisure services:				
Parks	3,112,727	3,263,518	2,963,622	299,896
Leisure services	2,837,673	2,933,908	2,713,589	220,319
Parks & Leisure services administration	422,395	430,976	404,580	26,396
Golf course	1,234,895	1,247,462	1,122,107	125,355
Education	1,588,367	1,613,918	1,525,537	88,381
Total culture and leisure services	<u>9,196,057</u>	<u>9,489,782</u>	<u>8,729,435</u>	<u>760,347</u>
Airport:	<u>3,050,179</u>	<u>3,149,628</u>	<u>3,114,535</u>	<u>35,093</u>
Debt service:				
Principal	43,592	43,592	43,592	-
Interest	8,571	8,571	8,571	-
Total debt service	<u>52,163</u>	<u>52,163</u>	<u>52,163</u>	<u>-</u>
Total expenditures	<u>58,607,733</u>	<u>60,648,868</u>	<u>56,734,755</u>	<u>3,914,113</u>
Excess (deficiency) of revenues over expenditures	<u>(2,896,148)</u>	<u>(4,451,012)</u>	<u>1,385,638</u>	<u>5,836,650</u>
Other financing sources (uses):				
Transfers in	-	516	515	(1)
Transfers out	<u>(122,744)</u>	<u>(2,197,719)</u>	<u>(1,807,345)</u>	<u>390,374</u>
Total other financing sources (uses)	<u>(122,744)</u>	<u>(2,197,203)</u>	<u>(1,806,830)</u>	<u>390,373</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(3,018,892)</u>	<u>(6,648,215)</u>	<u>(421,192)</u>	<u>6,227,023</u>
Fund balance, beginning of period	<u>24,926,172</u>	<u>24,926,172</u>	<u>24,926,172</u>	<u>-</u>
Fund balance, end of period	<u>\$ 21,907,280</u>	<u>\$ 18,277,957</u>	<u>\$ 24,504,980</u>	<u>\$ 6,227,023</u>

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

CITY OF TEMPLE, TEXAS
PASS-THROUGH FINANCING PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the year ended September 30, 2012

	2012			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest and other	\$ -	\$ -	\$ 10,838	\$ 10,838
Intergovernmental	20,000,000	20,000,000	190,190	(19,809,810)
Total revenues	<u>20,000,000</u>	<u>20,000,000</u>	<u>201,028</u>	<u>(19,798,972)</u>
Expenditures:				
Highways and streets:	45,768,084	45,768,084	2,900,188	42,867,896
Debt Service:				
Interest and fiscal charges	120,100	120,100	121,288	(1,188)
Total expenditures	<u>45,888,184</u>	<u>45,888,184</u>	<u>3,021,476</u>	<u>42,866,708</u>
Excess (deficiency) of revenues over expenditures	<u>(25,888,184)</u>	<u>(25,888,184)</u>	<u>(2,820,448)</u>	<u>23,067,736</u>
Other financing sources (uses):				
Issuance of bonds	24,700,000	24,700,000	24,700,000	-
Original issue premium	1,388,247	1,388,247	1,388,247	-
Discount on bond issue	<u>(200,063)</u>	<u>(200,063)</u>	<u>(200,063)</u>	<u>-</u>
Total other financing sources (uses)	<u>25,888,184</u>	<u>25,888,184</u>	<u>25,888,184</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	23,067,736	23,067,736
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,067,736</u>	<u>\$ 23,067,736</u>

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

CITY OF TEMPLE, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

	Business-type Activities - Water and Sewer Fund	Governmental Activities - Internal Service Fund
ASSETS		
Current assets:		
Cash	\$ 4,079	\$ -
Investments	22,338,251	442,119
Restricted cash and investments:		
Revenue bond reserve fund	1,552,723	-
Revenue bond debt service	1,170,692	-
Customer deposits	619,338	-
Construction account	13,246,383	-
Customer receivables	1,852,936	-
Accounts receivable	387,468	-
Inventories	289,878	-
Prepaid items	188,359	-
Total current assets	<u>41,650,107</u>	<u>442,119</u>
Noncurrent assets:		
Deferred cost-bond issue	542,457	-
Capital assets:		
Land	652,271	-
Improvements other than buildings	138,292,683	-
Buildings	45,210,191	-
Machinery, furniture, and equipment	<u>7,652,147</u>	<u>-</u>
	191,807,292	-
Less accumulated depreciation	(84,481,070)	-
Construction in progress	<u>10,165,419</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>117,491,641</u>	<u>-</u>
Total noncurrent assets	<u>118,034,098</u>	<u>-</u>
Total assets	<u>\$ 159,684,205</u>	<u>\$ 442,119</u>

	Business-type Activities - Water and Sewer Fund	Governmental Activities - Internal Service Fund
LIABILITIES		
Current liabilities:		
Vouchers and contracts payable	\$ 931,671	\$ 100,873
Claims payable	-	291,234
Retainage payables	206,031	-
Accrued payroll	173,479	-
Unearned revenues	70,641	-
Customer deposits	619,338	-
Accrued interest - revenue bonds	400,254	-
Current maturities of long-term liabilities	<u>4,654,266</u>	<u>-</u>
Total current liabilities	<u>7,055,680</u>	<u>392,107</u>
Noncurrent liabilities:		
Revenue bonds payable	61,692,846	-
Compensated absences payable	324,914	-
Other postemployment benefits payable	398,568	-
Net pension benefit obligation	<u>367,497</u>	<u>-</u>
Total noncurrent liabilities	<u>62,783,825</u>	<u>-</u>
Total liabilities	<u>69,839,505</u>	<u>392,107</u>
NET ASSETS		
Invested in capital assets, net of related debt	65,054,555	-
Restricted for:		
Debt service	2,723,415	-
Unrestricted	<u>22,066,730</u>	<u>50,012</u>
Total net assets	<u>89,844,700</u>	<u>\$ 50,012</u>
Reconciliation to government-wide statement of net assets:		
Adjustment to reflect the consolidation of internal service fund activity related to the enterprise fund	<u>8,892</u>	
Net assets of business-type activities	<u>\$ 89,853,592</u>	

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



CITY OF TEMPLE, TEXAS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended September 30, 2012

	Business-type Activities - Water and Sewer Fund	Governmental Activities - Internal Service Fund
	<u> </u>	<u> </u>
Operating revenues:		
Charges for sales and services:		
Water service	\$ 16,948,961	\$ -
Sewer service	10,495,258	-
Other	<u>1,201,702</u>	<u>2,487,718</u>
Total operating revenues	<u>28,645,921</u>	<u>2,487,718</u>
 Operating expenses:		
Personnel services	4,197,880	-
Supplies	1,606,465	-
Repairs and maintenance	1,243,955	-
Depreciation	5,616,018	-
Other services and charges	9,704,897	583,920
Insurance claims and expenses	-	<u>2,881,942</u>
Total operating expenses	<u>22,369,215</u>	<u>3,465,862</u>
 Operating income (loss)	<u>6,276,706</u>	<u>(978,144)</u>
 Nonoperating revenues (expenses):		
Interest income	358,235	641
Contributions-TxDot	74,735	-
Interest expense	<u>(1,726,252)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(1,293,282)</u>	<u>641</u>
 Income (loss) before transfers and contributions	4,983,424	(977,503)
 Transfer in	-	591,259
Transfer out	<u>(75,765)</u>	<u>-</u>
 Change in net assets	4,907,659	(386,244)
Total net assets - beginning	<u>84,937,041</u>	<u>436,256</u>
Total net assets - ending	<u>\$ 89,844,700</u>	<u>\$ 50,012</u>
 Reconciliation to government-wide statement of activities:		
Change in net assets	\$ 4,907,659	
Adjustment to reflect the consolidation of internal service fund activity related to the enterprise fund	<u>(49,494)</u>	
Change in net assets of business-type activities	<u>\$ 4,858,165</u>	

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

CITY OF TEMPLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2012

	Business-type Activities - Water and Sewer Fund	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from customers	\$ 28,588,439	\$ -
Cash received from employees for services	-	942,416
Cash received from other funds for services	-	1,545,302
Cash paid to suppliers	(8,138,987)	-
Cash paid to employees	(4,062,405)	-
Cash paid for loss claims	-	(3,279,422)
Cash paid to other funds for administration, franchise fees and data processing	(4,270,666)	-
Net cash provided (used) by operating activities	<u>12,116,381</u>	<u>(791,704)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	-	591,259
Cash flows from capital and related financing activities:		
Capital expenses	(9,373,309)	-
Refundable contract payments	-	-
Interest paid on debt	(1,595,314)	-
Debt principal payments	(4,770,956)	-
Net cash (used) by capital and related financing activities	<u>(15,739,579)</u>	<u>-</u>
Cash flows from investing activities:		
Interest received on investments	358,235	641
Net cash provided by investing activities	<u>358,235</u>	<u>641</u>
Net change in cash and cash equivalents	(3,264,963)	(199,804)
Cash and cash equivalents, beginning of year	42,196,429	641,923
Cash and cash equivalents, end of year	<u>\$ 38,931,466</u>	<u>\$ 442,119</u>

CITY OF TEMPLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2012

	Business-type Activities - Water and Sewer Fund	Governmental Activities - Internal Service Fund
	<u> </u>	<u> </u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 6,276,706	\$ (978,144)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,616,018	-
Change in assets and liabilities:		
Change in accounts receivable	(94,157)	-
Change in inventory	(6,024)	-
Change in prepaids	(8,892)	-
Change in vouchers payable	174,129	5,839
Change in estimated claims payable	-	180,601
Change in accrued liabilities	(2,679)	-
Change in opeb liability	84,246	-
Change in net pension obligation liability	44,250	-
Change in customer deposits	23,126	-
Change in accrued vacation and sick leave	9,658	-
	<u>5,839,675</u>	<u>186,440</u>
Total adjustments		
	<u>\$ 12,116,381</u>	<u>\$ (791,704)</u>
Net cash provided (used) by operating activities		
	<u>\$ 12,116,381</u>	<u>\$ (791,704)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET ASSETS		
Cash	\$ 4,079	\$ -
Investments	22,338,251	442,119
Restricted assets - debt service, and bond proceeds:		
Cash and investments	16,589,136	-
Total cash and cash equivalents	<u>\$ 38,931,466</u>	<u>\$ 442,119</u>

During the fiscal year ended September 30, 2012 the Water and Sewer Fund received \$ 0 in noncash contributions of infrastructure contributed by developers.

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



CITY OF TEMPLE, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2012

	City of Temple Employee Benefits Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,586,808
Investments	40,750	-
Property taxes receivable	-	16,043
Prepaid items	-	12,369
Total assets	<u>40,750</u>	<u>1,615,220</u>
LIABILITIES		
Vouchers payable	40,750	272
Deferred Revenue	-	15,869
Other	-	1,599,079
Total liabilities	<u>40,750</u>	<u>1,615,220</u>
NET ASSETS		
Held in trust for benefits and other purposes	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF TEMPLE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the year ended September 30, 2012

	City of Temple Employee Benefits Trust
Additions:	
Contributions:	
Employer	\$ 146,148
Employee	292,703
Retiree	34,493
Total contributions	<u>473,344</u>
Total additions	<u>473,344</u>
Deductions:	
Benefits	<u>473,344</u>
Total deductions	<u>473,344</u>
Change in net assets	-
Net assets held in trust for benefits and other purposes	
Beginning of year	-
End of year	<u>\$ -</u>

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

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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 or account group, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group (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, Pass-Through Financing Project fund, and Debt Service Fund, the City's major governmental funds is 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 Assets - The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statements of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of the government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. FINANCIAL REPORTING MODEL AND ENTITY (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.

Discretely Presented Component Units

Temple Economic Development Corporation (TEDC) is a legally separate entity from the City. TEDC was created for the purpose of promoting economic development within the City of Temple. The Board of Directors consist of fifteen voting members appointed by the City, acting through its City Council. The Mayor and one other council member periodically designated by resolution of the City Council, the City Manager, and the Chairman of the Board of Directors for the City of Temple Reinvestment Zone No. 1 are voting members of the Board. Of the remaining eleven positions on the TEDC Board (the "Public Directors"), the City Council appoints four voting members from the membership of Board of Directors of the Temple Chamber of Commerce, and four voting members from the membership of the Board of Directors of Temple Industrial Foundation. The remaining three Public Directors are chosen by the City Council from the public at large. The Bell County Judge, the President of Temple College, and the Superintendents of the Temple and Belton Independent School Districts are ex officio (non-voting) members of the Board of Directors with the right to have notice of, to attend, and to speak at all meetings of the TEDC Board of Directors. TEDC has been included in the reporting entity as a non-major discretely presented component unit of the City because the City appoints a voting majority of the board, provides 100% of funding for the board and maintains the ability to impose its will on the board.

Separately issued audited financial statements are available from TEDC, 2 North 5th Street, Temple, Texas 76501.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. FINANCIAL REPORTING MODEL AND ENTITY (Continued)

Discretely Presented Component Units (Continued)

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 non-major 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.

The Railroad and Heritage Museum was incorporated in 1974 in Texas. The Museum took over the operations of the City's museum and Santa Fe Depot from the City of Temple effective February 1, 2004. The Museum is a non-profit corporation created for the purpose of collecting, presenting, and exhibiting the history of railroading in the Southwest United States, in order to engage a diverse audience in appreciating their heritage as part of the foundation for their future. The Museum accomplishes this through an archives collection, exhibitions, programs, and publications that enlighten, educate, and entertain all ages. The Museum has been included in the reporting entity as a non-major discretely presented component unit of the City. The City is legally obligated to provide financial support to the Museum through an agreement between the City and Museum. The Museum is fiscally dependent on the City because over fifty percent of the revenue received by the Museum is from the City. The Museum relies on this contribution from the City to fund the day-to-day operations of the Museum.

Separately issued audited financial statements are available from the Museum's business office, at the Railroad and Heritage Museum, 315 West Avenue B, Temple, Texas 76501.

Subsequent to the end of the fiscal year, the City took over operations of the Museum and revised the contract accordingly.

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 has no involvement 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.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City of Temple 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*.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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, the capital projects fund and the pass-through financing project fund. The nonmajor funds are combined in a separate column in the fund financial statements.

The internal service fund, which provides services to the other funds of the government, is presented as part of the proprietary 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.).

The City's fiduciary fund is presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 *pass-through financing project fund* is used to account for financial resources to be used for the construction of the Northwest Loop 363 project. This project is substantially funded with funds from the Texas Department of Transportation.

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, and Drainage Fund.

Fiduciary Funds:

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's accounts for two fiduciary funds, one is a trust fund and one is an agency fund. The trust fund is the City of Temple Employee Benefits Trust which accounts for the activities of the trust to provide City officers, employees, and qualified retirees and their dependents with life, disability, sickness, accident and other health

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

Fiduciary Funds: (Continued)

benefits through the purchase of insurance. The agency fund is used to account for assets held by the City, as an agent for the Health & Bioscience Economic Development District.

Internal Service Funds:

Internal Service Funds are used to account for the financing of services provided by one department to other City departments on a cost-plus basis. The City Internal Service Fund is the Self-Funded Health Insurance Fund, which is used to account for the activities of the City's self-funded health insurance program.

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 assets for governmental activities as shown on the government-wide statement of net assets 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 assets 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 balances. 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.

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

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 Assets 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

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

1. Deposits and Investments (Continued)

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 market value of at least 102 percent of the cost of the repurchase agreement.

2. Receivables

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

General Fund	\$	2,083,196
Special Revenue Funds		43,797
Debt Service Fund		90,057
Enterprise Fund		449,965

3. Inventories and Prepaid Items

Inventories which are expended as they are consumed are stated at cost. Cost is determined for inventories of supplies and fuel 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.

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 assets.

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.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 \$ 5,915,694. Of this amount, \$ 1,167,512 was included as part of the cost of capital assets during FY 2012.

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:

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

6. Compensated Absences

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

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

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

7. Net Pension Obligation

In the government-wide and proprietary fund financial statements, net pension obligations are reported as liabilities for the amount that the annual required contribution exceeds the amount funded by the City on a cumulative basis.

8. Other Post-Employment Benefits

In the government-wide and proprietary fund financial statements, other post-employment benefit (OPEB) liabilities are reported as liabilities for the amount that the annual required contribution exceeds the amount funded by the City on a cumulative basis. The City began reporting this liability for fiscal year 2009 on a prospective basis.

9. Interfund Transactions

During the course of 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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. Net Assets

Net Assets in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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 statute.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

12. Fund Equity

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, 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 or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance – amounts that are available for any purpose; positive amounts are reported in the General Fund.

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. A fund balance commitment is further indicated in the budget document 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.

13. 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.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

14. 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.

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 Director of Finance, 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 15, 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.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. BUDGETARY INFORMATION (Continued)

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 reappropriated and honored during the subsequent year. Encumbrances by major funds and Nonmajor funds in the aggregate are shown below:

Major Funds:	<u>Encumbrances</u>
General Fund	\$ 2,060,396
Capital Projects Fund	1,025,283
Pass Through Financing Project	23,067,736
Nonmajor Funds:	<u>838,059</u>
Totals	<u>\$26,991,474</u>

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

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Deposits

As of September 30, 2012, the City's deposit balances were as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Total Deposits	<u>\$2,815,964</u>	<u>\$2,690,482</u>	<u>\$5,506,446</u>
Carrying Amount	<u>\$1,787,497</u>	<u>\$2,701,654</u>	<u>\$4,489,151</u>
Petty Cash	<u>\$ 12,174</u>	<u>\$ -</u>	<u>\$ 12,174</u>

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 Railroad and Heritage Museum and the Temple Economic Development Corporation, discretely presented component units, also require full collateralization. As of September 30, 2012, the Railroad and Heritage Museum had a total of \$ 264,362 in deposits. Of this amount, \$ 258,166 was insured and \$ 6,196 was uncollateralized. As of the same date, the Temple Economic Development Corporation had a total of \$ 2,426,120 in deposits. Of this amount, \$ 333,832 was insured, and \$ 2,092,288 was collateralized with securities held by pledging financial institution's agent in the entity's name.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investments

As of September 30, 2012, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Primary Government</u>		
Investment pools:		
Texpool	\$ 28,701,911	\$ 28,701,911
TexSTAR	52,280,161	52,280,161
Texas CLASS	<u>21,318,205</u>	<u>21,318,205</u>
Total investment in pools:	<u>102,300,277</u>	<u>102,300,277</u>
 Total investments	 <u>\$ 102,300,277</u>	 <u>\$ 102,300,277</u>
<u>Discretely Presented Component Units</u>		
Investment pools:		
Texpool	\$ 3,205,974	\$ 3,205,974
TexSTAR	5,380,974	5,380,974
Texas CLASS	<u>1,724,469</u>	<u>1,724,469</u>
Total investment in pools:	<u>10,311,417</u>	<u>10,311,417</u>
 Total investments	 <u>\$ 10,311,417</u>	 <u>\$ 10,311,417</u>
<u>Reporting Entity</u>		
Total investments	<u>\$ 112,611,694</u>	<u>\$ 112,611,694</u>

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 of the City’s investments, other than investment pools, were held by the City’s third party custodian bank in the City’s name.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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, 2012, the weighted average maturity of the City's investment portfolio was 63.63 days.

Credit Risk – In compliance with the City's Investment Policy, as of September 30, 2012, 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 and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. 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. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review. The City's fair value position is stated at the value of the position upon withdrawal.

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 and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. 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. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAM by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas CLASS has been established for governmental entities pursuant to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. 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. The City's fair value position is stated at the value of the position upon withdrawal.

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

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

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
Cash and investments (from above):			
Cash on hand	\$ 12,174	\$ -	\$ 12,174
Carrying amount of deposits	1,787,497	2,701,654	4,489,151
Carrying amount of investments	<u>102,300,277</u>	<u>10,311,417</u>	<u>112,611,694</u>
Total	<u>\$ 104,099,948</u>	<u>\$ 13,013,071</u>	<u>\$ 117,113,019</u>
Statement of Net Assets:			
Cash	\$ 12,174	\$ 1,480,898	\$ 1,493,072
Investments	85,962,131	8,275,256	94,237,387
Restricted cash and investments	<u>18,125,643</u>	<u>3,256,917</u>	<u>21,382,560</u>
Total	<u>\$ 104,099,948</u>	<u>\$ 13,013,071</u>	<u>\$ 117,113,019</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2011, upon which the fiscal year 2012 levy was based, was \$ 2,975,721,895. This amount is the net taxable value adjusted for frozen taxable value. The amount of the levy attributable to frozen taxes was \$ 1,686,806. The total levy assessed was \$18,585,931. The total taxable value before the adjustment for frozen taxable value was \$ 3,311,259,863.

The tax assessment of October 1, 2011 set a tax levy at \$ 0.5679 per \$ 100 of assessed valuation at 100 percent 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, 2012, delinquent property taxes receivable are \$ 377,339, net of an allowance for doubtful accounts of \$ 265,399.

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

In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operations in January 1980. Since 1982, the appraisal of property within the City has been the responsibility of the Tax Appraisal District of Bell County. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 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 five 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 effective 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 eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the rate of the previous year.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance 10/1/11	Additions Net of CIP Reclassifications	Transfers/ Retirements	Balance 9/30/12
Primary government:				
Governmental Activities:				
Capital Assets not being depreciated				
Land	\$ 13,099,125	\$ 291,343	\$ (60,029)	\$ 13,330,439
Construction in Progress	14,899,744	3,434,180	(14,762,724)	3,571,200
Total Capital Assets not being depreciated	<u>27,998,869</u>	<u>3,725,523</u>	<u>(14,822,753)</u>	<u>16,901,639</u>
Capital Assets being depreciated				
Buildings	58,257,702	14,187,643	-	72,445,345
Infrastructure	119,776,180	788,295	-	120,564,475
Furniture & Equipment	21,131,063	1,347,920	(443,484)	22,035,499
Machinery & Equipment	26,291,948	1,632,741	(392,643)	27,532,046
Total Capital Assets being depreciated	<u>225,456,893</u>	<u>17,956,599</u>	<u>(836,127)</u>	<u>242,577,365</u>
Less Accumulated Depreciation for:				
Buildings	(26,172,765)	(1,561,911)	-	(27,734,676)
Infrastructure	(72,717,707)	(3,294,678)	-	(76,012,385)
Furniture & Equipment	(16,243,058)	(1,110,775)	431,570	(16,922,263)
Machinery & Equipment	(17,152,703)	(1,919,456)	389,708	(18,682,451)
Total Accumulated Depreciation	<u>(132,286,233)</u>	<u>(7,886,820)</u>	<u>821,278</u>	<u>(139,351,775)</u>
Total Capital Assets being depreciated, net	<u>93,170,660</u>	<u>10,069,779</u>	<u>(14,849)</u>	<u>103,225,590</u>
Governmental Activities Capital Assets, net	<u>\$ 121,169,529</u>	<u>\$ 13,795,302</u>	<u>\$ (14,837,602)</u>	<u>\$ 120,127,229</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS (Continued)

	Balance 10/1/11	Additions	Transfers/ Retirements	Balance 9/30/12
Business-type Activities:				
Capital Assets not being depreciated				
Land	\$ 618,471	\$ 33,800	\$ -	\$ 652,271
Construction in Progress	3,818,654	7,761,352	(1,414,587)	10,165,419
Total Capital Assets not being depreciated	<u>4,437,125</u>	<u>7,795,152</u>	<u>(1,414,587)</u>	<u>10,817,690</u>
Capital Assets being depreciated				
Buildings	45,200,673	9,518	-	45,210,191
Infrastructure	135,670,930	2,621,753	-	138,292,683
Furniture & Equipment	1,751,248	24,049	(10,875)	1,764,422
Machinery & Equipment	5,619,315	387,981	(119,571)	5,887,725
Total Capital Assets being depreciated	<u>188,242,166</u>	<u>3,043,301</u>	<u>(130,446)</u>	<u>191,155,021</u>
Less Accumulated Depreciation for:				
Buildings	(21,898,764)	(1,349,723)	-	(23,248,487)
Infrastructure	(53,296,945)	(3,575,624)	-	(56,872,569)
Furniture & Equipment	(1,208,922)	(164,377)	10,875	(1,362,424)
Machinery & Equipment	(2,571,932)	(526,294)	100,636	(2,997,590)
Total Accumulated Depreciation	<u>(78,976,563)</u>	<u>(5,616,018)</u>	<u>111,511</u>	<u>(84,481,070)</u>
Total Capital Assets being depreciated, net	<u>109,265,603</u>	<u>(2,572,717)</u>	<u>(18,935)</u>	<u>106,673,951</u>
Business-type Activities Capital Assets, net	<u>\$ 113,702,728</u>	<u>\$ 5,222,435</u>	<u>\$ (1,433,522)</u>	<u>\$ 117,491,641</u>

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

Governmental activities:	
General Government	\$ 652,274
Public Safety	1,833,799
Highways and Streets	2,273,840
Sanitation	489,073
Health and Welfare	71,542
Culture and Leisure Services	1,708,298
Airport	857,994
Total depreciation expense - Governmental activities	<u>\$ 7,886,820</u>
Business-type activities:	
Water and sewer	\$ 5,616,018
Total depreciation expense - Business-type activities	<u>\$ 5,616,018</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS (Continued)

The City has active construction projects as of September 30, 2012. Total accumulated commitments for ongoing capital projects are composed of the following:

Capital Projects Fund	\$ 39,683,419
Grant Fund	197,299
Water and Sewer Fund	<u>3,365,447</u>
Total	<u>\$ 43,246,165</u>

	Balance 10/1/11	Additions	Transfers/ Retirements	Balance 9/30/12
Discretely presented component units:				
Reinvestment Zone No 1:				
Capital Assets not being depreciated				
Land	\$ 6,501,286	\$ -	\$ (84,802)	\$ 6,416,484
Construction in Progress	707,522	2,936,722	-	3,644,244
Total Capital Assets not being depreciated	<u>7,208,808</u>	<u>2,936,722</u>	<u>(84,802)</u>	<u>10,060,728</u>
Capital Assets being depreciated				
Buildings	1,103,035	-	-	1,103,035
Machinery & Equipment	42,559	-	-	42,559
Infrastructure	49,714,223	151,083	-	49,865,306
Total Capital Assets being depreciated	<u>50,859,817</u>	<u>151,083</u>	<u>-</u>	<u>51,010,900</u>
Less Accumulated Depreciation for:				
Buildings	(170,574)	(30,433)	-	(201,007)
Machinery & Equipment	(10,876)	(2,837)	-	(13,713)
Infrastructure	(10,247,327)	(2,165,988)	-	(12,413,315)
Total Accumulated Depreciation	<u>(10,428,777)</u>	<u>(2,199,258)</u>	<u>-</u>	<u>(12,628,035)</u>
Total Capital Assets being depreciated, net	<u>40,431,040</u>	<u>(2,048,175)</u>	<u>-</u>	<u>38,382,865</u>
Reinvestment Zone No.1 Capital Assets, net	<u>\$ 47,639,848</u>	<u>\$ 888,547</u>	<u>\$ (84,802)</u>	<u>\$ 48,443,593</u>
Temple Economic Development Corporation:				
Buildings & Improvements	\$ 413,931	\$ -	\$ -	\$ 413,931
Office Equipment	199,678	12,638	(36,969)	175,347
Total Capital Assets being depreciated	<u>613,609</u>	<u>12,638</u>	<u>(36,969)</u>	<u>589,278</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(52,761)	(10,614)	-	(63,375)
Office Equipment	(156,635)	(13,459)	30,766	(139,328)
Total Accumulated Depreciation	<u>(209,396)</u>	<u>(24,073)</u>	<u>30,766</u>	<u>(202,703)</u>
Temple Economic Development Corp. Capital Assets, net	<u>\$ 404,213</u>	<u>\$ (11,435)</u>	<u>\$ (6,203)</u>	<u>\$ 386,575</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2012 were:

	Due from Other Funds	Due to Other Funds
Major Funds:		
General Fund	\$ 319,255	\$ -
Nonmajor Funds:		
Special Revenue Fund - Federal/State Grant	-	319,255
Totals	<u>\$ 319,255</u>	<u>\$ 319,255</u>

Interfund receivables represent advances to special revenue funds to be repaid with future grant revenues and future operating revenues. Interfund receivables also represent advances to capital projects fund to be repaid with future bond proceeds.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2012, in the Statement of Net Assets were as follows:

	Property (Net of Allowance)	Other (Net of Allowance)	Other Governments	Total Receivables
General Fund	\$ 216,406	\$ 2,437,009	\$ 80,516	\$ 2,733,931
Debt Service Fund	160,933	40,000	-	200,933
Pass Through Financing Project	-	-	190,190	190,190
Nonmajor Governmental Funds	-	211,318	476,999	688,317
Water & Sewer Fund	-	2,240,404	-	2,240,404
Total	<u>\$ 377,339</u>	<u>\$ 4,928,731</u>	<u>\$ 747,705</u>	<u>\$ 6,053,775</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES (Continued)

Payables at September 30, 2012, in the Statement of Net Assets were as follows:

	Vouchers & Contracts	Retainages	Accrued Payroll	Deposits	Total Payables
General Fund	\$ 2,111,588	\$ -	\$ 1,546,865	\$ 53,339	\$ 3,711,792
Capital Projects Fund	376,653	38,200	-	-	414,853
Pass Through Financing Project	181,598	10,010	-	-	191,608
Nonmajor Governmental Funds	220,935	2,370	43,362	82,820	349,487
Internal Service Fund	392,107	-	-	-	392,107
Water and Sewer Fund	931,671	206,031	173,479	-	1,311,181
Total	<u>\$ 4,214,552</u>	<u>\$ 256,611</u>	<u>\$ 1,763,706</u>	<u>\$ 136,159</u>	<u>\$ 6,371,028</u>

Liabilities payable from restricted assets at September 30, 2012, in the Statement of Net Assets were as follows:

	Water & Sewer Fund
Customer Deposits	<u>\$ 619,338</u>
	<u>\$ 619,338</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. DEFERRED REVENUE

Governmental funds report deferred 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 revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental activities			
General Fund:			
Delinquent property taxes	\$ 188,821	\$ -	\$ 188,821
Street escrow	-	381,407	381,407
Parks escrow	-	304,540	304,540
Police escrow	-	110,923	110,923
Child safety fees	-	109,847	109,847
Animal shelter	-	815	815
Electric franchise	-	1,370,458	1,370,458
Gas franchise	-	266,750	266,750
Development agreement	-	194,267	194,267
Other	-	15,664	15,664
Debt Service Fund:			
Delinquent property taxes	149,732	-	149,732
Nonmajor governmental funds:			
Grant draw downs prior to meeting all eligibility requirements	-	14,525	14,525
Total Governmental Funds	<u>\$ 338,553</u>	<u>\$2,769,196</u>	<u>\$3,107,749</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. 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, 2012:

	Balance October 1, 2011	Additions	Retirements	Balance September 30, 2012	Due within one year
<u>Governmental Activities</u>					
General obligation bonds	\$ 47,040,000	\$ 9,290,000	\$ 8,015,000	\$ 48,315,000	\$ 3,325,000
Certificates of obligations	23,625,000	-	6,465,000	17,160,000	1,075,000
Contractual obligations	-	5,745,000	-	5,745,000	-
Revenue bonds	2,110,000	-	380,000	1,730,000	400,000
Pass-through agreement revenue & limited tax bonds	-	24,700,000	-	24,700,000	-
Notes payable	771,478	-	315,563	455,915	318,679
Plus deferred amount:					
Issuance premium	1,308,366	5,154,623	631,251	5,831,738	631,251
Issuance discount	(268,361)	(291,157)	(37,457)	(522,061)	(37,457)
Deferred amount on refunding	(688,712)	(712,241)	(131,154)	(1,269,799)	(131,154)
Compensated absences	6,653,088	433,338	463,434	6,622,992	543,169
Net pension obligation	2,089,226	4,124,212	3,817,606	2,395,832	-
OPEB liability	1,528,738	516,178	290,240	1,754,676	-
Total governmental activities	<u>84,168,823</u>	<u>48,959,953</u>	<u>20,209,483</u>	<u>112,919,293</u>	<u>6,124,488</u>
<u>Business-Type Activities</u>					
General obligation bonds	14,150,000	18,650,000	410,000	32,390,000	1,160,000
Revenue bonds	56,770,000	-	22,660,000	34,110,000	3,410,000
Notes payable	204,974	-	100,956	104,018	104,018
Plus deferred amount:					
Issuance premium	1,016,416	2,077,097	276,444	2,817,069	276,444
Issuance discount	(275,115)	(226,262)	(52,522)	(448,855)	(288,529)
Deferred amount on refunding	(952,209)	(2,005,747)	(288,530)	(2,669,426)	(51,973)
Compensated absences	358,245	18,569	7,594	369,220	44,306
Net pension obligation	323,247	592,196	547,946	367,497	-
OPEB liability	314,322	84,246	-	398,568	-
Total business-type activities	<u>71,909,880</u>	<u>19,190,099</u>	<u>23,661,888</u>	<u>67,438,091</u>	<u>4,654,266</u>
<u>Component Units</u>					
Reinvestment Zone No. 1	33,142,127	11,488,374	14,089,494	30,541,007	2,604,494
Total component units	<u>33,142,127</u>	<u>11,488,374</u>	<u>14,089,494</u>	<u>30,541,007</u>	<u>2,604,494</u>
Total government	<u>\$ 189,220,830</u>	<u>\$ 79,638,426</u>	<u>\$ 57,960,865</u>	<u>\$ 210,898,391</u>	<u>\$ 13,383,248</u>

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 obligation for employees employed in the corresponding governmental funds. The General Fund has been responsible for liquidating the net OPEB liability for all employees in the corresponding governmental funds.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

Long-term debt at September 30, 2012 is comprised of the following:

	Governmental Type Activities	Business - Type Activities
General obligation bonds:		
\$ 23,495,000 2003 improvement and refunding bonds due in annual installments of \$ 720,000 to \$ 2,395,000 through 2023; interest at 2.5% to 5.0%	\$ 785,000	\$ -
\$ 13,960,000 2005 refunding bonds due in annual installments of \$ 10,000 to \$ 2,215,000 through 2016; interest at 2.50% to 5.0%	3,470,000	-
\$ 9,660,000 2008 bonds due in annual installments of \$ 50,000 to \$ 845,000 through 2028; interest at 3.50% to 5.25%	9,535,000	-
\$ 13,995,000 2009 bonds due in annual installments of \$ 190,000 to \$ 1,130,000 through 2029; interest at 2.50% to 4.25%	13,385,000	-
\$ 3,950,000 2009 refunding bonds due in annual installments of \$ 395,000 to \$ 625,000 through 2017; interest at 2.00% to 3.00%	2,340,000	-
\$ 24,120,000 2011 refunding bonds due in annual installments of \$ 245,000 to \$ 3,250,000 through 2023; interest at 2.00% to 4.00%	9,650,000	14,020,000
\$ 3,045,000 2011A refunding bonds due in annual installments of \$ 40,000 to \$ 785,000 through 2017; interest at 2.00% to 4.255%	3,005,000	-
\$ 24,895,000 2012 refunding bonds due in annual installments of \$ 10,000 to \$ 3,820,000 through 2026; interest at 2.00% to 5.00%	6,145,000	18,370,000
	<u>48,315,000</u>	<u>32,390,000</u>
Certificates of obligation:		
\$ 10,220,000 2006 certificates due in annual installments of \$ 80,000 to \$ 910,000 through 2026; interest at 4.00% to 4.50%	3,880,000	-
\$ 13,520,000 2008 certificates due in annual installments of \$ 35,000 to \$ 1,155,000 through 2028; interest at 3.0% to 5.25%	13,280,000	-
	<u>17,160,000</u>	<u>-</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

	Governmental Type Activities	Business - Type Activities
	<u> </u>	<u> </u>
Contractual obligations:		
\$ 5,745,000 2011 limited tax notes due in annual installments of \$ 1,350,000 to \$ 1,530,000 through 2018; interest at 3.0% to 5.00%	\$ 5,745,000	\$ -
	<u>5,745,000</u>	<u>-</u>
Revenue bonds:		
\$ 5,575,000 2003 refunding bonds due in annual installments of \$ 475,000 to \$ 630,000 through 2013; interest at 2.0% to 3.2%	-	630,000
\$ 7,615,000 2004 refunding bonds due in annual installments of \$ 95,000 to \$ 1,490,000 through 2013; interest at 2.99%	-	1,490,000
\$ 3,550,000 2005 bonds due in annual installments of \$ 110,000 to \$ 465,000 through 2015; interest at 5.27%	1,730,000	-
\$ 20,510,000 2006 bonds due in annual installments of \$ 150,000 to \$ 3,330,000 through 2026; interest at 4.0% to 5.0%	-	2,365,000
\$ 15,030,000 2008 bonds due in annual installments of \$ 445,000 to \$ 1,125,000 through 2028; interest at 3.50% to 5.25%	-	12,965,000
\$ 17,210,000 2010 bonds due in annual installments of \$ 550,000 to \$ 1,925,000 through 2030; interest at 2.25% to 3.75%	-	16,660,000
	<u>1,730,000</u>	<u>34,110,000</u>
Pass-through agreement revenue & limited tax bonds:		
\$ 24,700,000 2012 bonds due in annual installments of \$ 120,000 to \$ 2,310,000 through 2034; interest at 2.0% to 5.0%	24,700,000	-
	<u>24,700,000</u>	<u>-</u>
Notes Payable:		
\$ 1,319,461 2002 promissory note due in monthly installments of \$ 8,740 to \$ 14,692 through 2013; interest at 7.25%	157,106	-
\$ 1,645,811 2002 loan agreement due in quarterly installments of \$ 38,760 to \$ 50,723 through 2013; interest at 3.0%	96,621	104,018
\$ 175,426 2004 loan agreement due in quarterly installments of \$ 3,777 to \$ 5,055 through 2014; interest at 3.0%	44,161	-
\$ 265,372 2009 capital lease due in monthly installments of \$ 3,313 to \$ 3,951 through 2014; interest at 4.88%	158,027	-
	<u>455,915</u>	<u>104,018</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

	Governmental Type Activities	Business - Type Activities
	<u> </u>	<u> </u>
Issuance premium	\$ 5,831,738	\$ 2,817,069
Issuance discount	(522,061)	(448,855)
Deferred amount on refunding	(1,269,799)	(2,669,426)
Accrual for compensated absences	6,622,992	369,220
Accrual for net pension obligation	2,395,832	367,497
Accrual for OPEB liability	1,754,676	398,568
	<u>14,813,378</u>	<u>834,073</u>
 Total primary government debt	 <u>112,919,293</u>	 <u>67,438,091</u>
 Component Units:		
Reinvestment Zone No 1:		
\$ 10,875,000 2009 general obligation bonds due in annual installments of \$ 100,000 to \$ 1,440,000 through 2019, interest at 2.00% to 3.125%; guaranteed by the City of Temple	9,360,000	
\$ 10,405,000 2011A general obligation bonds due in annual installments of \$ 145,000 to \$ 2,404,000 through 2022, interest at 2.00% to 5.00%; guaranteed by the City of Temple	10,260,000	
\$ 480,000 2012 general obligation bonds due in annual installments of \$ 10,000 to \$ 75,000 through 2022, interest at 2.00% to 5.00%; guaranteed by the City of Temple	470,000	
\$ 11,740,000 2003 certificates of obligation due in annual installments of \$ 420,000 to \$ 835,000 through 2022, interest at 2.0% to 4.2%; guaranteed by the City of Temple	600,000	-
\$ 10,365,000 2008 taxable revenue bonds due in annual installments of \$ 215,000 to \$ 1,180,000 through 2022, interest at 5.29%; guaranteed by the City of Temple	9,445,000	-
Issuance premium	930,894	-
Issuance discount	(72,751)	-
Deferred amount on refunding	(452,136)	-
	<u>30,541,007</u>	<u>-</u>
Total component units debt	<u>30,541,007</u>	<u>-</u>
Total debt - reporting entity	<u>\$ 143,460,300</u>	<u>\$ 67,438,091</u>

The annual requirements to amortize debt outstanding as of September 30, 2012, follow. 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.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

General Obligation Bonds

Year Ending September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2013	\$ 3,325,000	\$ 1,861,809	\$ 1,160,000	\$ 1,156,675	\$ 1,230,000	\$ 662,169	\$ 9,395,653
2014	3,350,000	1,763,851	1,350,000	1,123,225	1,775,000	637,569	9,999,645
2015	3,455,000	1,666,279	1,390,000	1,096,225	1,835,000	596,919	10,039,423
2016	3,600,000	1,564,635	1,435,000	1,068,425	1,955,000	550,025	10,173,085
2017	3,465,000	1,448,425	2,260,000	1,032,600	2,000,000	498,750	10,704,775
2018-2022	17,030,000	5,376,150	12,465,000	3,994,800	11,295,000	1,386,649	51,547,599
2023-2027	11,040,000	1,970,850	12,330,000	1,122,850	-	-	26,463,700
2028-2029	3,050,000	179,744	-	-	-	-	3,229,744
Total	\$ 48,315,000	\$ 15,831,743	\$ 32,390,000	\$ 10,594,800	\$ 20,090,000	\$ 4,332,081	\$131,553,624

Certificates of Obligations

Year Ending September 30	<u>Governmental Activities</u>		<u>Component Units</u>		Total
	Principal	Interest	Principal	Interest	
2013	\$ 1,075,000	\$ 781,844	\$ 600,000	\$ 19,200	\$ 2,476,044
2014	1,125,000	739,131	-	-	1,864,131
2015	1,170,000	694,394	-	-	1,864,394
2016	1,240,000	647,869	-	-	1,887,869
2017	690,000	596,831	-	-	1,286,831
2018-2022	3,910,000	2,518,192	-	-	6,428,192
2023-2027	6,795,000	1,300,051	-	-	8,095,051
2028	1,155,000	53,419	-	-	1,208,419
Total	\$ 17,160,000	\$ 7,331,731	\$ 600,000	\$ 19,200	\$ 25,110,931

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

Contractual Obligations

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2013	\$ -	\$ 229,100	\$ 229,100
2014	-	229,100	229,100
2015	1,350,000	229,100	1,579,100
2016	1,405,000	175,100	1,580,100
2017	1,460,000	118,900	1,578,900
2018	1,530,000	45,900	1,575,900
Total	<u>\$ 5,745,000</u>	<u>\$ 1,027,200</u>	<u>\$ 6,772,200</u>

Pass-Through Agreement Revenue & Limited Tax Bonds

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2013	\$ -	\$ 1,329,854	\$ 1,329,854
2014	-	1,139,875	1,139,875
2015	-	1,139,875	1,139,875
2016	120,000	1,139,875	1,259,875
2017	895,000	1,137,475	2,032,475
2018-2022	4,965,000	5,207,725	10,172,725
2023-2027	7,145,000	3,963,375	11,108,375
2028-2032	7,795,000	2,076,800	9,871,800
2033-2034	3,780,000	285,750	4,065,750
Total	<u>\$ 24,700,000</u>	<u>\$ 17,420,604</u>	<u>\$ 42,120,604</u>

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

Revenue Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Component Units		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 400,000	\$ 80,631	\$ 3,410,000	\$ 1,296,636	\$ 740,000	\$ 499,640	\$ 6,426,907
2014	420,000	59,024	1,890,000	1,187,000	780,000	460,494	4,796,518
2015	445,000	36,231	1,940,000	1,116,800	820,000	419,232	4,777,263
2016	465,000	12,253	1,995,000	1,043,150	865,000	375,854	4,756,257
2017	-	-	1,285,000	967,413	910,000	330,096	3,492,509
2018-2022	-	-	7,170,000	4,120,538	5,330,000	874,968	17,495,506
2023-2027	-	-	9,740,000	2,544,924	-	-	12,284,924
2028-2030	-	-	6,680,000	465,019	-	-	7,145,019
Total	\$ 1,730,000	\$ 188,139	\$ 34,110,000	\$ 12,741,480	\$ 9,445,000	\$ 2,960,284	\$ 61,174,903

Notes Payable

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$ 318,679	\$ 15,226	\$ 104,018	\$ 1,958	\$ 439,881
2014	132,180	2,198	-	-	134,378
2015	5,056	38	-	-	5,094
Total	\$ 455,915	\$ 17,462	\$ 104,018	\$ 1,958	\$ 579,353

(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.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

(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, 2012.

(3) Taxable Revenue Bonds -

Taxable Revenue Bonds constitute special obligations of the City and are payable from and secured by an irrevocable first lien on and pledge of the net revenues of the Airport, and said net revenues are further pledged irrevocably to the establishment and maintenance of the funds.

The Taxable Revenue Bonds, Series 2005, are collateralized by the net revenue of the Airport established by the bond ordinance. The ordinance provides that the revenue of the Airport is to be used first to pay operating and maintenance expenses of the Airport and second to establish and maintain the Taxable Revenue Bond funds. The ordinance also contains provisions which, among other items, restrict the issuance of additional debt, unless the City has sufficient funds to establish and maintain funds for the payment thereof. The City is in compliance with all significant requirements as of September 30, 2012.

The Taxable Revenue Bonds, Series 2008, are collateralized by the tax increment generated by the Reinvestment Zone No.1 (a discretely presented component unit) by the First Supplemental Ordinance to the Master Ordinance Establishing the City of Temple, Texas Reinvestment Zone Number One Tax Increment Revenue Financing Program. The ordinance provides that the revenue of the Reinvestment Zone No. 1 be used to meet all financial obligations related to the bonds. The City is in compliance with all significant requirements as of September 30, 2012.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

(4) 2012 Refundings/Issuances

In November 2011, the City partially advance refunded the Series 2003 General Obligation Refunding & Improvement Bonds, the Series 2003 Certificates of Obligation Bonds, and the Series 2008 Certificates of Obligation Bonds. The net proceeds of the \$ 14,443,573 of general obligation refunding bonds (after payment of underwriting fees and other issuance costs) were deposited into irrevocable trusts 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 has been removed from the City's financial statements.

This advanced refunding will reduce the total debt service payments over the next 11 years by \$ 965,137 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 \$ 822,939.

In May 2012, the City partially advance refunded the Series 2003 General Obligation Refunding & Improvement Bonds, the Series 2003 Certificates of Obligation Bonds, the Series 2006 Certificates of Obligation Bonds and the Series 2006 Utility Revenue Bonds. The net proceeds of the \$ 28,192,726 of general obligation refunding bonds (after payment of underwriting fees and other issuance costs) were deposited into irrevocable trusts 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 has been removed from the City's financial statements.

This advanced refunding will reduce the total debt service payments over the next 14 years by \$ 2,509,119 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 \$ 2,099,033.

In November 2011, the City issued \$ 5,745,000 in Limited Tax Notes to fund the costs to remediate the defects in the design and construction of the Police Department building, to eliminate mold, and to correct other design and construction defects in the building as it was constructed.

In June 2012, the City issued \$ 24,700,000 in Pass-Through Agreement Revenue and Limited Tax Bonds to fund the construction and other costs associated with the NW Loop 363 Improvement project.

In the debt service fund, a fund balance of \$ 2,960,522 is available to service general long-term debt. There is also a reserve fund in the Reinvestment Zone No. 1 (a discretely presented component unit) of \$ 3,717,664 available to pay principal and interest on certificates of obligation bonds issued by the Reinvestment Zone No. 1.

The bond indentures require the establishment and maintenance of interest and sinking funds and

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

reserve funds in varying amounts. Restricted cash on the accompanying combined balance sheet represents these amounts. The enterprise fund has restricted cash of \$ 16,589,136, of which \$ 1,170,692 will be used to pay accrued interest and current maturities of bond indentures, \$ 1,552,723 represents the bond reserve funds, \$ 13,246,383 represents remaining bonds proceeds, and the remaining \$ 619,338 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.

H. INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2012 were as follows:

	Transfers In	Transfers Out
Major Funds:		
General	\$ 515	\$ 1,807,345
Debt Service	118,809	515
Capital Projects	835,725	88
Nonmajor Governmental Funds:		
Special Revenue	<u>375,306</u>	<u>37,901</u>
Subtotal of Governmental Funds	<u>1,330,355</u>	<u>1,845,849</u>
Water and Sewer Fund	-	75,765
Internal Service Fund	<u>591,259</u>	-
Total	<u>\$ 1,921,614</u>	<u>\$ 1,921,614</u>

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

IV. OTHER INFORMATION

A. COMMITMENTS AND CONTINGENCIES

Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

A. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation (Continued)

material adverse effect on the financial condition of the government. The City has discovered mold in our Police headquarters facility. In the course of investigating the extent of the mold and the causes of the mold, the City identified a number of defects in the design and construction of the building. The City has engaged design professionals and a construction manager at risk to address defects in design and construction of the building, to eliminate mold, and to correct other design and construction defects in the building as it was constructed. The renovations to the building will also improve the operating efficiency of the building in the future. The costs of repairs are \$ 5,440,552 and were completed in January 2012. The City has filed a lawsuit against the original project architect, a HVAC design firm that assisted the architect, and the original contractor, to recover all of the costs of remediating mold in the building and curing any other design or construction related defects in the building. The City believes the lawsuit has merit. The City is seeking recovery of all costs associated with renovations to include but are not limited to design, construction, relocation, legal, and other related expenditures. The City is currently in mediation hearings and a settlement should be reached by late winter 2013.

Grants

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

Long-Term Agreements

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

Operation of Doshier Farm Wastewater Treatment Plant - A commercial entity has provided operations and maintenance of the Doshier Farm Wastewater Plant (WWTP), twenty-four (24) lift stations (serving the Doshier Farm WWTP and the Temple-Belton BRA 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. The City entered into another agreement with the same commercial entity to provide the operations listed above for the period October 1, 2004 through September 30, 2010. On May 21, 2009, the City renewed the agreement with commercial entity to provide same operations listed above and added three (3) additional lift stations that were not part of the current agreement for the period October 1, 2009 through September 30, 2014.

The City retains ownership of the Doshier Farm WWTP and its associated equipment. The City also retains all relevant permits in its name.

The City's major responsibility is paying the contractor the agreed annual compensation in monthly installments due on the first of each month. The base fee for the remaining years of the new agreement are \$ 1,272,121 (2013) and \$ 1,311,557 (2014).

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

A. COMMITMENTS AND CONTINGENCIES (Continued)

Long-Term Agreements (Continued)

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 new agreement, the contractor pays the City \$ 626,400 annually (\$ 52,200 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:

\$ 2.63/ton up to 200,000 tons
\$ 3.29/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 City is obligated to deliver all solid waste from its sanitation operation to the landfill. The City pays a fee at delivery which was \$24.69 per ton during the period through September 30, 2012.

The contractor is responsible for all costs of operating the landfill, including the costs of closure, post-closure care cost and compliance with federal and state requirements.

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

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

Future Commitments

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.

The total project cost is currently budgeted at \$ 53,541,208. The Department will fund \$ 20,000,000 with Category 12 funds to be reimbursed to the City for eligible construction expenditures. These payments will be made prior to the Department's pass-through reimbursements and be made at the

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

A. COMMITMENTS AND CONTINGENCIES (Continued)

Future Commitments (Continued)

time of construction. The maximum amount to be paid in annual installments under the pass-through reimbursements will begin after construction is completed and shall not exceed \$ 16,555,000.

Under no circumstances will the annual payment be less than \$ 752,500 over 20 years or more than \$ 1,505,000 over 10 years. The City's share of the project of \$ 16,686,208 plus financing costs will be funded by Pass-Through Agreement Revenue and Limited Tax Bonds in order to fund the amount needed. Other funding sources that are included in the City's share include currently issued and available Certificate of Obligation funds, Utility Revenue bonds, and Reinvestment Zone No. 1 funds.

On May 24, 2012, the City authorized a construction contract with James Construction Group, LLC in an amount not to exceed \$ 39,883,619 for the construction of this project. Construction is estimated to be completed in early summer 2014. The bonds to fund the construction were sold on May 24, 2012, as well.

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. SELF-FUNDED HEALTH INSURANCE

The City is self-insured for medical claims. The self-insurance program is maintained in the Self-Funded Health Insurance Internal Service Fund. This program provides health benefit coverage in accordance with a pre-approved plan that establishes coverage limits per employee per year with an unlimited lifetime maximum per employee. The City purchases commercial insurance for claims in excess of a contractual City liability limit which is \$125,000 per member. Additionally, commercial insurance covers claims in excess of an aggregate amount for the City up to 120% of the expected medical claims per plan year. Settled claims have not exceeded the commercial coverage during the year. The liability is estimated based upon claims settled within the next three months. Fiscal

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

C. SELF-FUNDED HEALTH INSURANCE (Continued)

year 2011 was the first year of the plan. As data becomes available, two of the most recent fiscal periods will be presented. An analysis of claims activity is presented below:

Plan Year Ended	Beginning Liability	Claims and Changes in Estimates	Actual Claims Payments	Balance at Year-End
9/30/2011	\$ -	\$ 2,212,562	\$ 2,050,531	\$ 162,031
9/30/2012	162,031	2,881,942	2,752,739	291,234

D. TAX ABATEMENTS

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 on certain improvements constructed after the date the agreement was reached. 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	Effective Tax Year	Firm	2012 Abated Value	Term of Abatement	Abatement Percentage
7/05	Jan-07	Scientific Recycling, Inc.	\$ -	5 years	25%
2/06	Jan-07	LJT Texas Realty, Inc.	3,650,000	5 years	100%
7/06	Jan-07	McLane Group, LP	2,534,782	10 years	10% to 100%
9/06	Jan-07	First Central Joint Venture	241,439	5 years	100%
12/06	Jan-08	Oro Holdings, Ltd. Dba Gidden Distributing, Inc.	688,996	5 years	75%
02/07	Jan-08	Jencer Investments, Inc. {Computer Service Center}	-	3 years	100%
03/07	Jan-08	Celedonio and Adela Hernandez	98,303	5 years	75%
06/07	Jan-08	Pactiv Corporation	4,396,909	5 years	100%
05/08	Jan-09	Jencer Investments, Inc. {Computer Service Center}	492,896	5 years	75%
07/09	Jan-10	McLane Group, LP/McLane Advanced Technologies, LLC	-	10 years	10% to 100%
08/09	Jan-10	Texquest Investments LLC	179,353	5 years	100%
02/09	Jan-11	H.E. Butt Grocery	29,881,556	10 years	100%
09/10	Jan-11	Akzo Nobel Paints LLC - Liquid Nails Division	-	5 years	50%
01/11	Jan-11	Fikes Wholesale, Inc.	-	5 years	100%
05/11	TBD	Panda Temple Power, LLC	-	10 years	50%
06/11	Jan-12	LJT Texas Realty, Inc.	-	5 years	50%
06/11	Jan-12	Pactiv Corporation	-	5 years	80%
01/12	Jan-12	Sparetime Entertainment, LLC	-	5 years	100%

During fiscal year 2012, the total amount of abated property value was \$ 42,164,234. Based on the city tax rate of \$ 0.5679 per \$ 100 of value, the foregone tax levy due to abatement agreements was \$ 239,451.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS

(1) Retirement Plans

Plan Description

The City participates in two retirement plans. The Texas Municipal Retirement System covered 617 employees as of December 31, 2011. The Temple Firefighter's Relief and Retirement Fund covered 114 employees as of September 30, 2012.

The Texas Municipal Retirement System The City provides pension benefits for all of its full time and benefits eligible part-time employees, except fire fighters, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 847 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing statutes of TMRS.

Benefits - Upon retirement, benefits depend on the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as an Updated Service Credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming that the current member deposit rate of the currently employing city has always been in effect. The computation also assumes that the member's salary has always been the member's average salary, using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the city match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members may choose to receive their retirement in one of seven payment options: retiree life only; one of three lifetime survivor options; or one of three guaranteed term options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution (PLSD) in an amount equal to 12, 24, or 36 monthly payments under the retiree life only option, which cannot exceed 75% of the total member deposits and interest. The City has elected to increase the annuities of its retirees on an annually repeating basis, effective January 1 of a calendar year. The City has

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(1) Retirement Plans (Continued)

adopted annuity increases at a rate equal to 70% of the increase (if any) of the Consumer Price Index – all Urban Consumers (CPI-U) between the December preceding the member’s retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

Members may work for more than one TMRS city during their career. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Employee Deposit Rate:	7 %
Matching Ratio (City to Employee)	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the city are: 5 years/age 60, 20 years/any age.

Temple Firefighters’ Relief and Retirement Fund The Board of Trustees of the Temple Firefighters’ Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The Fund has separately issued audited financial statements for the year ended September 30, 2012. Firefighters in the Temple Fire Department are covered by the Temple Firefighters’ Relief and Retirement Fund. The table below summarizes the membership of the fund included in the audited financial statements as of September 30, 2012.

	September 30, <u>2012</u>
a. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	62
b. Current employees	<u>114</u>
c. Total	<u><u>176</u></u>

The Temple Firefighters’ Relief and Retirement Fund provided 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

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(1) Retirement Plans (Continued)

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. As of the September 30, 2012 actuarial valuation date, the plan effective April 9, 2009, the fund 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 Salary plus \$ 90 per month for each year of service in excess of 20.

There is no provision for automatic postretirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc post-retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters Retirement Act (TLFFRA). TLFFRA provided the authority and procedure to amend benefit provisions.

Contribution Method and Benefits

Texas Municipal Retirement System

Under the state law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded actuarial liability over 26.2-years using a closed amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and annuity increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2011 valuation is effective for rates beginning January 2013).

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(1) Retirement Plans (Continued)

Contribution Method and Benefits (Continued)

The annual pension cost and net pension obligation are as follows:

	<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>
Annual required contribution	\$ 4,103,679	\$ 589,019	\$ 4,692,698
Interest on prior year net pension obligation	146,246	22,627	168,873
Adjustment to ARC	<u>(125,713)</u>	<u>(19,450)</u>	<u>(145,163)</u>
Annual pension cost	4,124,212	592,196	4,716,408
Contribution made	<u>(3,817,606)</u>	<u>(547,946)</u>	<u>(4,365,552)</u>
Increase in net pension obligation	306,606	44,250	350,856
Net pension obligation - beginning of year	<u>2,089,226</u>	<u>323,247</u>	<u>2,412,473</u>
Net pension obligation - end of year	<u>\$ 2,395,832</u>	<u>\$ 367,497</u>	<u>\$ 2,763,329</u>

Temple Firefighters' Relief and Retirement Fund

The contribution provisions of this plan 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.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing 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, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using an open, level percentage of payroll method.

The costs of administering the plan are financed from the trust.

The funding policy of the Temple Firefighters' Relief and Retirement Fund requires contributions equal to 14.69% of pay by the firefighters. The City of Temple contributes the lesser of the rate the City contributes to the Texas Municipal Retirement System for the retirement cost portion of the rate or the rate the firefighter's contribute to the Firefighter's Pension and Retirement Fund for the retirement cost portion of the rate.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(1) Retirement Plans (Continued)

Contribution Method and Benefits (Continued)

These disclosures are based on the actuarial valuation of the fund by the prior actuary.

A summary of actuarial assumptions is as follows:

	<u>Texas Municipal Retirement System</u>	<u>Temple Firefighters' Relief and Retirement Fund</u>
Actuarial Valuation Date	December 31, 2011	September 30, 2012
Actuarial Cost Method	Projected Unit Credit	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll, open
Remaining Amortization Period	26.2 Years - Closed Period	31 years
Asset Valuation Method	10-year smoothed market	Market value smoothed by a five-year deferred recognition method with a 90%/110% corridor on market
Investment Rate of Return	7.0%	8.00%
Projected Salary Increases	Varies by age and service	4.00% to 9.20% per year
Includes Inflation At	3.00%	4.00%
Cost-of-Living Adjustments	2.10% (70% of CPI)	None
Payroll Growth Rate	3.00%	4.00%

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(1) Retirement Plans (Continued)

Schedule of Funding Progress:

Texas Municipal Retirement System		Prior to		
		Restructuring	Restructured	
Actuarial Valuation Date	12/31/2009	12/31/2010	12/31/2010	12/31/2011
Actuarial Value of Assets	\$ 56,517,812	\$ 59,088,284	\$102,715,806	\$110,135,037
Actuarial Accrued Liability (AAL)	91,876,796	96,482,373	132,228,203	138,612,957
Funded Ratio	61.5%	61.2%	77.7%	79.5%
Unfunded AAL (UAAL)	35,358,984	37,394,089	29,512,397	28,477,920
Covered Payroll	25,179,120	25,450,326	25,450,326	26,260,983
UAAL as a Percentage of Covered Payroll	140.4%	146.9%	116.0%	108.4%

Temple Firefighters' Relief and Retirement Fund

Actuarial Valuation Date	9/30/2008	9/30/2010	9/30/2012
Actuarial Value of Assets	\$ 30,270,841	\$ 33,272,723	\$ 34,400,736
Actuarial Accrued Liability (AAL)	39,027,627	43,373,453	45,148,511
Funded Ratio	77.6%	76.7%	76.2%
Unfunded AAL (UAAL)	8,756,786	10,100,730	10,747,775
Covered Payroll	6,176,101	6,164,329	6,503,608
UAAL as a Percentage of Covered Payroll	141.8%	163.9%	165.3%

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of contributions, benefits and actuarial methods and assumptions used by the System. The 2011 TMRS Comprehensive Annual Financial Report may be obtained from TMRS' website at www.TMRS.com.

The Temple Firefighters' Relief and Retirement Fund financial statements and required supplementary information are contained in the 2012 Temple Firefighters' Relief and Retirement Fund's separately issued audited financial statements are available from the Board of Trustees, Temple Firefighters' Relief and Retirement Fund, c/o Extraco Trust Services, P. O. Box 6101, Temple, Texas 76503-6101.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(1) Retirement Plans (Continued)

	Texas Municipal Retirement System	Temple Firefighters' Relief and Retirement Fund
Authority establishing contributions obligation	State legislation	State legislation
Frequency of contribution (percent of earnings)	Monthly	Biweekly
Employee's contribution	7.00%	14.69%
City's contribution (percent of earnings)	16.76%	14.93%
Period required to vest	5 years	20 years
Eligibility for distribution of retirement benefits to member or beneficiary	Age 60 with 5 or more years of credible service, or 20 years credible service, regardless of age	Age 50 with 20 years of credible service, or Partial benefit with at least 10 years of service, but less than 20 years of service, or Actuarially reduced early service retirement benefits with 20 years of service and attainment of age 45.

**CITY OF TEMPLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012**

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(1) Retirement Plans (Continued)

	Texas Municipal Retirement System	Temple Firefighters' Relief and Retirement Fund
	At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and employer financed monetary credits with interest were used to purchase an annuity.	The monthly benefit at normal retirement, payable in joint and 2/3 to spouse form of annuity, is equal to 65.75% of highest 60-month average salary plus \$ 90 per month for each year of service in excess of 20 years.
		The Deferred Retirement Option Plan (DROP) is eligible to members after 23 years of service and attained age at 53.
Funding of administrative costs	Investment earnings	Investment earnings
Updated Service Credit	100% Repeating, Transfers	N/A
Increases in Benefits	Annual increase equal to 70% of CPI	None
Terms of Benefits	For both plans, terms of benefits are determined by certain elections made by the member, the member's level of earnings and length of service.	
	Benefits are distributed in equal monthly installments over a period of time, or in a lump sum in the event of death. Distributions are also available in the event of total permanent disability.	

Temple Firefighters' Relief and Retirement Fund

The Deferred Retirement Option Plan (DROP)

A member is eligible to participate in the DROP program after he has both completed 23 years of service and attained age 53. A member's benefit under the DROP option is based on his DROP eligibility date. The DROP eligibility date is the later of (i) the date the member met the DROP eligibility requirements, above; or (ii) the date two years prior to the date he actually retires.

**CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012**

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(1) Retirement Plans (Continued)

Temple Firefighters' Relief and Retirement Fund (Continued)

The Deferred Retirement Option Plan (DROP) (Continued)

Amount of Monthly Retirement Income to DROP Program Participants

The amount of monthly retirement income that is payable to a member who retires after electing the DROP option will equal the monthly service retirement benefit that the member had earned under the fund as of his DROP eligibility date. The benefit formula used, however, will be the service retirement formula in effect on the member's date of retirement.

Upon retirement, the member will receive – in addition to his monthly retirement benefit – a DROP payment equal to the sum of:

- (a) the amount of monthly contributions that the member has made to the fund during the time he participated in the DROP, plus
- (b) the total of the monthly retirement benefits the member would have received between the time he entered the DROP and the time he retired under the plan.

Current Year Annual Pension Cost and Net Pension Obligation

Current year annual pension costs for the Texas Municipal Retirement System and Firefighter's Relief and Retirement Fund are shown on the following page. Beginning with contributions in January 2009, TMRS approved an optional eight-year phase in period which allows the City the opportunity to increase their contribution gradually to their required contribution rate. The City's annual pension costs, actual contributions, and net pension obligations for 2012, 2011 and 2010 are shown on the following page.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(1) Retirement Plans (Continued)

Current Year Annual Pension Cost and Net Pension Obligation (Continued)

The annual pension costs and net pension obligations are as follows:

Texas Municipal Retirement System

<u>Year End</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/2010	\$ 4,574,719	\$ 3,651,676	80%	\$ 1,595,910
9/30/2011	4,778,509	3,961,947	83%	2,412,473
9/30/2012	4,716,407	4,365,552	93%	2,763,329

Temple Firefighters' Relief and Retirement Fund

<u>Year End</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/2010	\$ 918,703	100%	\$ -
9/30/2011	928,242	100%	-
9/30/2012	1,013,050	100%	-

Reserves

There are no assets legally reserved for purposes other than the payment of plan member benefits for the Firefighter's Relief and Retirement Fund. The Firefighter's Relief and Retirement Fund held no individual investments (other than U.S. government guaranteed obligations) whose market value exceeds five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

(2) Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1, of any year to be effective the following January 1.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(2) Supplemental Death Benefits Fund (Continued)

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). Retired employees are insured for \$ 7,500; this coverage is an "other postemployment benefit" or OPEB.

Contributions

The 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 employee's entire careers.

The City's contributions to the TMRS SBDF for the fiscal years ended 2012, 2011, and 2010 were \$ 15,148, \$ 12,082, and \$ 12,011 respectively, which equaled the required contributions each year.

A summary of the annual required contributions is as follows:

**Texas Municipal Retirement System
Supplemental Death Benefits Fund**

<u>Plan Year Ended</u>	<u>Total Annual Contribution as a Percentage of Payroll</u>	<u>Required Annual Contribution as a Percentage of Payroll</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of Required Contribution Contributed</u>
9/30/2010	0.05%	0.05%	\$ 12,011	100%
9/30/2011	0.05%	0.05%	12,082	100%
9/30/2012	0.06%	0.06%	15,148	100%

(3) Deferred Compensation Fund

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by one trustee; the International City Management Association Retirement Corporation (ICMA-RC). In 1998, the City implemented the requirements of GASB Statement No. 32, "Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". In accordance with this statement and recent tax law changes, the City has amended their trust agreement which establishes that all assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. Due to the implementation of these changes, the City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustee. Accordingly, the City has not presented the assets and income from

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

E. EMPLOYEE BENEFITS (Continued)

(3) Deferred Compensation Fund (Continued)

the plan in these Financial Statements. Deferred compensation investments are held by an outside trustee. Plan investments are chosen by the individual (employee) participant and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments or a combination of these.

The plan, available to all permanent City employees, permits them to defer until future years up to 100% of annual gross earnings not to exceed \$ 17,000. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

F. OTHER POST- EMPLOYMENT BENEFITS

Plan Description

In addition to providing pension benefits, the City provided certain other post-employment benefits to its retirees. Other post-employment benefits include health and dental insurances for the retiree and the retiree's family. The benefits described below represent the benefits currently in place and projected to be in place in the future. However, the projected future benefits do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. These benefits are part of a single-employer benefit OPEB plan. The plan does not issue a publicly available financial report.

Opportunity to Purchase Health and/or Dental Insurance

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.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

F. OTHER POST- EMPLOYMENT BENEFITS (Continued)

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 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 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 Firefighter's Relief and Pension Fund commencing within 60 days of his or her retirement from the City.

- 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 Firefighter's Relief and Pension Fund commencing within 60 days of his or her retirement from the City.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

F. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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. If a retiree attains age 65, and had coverage for a dependent that has not attained age 65, the dependent will be eligible to continue coverage, at 100% the retiree's cost, under the City Plan for employees until attaining age 65. The dependent, upon attaining age 65, will be eligible to enroll in the substitute Medicare Supplement adopted by the City at 100% the retiree's cost. 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.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

F. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Provisions Regarding Medicare for Retirees Over the Age of 65 (Continued)

- 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.

Expenditures for other post-employment benefits are recognized on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as payroll expenditures within the Human Resources Department. The cost of providing these benefits for the year ended September 30, 2012 for one hundred-nine (109) retirees was \$ 351,462.

In the fiscal year 2009, the City implemented GASB Statement No. 45. The following liability is recognized in the government-wide financial statements as of September 30, 2012.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets held in an irrevocable trust is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

F. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual Other Post-Employment (OPEB) Cost and Net OPEB Obligation

The annual OPEB cost associated with the City's retiree benefits for the fiscal year ended September 30, 2012, is as follows.

	Governmental	Proprietary	Total
Annual required contribution	\$ 511,121	\$ 83,206	\$ 594,327
Interest on prior year net OPEB obligation	68,793	14,145	82,938
Adjustment to ARC	(63,736)	(13,105)	(76,841)
Annual OPEB cost	516,178	84,246	600,424
Contributions made	(290,240)	-	(290,240)
Estimated increase in net OPEB obligation	225,938	84,246	310,184
Net OPEB obligation - beginning of year	1,528,738	314,322	1,843,060
Estimated net OPEB obligation - end of year	<u>\$ 1,754,676</u>	<u>\$ 398,568</u>	<u>\$ 2,153,244</u>

Plan Year Ended	Assumed Annual Contribution	OPEB Benefit Cost (ABC)	of Required Contribution Contributed	Net OPEB Obligation
9/30/2009	\$ 247,571	\$ 1,235,677	20%	\$ 988,106
9/30/2010	146,488	578,338	25%	1,419,956
9/30/2011	154,160	577,265	27%	1,843,060
9/30/2012	290,240	600,424	48%	2,153,244

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value for Assets	Actuarial Accrued Liability (AAL) Unit Credit	Percentage Funded (1)/(2)	Unfunded Actuarial Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Payroll (4)/(5)
9/30/2008	\$ -	\$ 11,917,175	0.0%	\$ 11,917,175	\$ 29,453,274	40.5%
9/30/2009	-	-	-	Not Available	-	-
9/30/2010	-	7,402,254	0.0%	7,402,254	30,223,689	24.5%
9/30/2011	-	-	-	Not Available	-	-
9/30/2012	-	7,406,228	0.0%	7,406,228	32,051,174	23.1%

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

F. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual Other Post-Employment (OPEB) Cost and Net OPEB Obligation (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method and significant assumptions underlying the actuarial calculation are as follows:

Summary of Actuarial Valuations

Actuarial Valuation Date	9/30/2010	9/30/2011	9/30/2012
Actuarial Cost Method	Projected Unit Credit	Not Available	Projected Unit Credit
Amortization Method	Level as a percentage employee payroll		Level as a percentage employee payroll
Amortization Period	30 years, open		30 years, open
Asset Valuation Method	Market Value, if any		Market Value, if any
Investment Rate of Return	4.50%		4.50%
Inflation Rate	3.00%		3.00%
Salary Growth	3.00%		3.00%
Health Care Cost Trend Rate	Initial rate of 9% declining to an ultimate rate of 4.50% after 9 years		Initial rate of 8.5% declining to an ultimate rate of 4.50% after 8 years

CITY OF TEMPLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

IV. OTHER INFORMATION (Continued)

G. PRIOR PERIOD ADJUSTMENT

During a prior fiscal year, a liability was recorded in the Capital Projects Fund for an amount due the Internal Revenue Service for arbitrage. Subsequently, the arbitrage payable was recalculated and no amount is due to the Internal Revenue Service. This adjustment increased net assets by \$7,727.

H. SUBSEQUENT EVENTS

On November 1, 2012, the City issued \$ 4,645,000 of Combination Tax and Revenue Certificates of Obligation taxable bonds. The interest rate of the bonds range from 1.5% to 3.0% and the maturity date of the bonds is August 1, 2025. These bonds were issued for the permitting, construction, and other costs related to the expansion of the City's landfill including land acquisition.

On November 1, 2012, the City issued \$ 9,420,000 of Combination Tax and Revenue Certificates of Obligation bonds. The interest rate of the notes range from 2.0% to 3.0% and the maturity date of the bonds is August 1, 2025. These notes were issued to fund constructing, reconstructing, improving, extending, expanding, upgrading and/or developing streets bridges, sidewalks, intersections, traffic signalization, and other traffic improvement projects as part of the first phase of the City's Transportation Capital Improvement Program.

On October 4, 2012, the City adopted a resolution to terminate the prior agreement with the Railroad and Heritage Museum Foundation. The Foundation has been operating the Museum and leasing the Santa Fe Depot. The City and the Foundation agreed to terminate the prior agreement, and the City will take over operations of the Museum effective October 1, 2012. The entire collection and archives which constitute the Museum will be lent to the City to be used in the Museum. The Foundation agreed to return to the City all funds previously provided to the Foundation by the City as financial support under section 3.1 of the prior agreement.

**CITY OF TEMPLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS
(unaudited)**

Texas Municipal Retirement System

Actuarial Valuation Date	Actuarial Value for Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Percentage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Payroll (4)/(5)
12/31/2009	\$ 56,517,812	\$ 91,876,796	61.5%	\$ 35,358,984	\$ 25,179,120	140.4%
12/31/2010 *	59,088,284	96,482,373	61.2%	37,394,089	25,450,326	146.9%
12/31/2010 **	102,715,806	132,228,203	77.7%	29,512,397	25,450,326	116.0%
12/31/2011	110,135,037	138,612,957	79.5%	28,477,920	26,260,983	108.4%

* Prior to restructuring

** Restructured

**Temple Firefighters'
Relief and Retirement Fund**

Actuarial Valuation Date	Actuarial Value for Assets	Actuarial Accrued Liability (AAL) Entry Age	Percentage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Payroll (4)/(5)
9/30/2008	\$ 30,270,841	\$ 39,027,627	77.6%	\$ 8,756,786	\$ 6,176,101	141.8%
9/30/2010	33,272,723	43,373,453	76.7%	10,100,730	6,164,329	163.9%
9/30/2012	34,400,736	45,148,511	76.2%	10,747,775	6,503,608	165.3%

Other-Post Employment Benefits

Actuarial Valuation Date	Actuarial Value for Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Percentage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Payroll (4)/(5)
9/30/2008	\$ -	\$ 11,917,175	0.0%	\$ 11,917,175	\$ 29,453,274	40.5%
9/30/2009	-	-	Not Available	-	-	-
9/30/2010	-	7,402,254	0.0%	7,402,254	30,223,689	24.5%
9/30/2011	-	-	Not Available	-	-	-
9/30/2012	-	7,406,228	0.0%	7,406,228	32,051,174	23.1%

**CITY OF TEMPLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
(unaudited)**

Temple Firefighters' Relief and Retirement Fund

Plan Year Ended	Annual Contribution as a Percentage of Payroll (1)	Annual Required Contribution (ARC)	Percentage of Required Contribution Contributed
9/30/2007	13.93%/13.85%	\$ 777,661	100%
9/30/2008	13.85%/14.31%	839,038	100%
9/30/2009	14.31%/14.69%	870,987	100%
9/30/2010	14.69%/14.93%	918,703	100%
9/30/2011	14.93%	928,242	100%
9/30/2012	14.93%	1,013,050	100%

(1) The first percentage was the rate contributed for the first three months October through December, while the second percentage was the rate contributed for the last nine months January through September.

Other-Post Employment Benefits

Plan Year Ended	Estimated Annual Contribution	Annual OPEB Benefit Cost (ABC)	Percentage of Required Contribution Contributed	Net OPEB Obligation
9/30/2009	\$ 247,571	\$ 1,235,677	20%	\$ 988,106
9/30/2010	146,488	578,338	25%	1,419,956
9/30/2011	154,160	577,265	27%	1,843,060
9/30/2012	290,240	600,424	48%	2,153,244

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Hotel/Motel Tax Fund – to account for the accumulation of resources from the Hotel/Motel Tax assessment levied by the City. These monies are to be spent to promote the progress, development or growth of the City within the guidelines set forth on disposition of revenues collected under the authority of the Texas Hotel Occupancy Tax Act.

Federal/State Grant Fund – to account for revenues received from award of federal and state grants. Such revenues are restricted to expenditures as specified in the applicable grant.

Drainage Fund – to account for the levy and utilization of a municipal drainage fee. Revenues are restricted to expenditures for maintenance of the City's drainage system.

**CITY OF TEMPLE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2012**

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	Hotel- Motel	Federal/State Grant	Drainage	
ASSETS				
Cash	\$ 3,250	\$ -	\$ -	\$ 3,250
Investments	1,373,667	-	1,489,915	2,863,582
Due from other governments	-	476,999	-	476,999
Receivables, net	156,962	-	54,356	211,318
Inventories	2,203	-	-	2,203
Prepaid items	2,000	-	-	2,000
Total assets	<u>\$ 1,538,082</u>	<u>\$ 476,999</u>	<u>\$ 1,544,271</u>	<u>\$ 3,559,352</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Vouchers and contracts payable	\$ 70,737	\$ 140,745	\$ 9,453	\$ 220,935
Retainage payable	-	2,370	-	2,370
Accrued payroll	22,774	104	20,484	43,362
Vacation and sick leave payable	6,736	-	10,369	17,105
Deposits	82,820	-	-	82,820
Due to other funds	-	319,255	-	319,255
Deferred revenues	-	14,525	-	14,525
Total liabilities	<u>183,067</u>	<u>476,999</u>	<u>40,306</u>	<u>700,372</u>
Fund Balances:				
Nonspendable:				
Inventory and prepaid items	4,203	-	-	4,203
Restricted for:				
Promotion of tourism	1,350,812	-	-	1,350,812
Committed to:				
Drainage	-	-	1,503,965	1,503,965
Total fund balances	<u>1,355,015</u>	<u>-</u>	<u>1,503,965</u>	<u>2,858,980</u>
Total liabilities and fund balances	<u>\$ 1,538,082</u>	<u>\$ 476,999</u>	<u>\$ 1,544,271</u>	<u>\$ 3,559,352</u>

CITY OF TEMPLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2012

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	<u>Hotel- Motel</u>	<u>Federal/State Grant</u>	<u>Drainage</u>	
Revenues:				
Taxes	\$ 1,223,910	\$ -	\$ -	\$ 1,223,910
Intergovernmental	-	1,863,636	-	1,863,636
Drainage fees	-	-	1,084,423	1,084,423
Charges for services	402,293	-	-	402,293
Interest and other	26,169	-	35,351	61,520
Total revenues	<u>1,652,372</u>	<u>1,863,636</u>	<u>1,119,774</u>	<u>4,635,782</u>
Expenditures:				
General government	-	208,219	-	208,219
Public safety	-	34,637	-	34,637
Highways and streets	-	549,195	887,043	1,436,238
Health and welfare	-	170,125	-	170,125
Culture and leisure services	1,420,908	765,212	-	2,186,120
Airport	-	511,554	-	511,554
Total expenditures	<u>1,420,908</u>	<u>2,238,942</u>	<u>887,043</u>	<u>4,546,893</u>
Excess (deficiency) of revenues over expenditures	<u>231,464</u>	<u>(375,306)</u>	<u>232,731</u>	<u>88,889</u>
Other financing sources (uses):				
Transfers in - General Fund	-	375,306	-	375,306
Transfers out - Health Insurance Fund	(9,696)	-	(7,834)	(17,530)
Transfers out - Debt Service Fund	(20,371)	-	-	(20,371)
Total other financing sources (uses)	<u>(30,067)</u>	<u>375,306</u>	<u>(7,834)</u>	<u>337,405</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	201,397	-	224,897	426,294
Fund balances, beginning of year	<u>1,153,618</u>	<u>-</u>	<u>1,279,068</u>	<u>2,432,686</u>
Fund balances, end of year	<u>\$ 1,355,015</u>	<u>\$ -</u>	<u>\$ 1,503,965</u>	<u>\$ 2,858,980</u>



**DISCRETELY PRESENTED
COMPONENT UNIT
FINANCIAL STATEMENTS**

Reinvestment Zone No. 1

CITY OF TEMPLE, TEXAS
REINVESTMENT ZONE NO. 1
BALANCE SHEET
September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Investments	\$ 8,275,256	\$ 9,886,152
Receivables (net of allowance for estimated uncollectible):		
Accounts receivable	2,087	2,778
Ad valorem taxes	43,869	208,930
Total current assets	<u>8,321,212</u>	<u>10,097,860</u>
Restricted assets:		
Reserve for debt service	884,225	883,220
Bond proceeds	1,151,936	1,596,420
Total restricted assets	<u>2,036,161</u>	<u>2,479,640</u>
 Total assets	 <u>\$10,357,373</u>	 <u>\$12,577,500</u>
LIABILITIES AND FUND BALANCES		
Current liabilities:		
Vouchers and contracts payable	\$ 142,882	\$ 154,837
Retainage payable	57,966	-
Deferred revenues	43,869	208,930
Total current liabilities	<u>244,717</u>	<u>363,767</u>
Liabilities from restricted assets:		
Vouchers and contracts payable	11,731	49,680
Retainage payable	-	1,085
Total liabilities from restricted assets	<u>11,731</u>	<u>50,765</u>
Total liabilities	<u>256,448</u>	<u>414,532</u>
Fund Balance:		
Restricted for:		
Debt service	3,717,664	4,183,220
Construction	1,140,205	1,545,655
Committed to:		
Reinvestment Zone No. 1 Projects	<u>5,243,056</u>	<u>6,434,093</u>
Total fund balance	<u>10,100,925</u>	<u>12,162,968</u>
Total liabilities and fund balances	<u>\$10,357,373</u>	<u>\$12,577,500</u>

CITY OF TEMPLE, TEXAS
REINVESTMENT ZONE NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

	2012			2011	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
Revenues:					
Taxes	\$ 4,019,956	\$ 4,453,723	\$ 4,475,690	\$ 21,967	\$ 4,186,451
Intergovernmental	-	300,000	50,000	(250,000)	-
Licenses and permits	36,000	36,000	40,226	4,226	47,757
Payment in lieu of taxes	1,300,000	1,300,000	1,300,000	-	1,300,000
Interest and other	50,000	274,246	248,720	(25,526)	194,873
Total revenues	<u>5,405,956</u>	<u>6,363,969</u>	<u>6,114,636</u>	<u>(249,333)</u>	<u>5,729,081</u>
Expenditures:					
General government	539,073	1,608,521	1,275,526	332,995	730,365
Capital outlay	2,281,781	8,562,296	3,087,805	5,474,491	640,676
Debt service:					
Principal retirement	2,490,000	2,645,000	2,645,000	-	665,000
Interest and fiscal charges	1,295,799	1,160,210	1,160,047	163	1,313,962
Bond issuance costs	-	166,702	166,702	-	-
Total expenditures	<u>6,606,653</u>	<u>14,142,729</u>	<u>8,335,080</u>	<u>5,807,649</u>	<u>3,350,003</u>
Excess (deficiency) of revenues over expenditures	<u>(1,200,697)</u>	<u>(7,778,760)</u>	<u>(2,220,444)</u>	<u>5,558,316</u>	<u>2,379,078</u>
Other financing sources (uses):					
Refunding bonds issued	-	10,885,000	10,885,000	-	-
Original issue premium	-	1,021,712	1,021,712	-	-
Payment to refunded bond escrow agent	-	(11,748,312)	(11,748,311)	1	-
Total other financing sources	<u>-</u>	<u>158,400</u>	<u>158,401</u>	<u>1</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,200,697)</u>	<u>(7,620,360)</u>	<u>(2,062,043)</u>	<u>5,558,317</u>	<u>2,379,078</u>
Fund balance, beginning of year	12,162,968	12,162,968	12,162,968	-	9,783,890
Fund balance, end of year	<u>\$ 10,962,271</u>	<u>\$ 4,542,608</u>	<u>\$ 10,100,925</u>	<u>\$ 5,558,316</u>	<u>\$ 12,162,968</u>



**Schedules of Revenues, Expenditures
and Changes in Fund Balance –
Budget and Actual**

CITY OF TEMPLE, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

	2012			2011	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
Revenues:					
Taxes	\$ 7,245,969	\$ 7,245,969	\$ 7,125,377	\$ (120,592)	\$ 6,717,556
Interest and other	672,001	744,575	747,431	2,856	688,887
Total revenues	<u>7,917,970</u>	<u>7,990,544</u>	<u>7,872,808</u>	<u>(117,736)</u>	<u>7,406,443</u>
Expenditures:					
Debt Service:					
Principal	5,221,947	5,361,971	5,361,971	-	4,732,392
Interest and fiscal charges	3,139,138	3,039,390	3,013,359	26,031	3,188,986
Refunding bond issuance costs	-	56,236	46,741	9,495	50,542
Total expenditures	<u>8,361,085</u>	<u>8,457,597</u>	<u>8,422,071</u>	<u>35,526</u>	<u>7,971,920</u>
Excess (deficiency) of revenues over expenditures	<u>(443,115)</u>	<u>(467,053)</u>	<u>(549,263)</u>	<u>(82,210)</u>	<u>(565,477)</u>
Other financing sources (uses):					
Transfers in - General Fund	122,744	122,744	98,438	(24,306)	98,439
Transfers in - Hotel/Motel Fund	20,371	20,371	20,371	-	20,371
Transfers out - General Fund	-	(516)	(515)	1	(664)
Refunding bonds issued	-	9,290,000	9,290,000	-	9,820,000
Bond discount	-	(56,355)	(56,354)	(1)	(68,241)
Original issue premium	-	3,275,993	3,276,037	(44)	204,248
Payment to refunded bond escrow agent	-	(10,482,242)	(10,482,241)	(1)	(9,903,444)
Total other financing sources (uses)	<u>143,115</u>	<u>2,169,995</u>	<u>2,145,736</u>	<u>(24,351)</u>	<u>170,709</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(300,000)</u>	<u>1,702,942</u>	<u>1,596,473</u>	<u>(106,561)</u>	<u>(394,768)</u>
Fund balance, beginning of year	<u>1,364,049</u>	<u>1,364,049</u>	<u>1,364,049</u>	<u>-</u>	<u>1,758,817</u>
Fund balance, end of year	<u>\$ 1,064,049</u>	<u>\$ 3,066,991</u>	<u>\$ 2,960,522</u>	<u>\$ (106,561)</u>	<u>\$ 1,364,049</u>

CITY OF TEMPLE, TEXAS
HOTEL-MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

	2012			2011	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
Revenues:					
Taxes	\$ 1,060,450	\$ 1,060,450	\$ 1,223,910	\$ 163,460	\$ 1,215,396
Charges for services:					
Civic center	336,900	354,400	401,321	46,921	407,864
Visitor center	300	300	972	672	807
Interest and other	1,800	24,232	26,169	1,937	7,701
Total revenues	<u>1,399,450</u>	<u>1,439,382</u>	<u>1,652,372</u>	<u>212,990</u>	<u>1,631,768</u>
Expenditures:					
Civic center	903,890	958,441	903,418	55,023	858,594
Railroad museum	191,803	236,355	227,331	9,024	222,863
Tourism marketing	283,386	304,170	290,159	14,011	283,228
Total expenditures	<u>1,379,079</u>	<u>1,498,966</u>	<u>1,420,908</u>	<u>78,058</u>	<u>1,364,685</u>
Excess (deficiency) of revenues over expenditures	<u>20,371</u>	<u>(59,584)</u>	<u>231,464</u>	<u>291,048</u>	<u>267,083</u>
Other financing sources (uses):					
Transfers out - Health Insurance Fund	-	(9,696)	(9,696)	-	(10,968)
Transfers out - Debt Service Fund	(20,371)	(20,371)	(20,371)	-	(20,371)
Total other financing sources (uses)	<u>(20,371)</u>	<u>(30,067)</u>	<u>(30,067)</u>	<u>-</u>	<u>(31,339)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>(89,651)</u>	<u>201,397</u>	<u>291,048</u>	<u>235,744</u>
Fund balance, beginning of year	<u>1,153,618</u>	<u>1,153,618</u>	<u>1,153,618</u>	<u>-</u>	<u>917,874</u>
Fund balance, end of year	<u>\$ 1,153,618</u>	<u>\$ 1,063,967</u>	<u>\$ 1,355,015</u>	<u>\$ 291,048</u>	<u>\$ 1,153,618</u>

CITY OF TEMPLE, TEXAS
FEDERAL/STATE GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

	2012			2011	
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final		Final Budget	
Revenues:					
Intergovernmental	\$ 523,888	\$ 7,858,378	\$ 1,863,636	\$ (5,994,742)	\$ 1,577,611
Other	-	-	-	-	6,599
Total revenues	<u>523,888</u>	<u>7,858,378</u>	<u>1,863,636</u>	<u>(5,994,742)</u>	<u>1,584,210</u>
Expenditures:					
General government	150,413	252,380	208,219	44,161	318,543
Public safety	-	61,625	34,637	26,988	69,493
Highways and streets	90,000	1,303,605	549,195	754,410	103,243
Health and welfare	283,475	485,497	170,125	315,372	436,209
Culture and leisure services	-	2,469,002	765,212	1,703,790	680,980
Airport	-	3,820,453	511,554	3,308,899	229,546
Total expenditures	<u>523,888</u>	<u>8,392,562</u>	<u>2,238,942</u>	<u>6,153,620</u>	<u>1,838,014</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(534,184)</u>	<u>(375,306)</u>	<u>158,878</u>	<u>(253,804)</u>
Other financing sources :					
Transfers in - General Fund	-	534,184	375,306	(158,878)	253,804
Total other financing sources	<u>-</u>	<u>534,184</u>	<u>375,306</u>	<u>(158,878)</u>	<u>253,804</u>
Excess of revenues and other financing sources over expenditures and other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	-	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TEMPLE, TEXAS
DRAINAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

	<u>2012</u>			<u>2011</u>	
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>	
Revenues:					
Drainage fees	\$ 1,046,467	\$ 1,046,467	\$ 1,084,423	\$ 37,956	\$ 1,016,748
Interest and other	43,500	43,500	35,351	(8,149)	24,865
Total revenues	<u>1,089,967</u>	<u>1,089,967</u>	<u>1,119,774</u>	<u>29,807</u>	<u>1,041,613</u>
Expenditures:					
Highways and streets:					
Personnel services	531,187	540,537	486,673	53,864	470,098
Operations	342,580	369,593	175,935	193,658	201,542
Capital outlay	882,704	892,166	224,435	667,731	346,716
Total expenditures	<u>1,756,471</u>	<u>1,802,296</u>	<u>887,043</u>	<u>915,253</u>	<u>1,018,356</u>
Excess (deficiency) of revenues over expenditures	<u>(666,504)</u>	<u>(712,329)</u>	<u>232,731</u>	<u>945,060</u>	<u>23,257</u>
Other financing sources (uses):					
Transfers out-Health Insurance Fund	-	(7,834)	(7,834)	-	(9,911)
Total other financing sources (uses)	<u>-</u>	<u>(7,834)</u>	<u>(7,834)</u>	<u>-</u>	<u>(9,911)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(666,504)	(720,163)	224,897	945,060	13,346
Fund balance, beginning of year	<u>1,279,068</u>	<u>1,279,068</u>	<u>1,279,068</u>	<u>-</u>	<u>1,265,722</u>
Fund balance, end of year	<u>\$ 612,564</u>	<u>\$ 558,905</u>	<u>\$ 1,503,965</u>	<u>\$ 945,060</u>	<u>\$ 1,279,068</u>



Supplementary Individual Fund Financial Schedules

General Fund

These supplementary schedules are included to provide management additional information for financial analysis.

**CITY OF TEMPLE, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
September 30, 2012 and 2011**

ASSETS	2012	2011	Increase (Decrease)
Current Assets:			
Cash	\$ 4,845	\$ 4,845	\$ -
Investments	27,069,439	23,978,210	3,091,229
Receivables (net of allowance for estimated uncollectible):			
State sales tax	1,387,390	1,320,951	66,439
Accounts	854,781	1,024,116	(169,335)
Franchise fees	194,838	201,492	(6,654)
Ad valorem taxes - delinquent	216,406	254,072	(37,666)
Due from other funds	319,255	3,487,264	(3,168,009)
Due from other governments	80,516	76,630	3,886
Inventories	406,729	349,616	57,113
Prepaid items	90,684	98,409	(7,725)
Total current assets	<u>30,624,883</u>	<u>30,795,605</u>	<u>(170,722)</u>
Restricted Assets:			
Drug enforcement	321,867	384,797	(62,930)
Public safety	37,480	44,809	(7,329)
R.O.W. escrow	381,407	398,112	(16,705)
Parks escrow	304,540	275,967	28,573
Rob Roy MacGregor Trust - Library	16,151	16,132	19
Total restricted assets	<u>1,061,445</u>	<u>1,119,817</u>	<u>(58,372)</u>
Total assets	<u>\$ 31,686,328</u>	<u>\$ 31,915,422</u>	<u>\$ (229,094)</u>

LIABILITIES AND FUND BALANCES	2012	2011	Increase (Decrease)
Liabilities:			
Vouchers payable	\$ 2,111,588	\$ 1,947,488	\$ 164,100
Accrued payroll	1,546,865	1,581,988	(35,123)
Vacation and sick leave payable	526,064	526,064	-
Deposits	53,339	44,089	9,250
Deferred revenues:			
Ad valorem taxes - delinquent	188,821	226,487	(37,666)
R.O.W. escrow	381,407	398,112	(16,705)
Parks escrow	304,540	275,967	28,573
Electric franchise	1,370,458	1,390,745	(20,287)
Gas franchise	266,750	299,677	(32,927)
Other	431,516	298,633	132,883
Total liabilities	<u>7,181,348</u>	<u>6,989,250</u>	<u>192,098</u>
Fund Balance:			
Nonspendable:			
Inventories and prepaid items	498,812	448,025	50,787
Restricted for:			
Drug enforcement	321,867	384,797	(62,930)
Public safety	37,480	44,809	(7,329)
Rob Roy MacGregor Trust - Library	16,151	16,132	19
Municipal court restricted fees	295,114	296,131	(1,017)
Vital statistics preservation fund	45,394	40,078	5,316
Public education channel	235,653	238,951	(3,298)
Assigned to:			
Technology replacement	315,618	329,162	(13,544)
Capital projects	4,277,846	6,375,154	(2,097,308)
Self-funded health insurance	300,000	275,000	25,000
Encumbrances	2,060,396	1,109,456	950,940
Unassigned	<u>16,100,649</u>	<u>15,368,477</u>	<u>732,172</u>
Total fund balance	<u>24,504,980</u>	<u>24,926,172</u>	<u>(421,192)</u>
Total liabilities and fund balances	<u>\$ 31,686,328</u>	<u>\$ 31,915,422</u>	<u>\$ (229,094)</u>

CITY OF TEMPLE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

	2012			2011	
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final		Final Budget	
Revenues:					
Taxes	\$ 27,017,864	\$ 27,017,864	\$ 28,265,985	\$ 1,248,121	\$ 27,250,005
Franchise fees	6,054,227	6,101,107	6,260,051	158,944	6,216,239
Licenses and permits	305,100	308,600	377,290	68,690	448,076
Intergovernmental	222,030	216,030	211,915	(4,115)	269,911
Charges for services	19,674,362	19,886,059	20,020,074	134,015	18,965,582
Fines	1,959,055	2,042,187	2,133,078	90,891	2,136,454
Interest and other	478,947	626,009	852,000	225,991	1,086,630
Total revenues	<u>55,711,585</u>	<u>56,197,856</u>	<u>58,120,393</u>	<u>1,922,537</u>	<u>56,372,897</u>
Expenditures:					
General government	12,386,182	12,563,508	11,166,805	1,396,703	10,572,343
Public safety	24,297,484	25,585,399	24,971,496	613,903	23,045,423
Highways and streets	4,016,315	4,148,533	3,807,113	341,420	3,134,820
Sanitation	5,609,353	5,659,855	4,893,208	766,647	5,361,763
Culture and leisure services	9,196,057	9,489,782	8,729,435	760,347	8,445,743
Airport	3,050,179	3,149,628	3,114,535	35,093	2,980,300
Debt Service:					
Principal	43,592	43,592	43,592	-	39,612
Interest	8,571	8,571	8,571	-	5,069
Total expenditures	<u>58,607,733</u>	<u>60,648,868</u>	<u>56,734,755</u>	<u>3,914,113</u>	<u>53,585,073</u>
Excess (deficiency) of revenues over expenditures	<u>(2,896,148)</u>	<u>(4,451,012)</u>	<u>1,385,638</u>	<u>5,836,650</u>	<u>2,787,824</u>
Other financing sources (uses):					
Transfers in (out):					
Transfers in - Debt Service Fund	-	516	515	(1)	664
Transfers out - Grant Fund	-	(412,868)	(375,218)	37,650	(85,054)
Transfers out - Capital Projects	-	(1,127,728)	(805,619)	322,109	(482,952)
Transfers out - Debt Service Fund	(122,744)	(122,744)	(98,439)	24,305	(98,439)
Transfers out - Bond Programs	-	(36,415)	(30,105)	6,310	(186,607)
Transfers out - Health Insurance Fund	-	(497,964)	(497,964)	-	(628,756)
Total other financing sources (uses)	<u>(122,744)</u>	<u>(2,197,203)</u>	<u>(1,806,830)</u>	<u>390,373</u>	<u>(1,481,144)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(3,018,892)</u>	<u>(6,648,215)</u>	<u>(421,192)</u>	<u>6,227,023</u>	<u>1,306,680</u>
Fund balance, beginning of period	<u>24,926,172</u>	<u>24,926,172</u>	<u>24,926,172</u>	<u>-</u>	<u>23,619,492</u>
Fund balance, end of period	<u>\$ 21,907,280</u>	<u>\$ 18,277,957</u>	<u>\$ 24,504,980</u>	<u>\$ 6,227,023</u>	<u>\$ 24,926,172</u>

CITY OF TEMPLE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
Taxes:					
Ad valorem:					
Property, current year	\$ 10,851,583	\$ 10,851,583	\$ 10,907,032	\$ 55,449	\$ 10,636,868
Property, prior year	113,281	113,281	121,056	7,775	182,366
Penalty and interest	90,000	90,000	92,881	2,881	111,137
Total ad valorem taxes	<u>11,054,864</u>	<u>11,054,864</u>	<u>11,120,969</u>	<u>66,105</u>	<u>10,930,371</u>
Non-property taxes:					
City sales	15,800,000	15,800,000	16,967,401	1,167,401	16,125,862
Mixed beverage	110,000	110,000	100,164	(9,836)	123,581
Occupation	27,000	27,000	30,670	3,670	29,133
Bingo	26,000	26,000	46,781	20,781	41,058
Total non-property taxes	<u>15,963,000</u>	<u>15,963,000</u>	<u>17,145,016</u>	<u>1,182,016</u>	<u>16,319,634</u>
Total taxes	<u>27,017,864</u>	<u>27,017,864</u>	<u>28,265,985</u>	<u>1,248,121</u>	<u>27,250,005</u>
Franchise Fees:					
Electric franchise	2,825,000	2,825,000	3,015,797	190,797	2,850,928
Gas franchise	700,000	700,000	542,536	(157,464)	704,885
Telephone franchise	490,000	490,000	469,003	(20,997)	493,613
Cable franchise	608,614	655,494	747,051	91,557	725,122
Water/Sewer franchise	1,342,363	1,342,363	1,342,363	-	1,319,444
Other	88,250	88,250	143,301	55,051	122,247
Total franchise fees	<u>6,054,227</u>	<u>6,101,107</u>	<u>6,260,051</u>	<u>158,944</u>	<u>6,216,239</u>
Licenses and permits:					
Building permits	125,000	125,000	138,958	13,958	240,762
Electrical permits and licenses	42,000	42,000	56,059	14,059	47,237
Mechanical	35,000	35,000	44,297	9,297	38,060
Plumbing permit fees	60,000	60,000	73,763	13,763	64,336
Other	43,100	46,600	64,213	17,613	57,681
Total licenses and permits	<u>305,100</u>	<u>308,600</u>	<u>377,290</u>	<u>68,690</u>	<u>448,076</u>
Intergovernmental revenues:					
Federal grants	170,438	164,438	165,919	1,481	224,804
State reimbursements	8,351	8,351	8,352	1	8,352
Department of Civil Preparedness	43,241	43,241	37,644	(5,597)	36,755
Total intergovernmental revenues	<u>\$ 222,030</u>	<u>\$ 216,030</u>	<u>\$ 211,915</u>	<u>\$ (4,115)</u>	<u>\$ 269,911</u>

(Continued)

CITY OF TEMPLE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

(Continued)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
Charges for services:					
Library fees	\$ 34,500	\$ 34,500	\$ 35,829	\$ 1,329	\$ 40,202
Recreational entry fees	120,900	135,670	136,498	828	154,637
Summit recreational fees	799,750	799,750	751,824	(47,926)	773,341
Golf course revenues	1,103,250	1,103,250	1,017,595	(85,655)	239,610
Swimming pool	28,000	28,000	33,169	5,169	37,922
Lions Junction water park	276,500	276,500	259,976	(16,524)	298,497
Sammons indoor pool	59,000	73,000	82,530	9,530	72,336
Vital statistics	114,000	114,000	124,135	10,135	138,342
Police revenue	165,904	188,073	228,156	40,083	278,136
Contractual services					
-proprietary fund	3,041,499	3,041,499	3,063,081	21,582	2,968,883
County fire protection	2,000	3,988	3,988	-	4,095
Curb and street cuts	25,000	35,000	69,762	34,762	42,745
Other	170,000	170,000	183,078	13,078	177,315
Solid waste collection - residential	3,695,750	3,695,750	3,731,899	36,149	3,658,361
Solid waste collection - commercial	2,840,000	2,840,000	2,844,135	4,135	2,845,635
Solid waste collection - roll-off	1,874,000	1,874,000	1,894,753	20,753	1,920,793
Landfill contract	1,650,000	1,650,000	1,674,726	24,726	1,640,732
Airport sales and rental	2,872,021	2,942,021	3,037,702	95,681	2,874,462
Recreational services	778,288	853,259	819,626	(33,633)	760,084
Fire department	12,000	15,799	11,964	(3,835)	17,636
Subdivision fees	12,000	12,000	15,648	3,648	21,818
Total charges for services	<u>19,674,362</u>	<u>19,886,059</u>	<u>20,020,074</u>	<u>134,015</u>	<u>18,965,582</u>
Fines:					
Court	1,523,564	1,606,696	1,535,404	(71,292)	1,524,327
Animal pound	62,000	62,000	57,408	(4,592)	60,489
Overparking	8,000	8,000	11,161	3,161	15,246
Administrative fees	365,491	365,491	529,105	163,614	536,392
Total fines	<u>1,959,055</u>	<u>2,042,187</u>	<u>2,133,078</u>	<u>90,891</u>	<u>2,136,454</u>
Interest and other:					
Interest	45,000	45,000	47,307	2,307	45,576
Lease and rental	180,047	180,047	208,105	28,058	199,597
Sale of fixed assets	25,000	56,000	176,020	120,020	68,211
Insurance claims	35,000	59,194	77,498	18,304	136,616
Payment in lieu of taxes	11,234	11,234	11,427	193	11,234
Building rental -					
BOA bldg.	87,616	87,616	90,098	2,482	95,748
Other	95,050	186,918	241,545	54,627	529,648
Total interest and other	<u>478,947</u>	<u>626,009</u>	<u>852,000</u>	<u>225,991</u>	<u>1,086,630</u>
Total revenues	<u>\$ 55,711,585</u>	<u>\$ 56,197,856</u>	<u>\$ 58,120,393</u>	<u>\$ 1,922,537</u>	<u>\$ 56,372,897</u>

CITY OF TEMPLE, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

	2012			2011	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
General government:					
City council	\$ 214,660	\$ 199,825	\$ 177,401	\$ 22,424	\$ 114,397
City manager	744,137	778,930	732,601	46,329	655,331
Finance	1,105,314	1,146,708	1,051,921	94,787	1,044,677
Purchasing	319,642	330,134	295,647	34,487	306,312
City secretary	270,775	296,640	271,275	25,365	329,041
Special services	1,712,126	1,151,294	863,100	288,194	828,997
Legal	628,854	652,632	629,368	23,264	601,382
City planning	429,270	491,805	357,389	134,416	452,417
Information technology services	1,783,843	1,869,391	1,763,446	105,945	1,684,773
Human resources	666,081	696,258	564,972	131,286	590,656
Economic development	2,272,905	2,459,236	2,379,699	79,537	1,899,635
Garage	874,012	888,301	812,225	76,076	839,391
Facility services	1,364,563	1,602,354	1,267,761	334,593	1,225,334
	<u>12,386,182</u>	<u>12,563,508</u>	<u>11,166,805</u>	<u>1,396,703</u>	<u>10,572,343</u>
Public safety:					
Municipal court	645,720	671,248	605,471	65,777	534,886
Police	12,739,698	13,324,836	12,941,318	383,518	12,110,339
Animal control	411,193	421,520	392,867	28,653	358,093
Fire	8,944,932	9,505,251	9,371,712	133,539	8,617,011
Communications	680,612	680,612	680,612	-	674,495
Inspections	875,329	981,932	979,516	2,416	750,599
	<u>24,297,484</u>	<u>25,585,399</u>	<u>24,971,496</u>	<u>613,903</u>	<u>23,045,423</u>
Highways and streets:					
Street	3,206,816	3,286,158	3,009,092	277,066	2,387,261
Traffic signals	280,261	319,306	286,653	32,653	296,569
Engineering	529,238	543,069	511,368	31,701	450,990
	<u>4,016,315</u>	<u>4,148,533</u>	<u>3,807,113</u>	<u>341,420</u>	<u>3,134,820</u>
Sanitation:	<u>5,609,353</u>	<u>5,659,855</u>	<u>4,893,208</u>	<u>766,647</u>	<u>5,361,763</u>
Culture and leisure services:					
Parks	3,112,727	3,263,518	2,963,622	299,896	2,942,508
Leisure services	2,837,673	2,933,908	2,713,589	220,319	2,709,551
PALS administration	422,395	430,976	404,580	26,396	370,306
Golf course	1,234,895	1,247,462	1,122,107	125,355	841,265
Library	1,588,367	1,613,918	1,525,537	88,381	1,582,113
	<u>9,196,057</u>	<u>9,489,782</u>	<u>8,729,435</u>	<u>760,347</u>	<u>8,445,743</u>
Airport:	<u>3,050,179</u>	<u>3,149,628</u>	<u>3,114,535</u>	<u>35,093</u>	<u>2,980,300</u>
Debt service:	<u>52,163</u>	<u>52,163</u>	<u>52,163</u>	<u>-</u>	<u>44,681</u>
Totals	<u>\$ 58,607,733</u>	<u>\$ 60,648,868</u>	<u>\$ 56,734,755</u>	<u>\$ 3,914,113</u>	<u>\$ 53,585,073</u>

CITY OF TEMPLE, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

	2012			2011	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
General government:					
City council:					
Personnel services	\$ 16,375	\$ 1,540	\$ 978	\$ 562	\$ 2,961
Operations	198,285	198,285	176,423	21,862	111,436
	<u>214,660</u>	<u>199,825</u>	<u>177,401</u>	<u>22,424</u>	<u>114,397</u>
City manager:					
Personnel services	670,467	694,260	682,184	12,076	596,674
Operations	73,670	84,670	50,417	34,253	58,657
	<u>744,137</u>	<u>778,930</u>	<u>732,601</u>	<u>46,329</u>	<u>655,331</u>
Finance:					
Personnel services	738,055	751,239	706,751	44,488	705,309
Operations	367,259	395,469	345,170	50,299	339,368
	<u>1,105,314</u>	<u>1,146,708</u>	<u>1,051,921</u>	<u>94,787</u>	<u>1,044,677</u>
Purchasing:					
Personnel services	300,227	307,219	282,463	24,756	292,832
Operations	19,415	22,915	13,184	9,731	13,480
	<u>319,642</u>	<u>330,134</u>	<u>295,647</u>	<u>34,487</u>	<u>306,312</u>
City secretary:					
Personnel services	214,285	234,085	227,462	6,623	266,591
Operations	56,490	62,555	43,813	18,742	62,450
	<u>270,775</u>	<u>296,640</u>	<u>271,275</u>	<u>25,365</u>	<u>329,041</u>
Special services:					
Personnel services	325,000	485,000	458,484	26,516	387,066
Operations	443,526	628,604	404,616	223,988	441,931
Contingency	943,600	37,690	-	37,690	-
	<u>1,712,126</u>	<u>1,151,294</u>	<u>863,100</u>	<u>288,194</u>	<u>828,997</u>
Legal:					
Personnel services	572,832	596,610	595,147	1,463	553,858
Operations	56,022	56,022	34,221	21,801	47,524
	<u>628,854</u>	<u>652,632</u>	<u>629,368</u>	<u>23,264</u>	<u>601,382</u>
City planning:					
Personnel services	370,602	378,937	326,250	52,687	405,139
Operations	58,668	112,868	31,139	81,729	47,278
	<u>429,270</u>	<u>491,805</u>	<u>357,389</u>	<u>134,416</u>	<u>452,417</u>
Information technology services:					
Personnel services	1,024,807	1,074,801	1,051,341	23,460	968,724
Operations	759,036	756,901	704,606	52,295	716,049
Capital outlay	-	37,689	7,499	30,190	-
	<u>1,783,843</u>	<u>1,869,391</u>	<u>1,763,446</u>	<u>105,945</u>	<u>1,684,773</u>
Human resources:					
Personnel services	515,961	524,053	485,095	38,958	471,053
Operations	150,120	172,205	79,877	92,328	119,603
	<u>666,081</u>	<u>696,258</u>	<u>564,972</u>	<u>131,286</u>	<u>590,656</u>
Economic development:					
Operations	2,272,905	2,459,236	2,379,699	79,537	1,899,635
	<u>2,272,905</u>	<u>2,459,236</u>	<u>2,379,699</u>	<u>79,537</u>	<u>1,899,635</u>
Garage:					
Personnel services	796,150	810,439	749,574	60,865	755,889
Operations	77,862	77,862	62,651	15,211	64,619
Capital outlay	-	-	-	-	18,883
	<u>874,012</u>	<u>888,301</u>	<u>812,225</u>	<u>76,076</u>	<u>839,391</u>

(Continued)

CITY OF TEMPLE, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

(Continued)

	2012			2011	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
Facility services:					
Personnel services	\$ 548,721	\$ 561,106	\$ 512,555	\$ 48,551	\$ 538,324
Operations	611,842	604,736	529,384	75,352	542,658
Capital outlay	204,000	436,512	225,822	210,690	144,352
	<u>1,364,563</u>	<u>1,602,354</u>	<u>1,267,761</u>	<u>334,593</u>	<u>1,225,334</u>
Total general government	<u>12,386,182</u>	<u>12,563,508</u>	<u>11,166,805</u>	<u>1,396,703</u>	<u>10,572,343</u>
Public safety:					
Municipal court:					
Personnel services	558,978	552,746	524,288	28,458	469,105
Operations	86,742	101,302	68,691	32,611	65,781
Capital outlay	-	17,200	12,492	4,708	-
	<u>645,720</u>	<u>671,248</u>	<u>605,471</u>	<u>65,777</u>	<u>534,886</u>
Police:					
Personnel services	10,795,518	11,071,987	10,918,073	153,914	10,446,722
Operations	1,466,180	1,487,710	1,275,202	212,508	1,255,228
Capital outlay	478,000	765,139	748,043	17,096	408,389
	<u>12,739,698</u>	<u>13,324,836</u>	<u>12,941,318</u>	<u>383,518</u>	<u>12,110,339</u>
Animal control:					
Personnel services	276,622	291,529	289,579	1,950	272,044
Operations	114,071	110,571	83,868	26,703	86,049
Capital outlay	20,500	19,420	19,420	-	-
	<u>411,193</u>	<u>421,520</u>	<u>392,867</u>	<u>28,653</u>	<u>358,093</u>
Fire:					
Personnel services	8,092,247	8,626,507	8,592,382	34,125	7,883,056
Operations	807,285	831,811	758,332	73,479	704,323
Capital outlay	45,400	46,933	20,998	25,935	29,632
	<u>8,944,932</u>	<u>9,505,251</u>	<u>9,371,712</u>	<u>133,539</u>	<u>8,617,011</u>
Communications:					
Operations	680,612	680,612	680,612	-	674,495
	<u>680,612</u>	<u>680,612</u>	<u>680,612</u>	<u>-</u>	<u>674,495</u>
Construction safety:					
Personnel services	674,779	693,120	691,593	1,527	595,929
Operations	200,550	288,812	287,923	889	154,670
	<u>875,329</u>	<u>981,932</u>	<u>979,516</u>	<u>2,416</u>	<u>750,599</u>
Total public safety	<u>24,297,484</u>	<u>25,585,399</u>	<u>24,971,496</u>	<u>613,903</u>	<u>23,045,423</u>
Highways and streets:					
Street :					
Personnel services	846,873	861,576	788,288	73,288	795,884
Operations	2,309,943	2,366,890	2,167,854	199,036	1,396,229
Capital outlay	50,000	57,692	52,950	4,742	195,148
	<u>3,206,816</u>	<u>3,286,158</u>	<u>3,009,092</u>	<u>277,066</u>	<u>2,387,261</u>
Traffic signals:					
Personnel services	168,870	171,915	156,910	15,005	162,823
Operations	54,891	54,891	39,422	15,469	35,717
Capital outlay	56,500	92,500	90,321	2,179	98,029
	<u>280,261</u>	<u>319,306</u>	<u>286,653</u>	<u>32,653</u>	<u>296,569</u>
Engineering:					
Personnel services	376,512	387,403	386,932	471	358,492
Operations	115,726	115,026	83,796	31,230	92,498
Capital outlay	37,000	40,640	40,640	-	-
	<u>529,238</u>	<u>543,069</u>	<u>511,368</u>	<u>31,701</u>	<u>450,990</u>
Total highways and streets	<u>4,016,315</u>	<u>4,148,533</u>	<u>3,807,113</u>	<u>341,420</u>	<u>3,134,820</u>

(Continued)

CITY OF TEMPLE, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the year ended September 30, 2012
(With comparative amounts for the year ended September 30, 2011)

(Continued)

	2012			2011	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
Sanitation:					
Personnel services	\$ 1,698,125	\$ 1,730,810	\$ 1,706,887	\$ 23,923	\$ 1,617,135
Operations	3,281,228	3,293,445	3,158,221	135,224	2,930,246
Capital outlay	630,000	635,600	28,100	607,500	814,382
Total sanitation	<u>5,609,353</u>	<u>5,659,855</u>	<u>4,893,208</u>	<u>766,647</u>	<u>5,361,763</u>
Culture and leisure services:					
Parks					
Personnel services	1,317,054	1,336,933	1,263,808	73,125	1,230,084
Operations	1,425,673	1,414,046	1,339,177	74,869	1,364,312
Capital outlay	370,000	512,539	360,637	151,902	348,112
Total Parks	<u>3,112,727</u>	<u>3,263,518</u>	<u>2,963,622</u>	<u>299,896</u>	<u>2,942,508</u>
Leisure services					
Personnel services	1,799,582	1,802,027	1,765,104	36,923	1,737,807
Operations	1,038,091	1,084,997	901,601	183,396	948,163
Capital outlay	-	46,884	46,884	-	23,581
Total Leisure services	<u>2,837,673</u>	<u>2,933,908</u>	<u>2,713,589</u>	<u>220,319</u>	<u>2,709,551</u>
Parks & leisure services administration					
Personnel services	318,898	325,979	314,741	11,238	293,480
Operations	103,497	104,997	89,839	15,158	76,826
Total Parks & leisure services administration	<u>422,395</u>	<u>430,976</u>	<u>404,580</u>	<u>26,396</u>	<u>370,306</u>
Golf course					
Personnel services	564,070	583,691	574,456	9,235	413,494
Operations	670,825	579,611	463,492	116,119	376,534
Capital outlay	-	84,160	84,159	1	51,237
Total Golf course	<u>1,234,895</u>	<u>1,247,462</u>	<u>1,122,107</u>	<u>125,355</u>	<u>841,265</u>
Library:					
Personnel services	1,057,516	1,077,241	1,028,780	48,461	1,000,883
Operations	530,851	536,677	496,757	39,920	528,725
Capital outlay	-	-	-	-	52,505
Total Library	<u>1,588,367</u>	<u>1,613,918</u>	<u>1,525,537</u>	<u>88,381</u>	<u>1,582,113</u>
Total culture & leisure services	<u>9,196,057</u>	<u>9,489,782</u>	<u>8,729,435</u>	<u>760,347</u>	<u>8,445,743</u>
Airport:					
Personnel services	732,682	748,331	728,349	19,982	715,479
Operations	2,303,497	2,380,317	2,367,319	12,998	2,209,998
Capital outlay	14,000	20,980	18,867	2,113	54,823
Total airport	<u>3,050,179</u>	<u>3,149,628</u>	<u>3,114,535</u>	<u>35,093</u>	<u>2,980,300</u>
Debt service:					
Principal	43,592	43,592	43,592	-	39,612
Interest	8,571	8,571	8,571	-	5,069
Total debt service	<u>52,163</u>	<u>52,163</u>	<u>52,163</u>	<u>-</u>	<u>44,681</u>
Total	<u>\$ 58,607,733</u>	<u>\$ 60,648,868</u>	<u>\$ 56,734,755</u>	<u>\$ 3,914,113</u>	<u>\$ 53,585,073</u>

Supplemental Schedules

**CITY OF TEMPLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2012**

<u>Federal Grantor</u> Agency or Pass-Through Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Program Expenditures
Federal Assistance:				
<u>U.S. Department of H.U.D.</u>				
CDBG 2010	14.218	B-10-MC-48-0021	\$ 559,603	\$ 382,338
CDBG 2011	14.218	B-11-MC-48-0021	466,842	101,176
CDBG - R (American Recovery and Reinvestment Act)	14.253	B-09-MY-48-0021	136,673	<u>19,684</u>
				<u>503,198</u>
<u>U.S. Department of Education</u>				
Temple Independent School District:				
Safe Schools Healthy Students Initiative	84.184L	Q184L080238-09	80,133	75,862
After School Centers for Education (ACE)	84.287	-	824	824
Safe Schools Healthy Students Initiative - Teen Court	84.184L	Q184L080238-09	40,000	<u>16,172</u>
				<u>92,858</u>
<u>U.S. Department of Energy</u>				
Energy Efficiency and Conservation Block Grant (American Recovery and Reinvestment Act)	81.128	DE-SC0002958	593,200	150,646
State Energy Conservation Office				
Alternative Fuels Grant	81.041	CM1210	40,880	<u>40,880</u>
				<u>191,526</u>
<u>U.S. Department of Health and Human Services</u>				
Texas A&M Health Science Center:				
CTxCARES Mini-Grant	93.135	1U48FP0010924	10,000	<u>1,450</u>
				<u>1,450</u>
<u>U.S. Department of Homeland Security</u>				
Safe Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2008-FF-00936	433,520	<u>69,380</u>
				<u>69,380</u>
Texas Department of Public Safety:				
Civil Defense	97.042	11TX-EMPG-1142	37,644	<u>37,644</u>
				<u>37,644</u>
Texas Engineering Extension Service				
Urban Search and Rescue	97.025	2011-DJ-BX-3016	4,506	<u>4,506</u>
				<u>4,506</u>
				<u>111,530</u>
<u>U.S. Department of Justice</u>				
2011 Bullet Proof Vests Grant	16.607	2011-DJ-BX-08042182	3,750	<u>3,550</u>
				<u>3,550</u>
Equitable Sharing Program	16.922	TX0140700	120,133	<u>120,133</u>
				<u>120,133</u>
Killeen Police Department:				
2009 American Recovery and Reinvestment Act Edward Byrne Justice Assistance Grant	16.804	2009-SB-B-93128	92,568	3,490
2010 Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-0490	26,147	1,385
2011 Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-0490	21,101	<u>18,500</u>
				<u>23,375</u>
				<u>147,058</u>
<u>U.S. Department of Transportation</u>				
National Center for Safe Routes to School Safe Routes to School Mini-Grant	20.205	-	1,000	<u>883</u>

(Continued)

CITY OF TEMPLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2012

Federal Grantor Agency or Pass-Through Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Program Expenditures
<u>U.S. Department of Transportation (cont.)</u>				
Texas Department of Transportation:				
Safe Routes to School - Lakewood	20.205	0909-36-131	\$ 602,070	\$ 296,013
Safe Routes to School - Bonham	20.205	0909-36-130	604,779	57,267
Surface Transportation Enhancement Program (STEP)	20.205	0909-36-133	2,155,000	629,010
Category 12 Pass-Through Financing	20.205	0320-06-001	20,000,000	190,190
Airport Improvement Program (Runway)	20.106	1209TMPL	3,592,381	<u>153,554</u>
				<u>1,326,034</u>
<u>U.S. Secret Service</u>				
North Texas Electronic Crimes Task Force	-	-	15,000	<u>2,987</u>
				<u>2,987</u>
Total Expenditures of Federal Awards				<u>\$ 2,377,524</u>

CITY OF TEMPLE, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2012

General - The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Temple, Texas. The City's reporting entity is defined in Note I to the City's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

Basis of Accounting - The accompanying schedule of federal financial assistance is presented using the modified accrual basis of accounting, which is described in Note I to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports in all material respects.

Subgrantees – The federal expenditures for the Community Development Block Grant program include grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Community Development Block Grant</u>
Families in Crisis	\$ 20,000
Hill Country Community Action Association	15,000
Temple HELP Center	<u>25,000</u>
	<u>\$ 60,000</u>

Program Income – In accordance with terms of the Community Development Block Grant Program, program income totaling \$ 0 was used to reduce the amount of federal funds in conjunction with the program's objective.

Statistical Section (Unaudited)

This part of the City of Temple's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	154
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	160
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	166
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	171
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	173
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	
Other Information	181
<i>These schedules contain other information related to government's operations.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table I

CITY OF TEMPLE, TEXAS
NET ASSETS BY COMPONENT
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 46,066,916	\$ 47,765,568	\$ 50,462,877	\$ 52,774,867	\$ 52,985,354	\$ 52,489,279	\$ 52,235,300	\$ 55,403,473	\$ 52,200,366	\$ 48,379,646
Restricted	-	116,314	6,472	644,563	1,130,345	1,744,532	1,538,432	1,768,817	854,162	2,205,455
Unrestricted, as restated	18,066,657	17,935,737	16,628,128	17,924,900	19,846,723	17,283,475	17,387,358	17,244,063	18,762,548	18,302,720
Total governmental activities net assets	\$ 64,133,573	\$ 65,817,619	\$ 67,097,477	\$ 71,344,330	\$ 73,962,422	\$ 71,517,286	\$ 71,161,090	\$ 74,406,353	\$ 71,817,076	\$ 68,887,821
Business-type activities										
Invested in capital assets, net of related debt	\$ 32,043,087	\$ 34,927,445	\$ 41,177,470	\$ 47,403,033	\$ 49,636,049	\$ 50,857,397	\$ 54,645,573	\$ 56,948,517	\$ 62,157,571	\$ 65,054,555
Restricted	2,383,971	2,788,145	3,213,322	3,737,718	3,876,084	3,973,724	3,951,535	4,433,417	4,559,630	2,723,415
Unrestricted	11,672,631	12,946,802	10,959,630	9,259,983	12,398,097	16,447,880	18,016,855	17,483,818	18,278,226	22,075,622
Total business-type activities net assets	\$ 46,099,689	\$ 50,662,392	\$ 55,350,422	\$ 60,400,734	\$ 65,910,230	\$ 71,279,001	\$ 76,613,963	\$ 78,865,752	\$ 84,995,427	\$ 89,853,592
Primary government										
Invested in capital assets, net of related debt	\$ 78,110,003	\$ 82,693,013	\$ 91,640,347	\$ 100,177,900	\$ 102,621,403	\$ 103,346,676	\$ 106,880,873	\$ 112,351,990	\$ 114,357,937	\$ 113,434,201
Restricted	2,383,971	2,904,459	3,219,794	4,382,281	5,006,429	5,718,256	5,489,967	6,192,234	5,413,792	4,928,870
Unrestricted	29,739,288	30,882,539	27,587,758	27,184,883	32,244,820	33,731,355	35,404,213	34,727,881	37,040,774	40,378,342
Total primary government net assets	\$ 110,233,262	\$ 116,480,011	\$ 122,447,899	\$ 131,745,064	\$ 139,872,652	\$ 142,796,287	\$ 147,775,053	\$ 153,272,105	\$ 156,812,503	\$ 158,741,413

CITY OF TEMPLE, TEXAS
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 7,696,201	\$ 8,444,895	\$ 9,160,395	\$ 9,227,610	\$ 11,021,864	\$ 12,399,274	\$ 11,973,280	\$ 11,469,892	\$ 12,099,128	\$ 12,308,008
Public safety	18,244,942	19,097,710	20,262,540	21,711,235	22,895,298	23,967,943	25,002,639	24,674,521	29,791,300	26,988,933
Highways and streets	5,181,598	5,717,697	5,426,993	5,623,378	5,731,500	8,605,895	6,307,841	6,090,841	7,155,289	10,413,550
Sanitation	2,416,717	2,696,315	4,550,576	5,100,633	5,646,430	5,578,902	4,945,085	5,241,149	5,131,467	5,469,440
Health and welfare	1,182,621	359,268	379,522	739,750	349,971	272,490	220,728	318,782	273,641	244,943
Cultural and leisure services	5,079,260	6,792,607	8,044,765	8,646,296	9,352,959	10,593,111	10,556,001	10,659,300	10,908,726	11,463,800
Education	1,253,188	-	-	-	-	-	-	-	-	-
Airport	1,423,164	2,029,872	2,497,712	2,701,816	2,775,654	3,719,181	3,068,653	3,178,623	3,791,164	3,980,015
Transportation	82,091	-	-	-	-	-	-	-	-	-
Interest on long term debt	2,350,821	2,431,352	2,381,878	2,439,715	2,707,472	2,433,438	3,246,906	3,421,182	3,039,907	2,690,036
Total governmental activities expenses	44,910,603	47,569,716	52,704,381	56,190,433	59,881,148	67,570,234	65,321,133	65,054,290	72,190,622	73,558,725
Business-type activities:										
Water and sewer	14,960,430	15,376,592	16,708,201	18,379,522	19,355,126	20,852,467	22,293,459	23,926,631	23,384,255	24,220,726
Total business-type activities expenses	14,960,430	15,376,592	16,708,201	18,379,522	19,355,126	20,852,467	22,293,459	23,926,631	23,384,255	24,220,726
Total primary government expenses	59,871,033	62,946,308	69,412,582	74,569,955	79,236,274	88,422,701	87,614,592	88,980,921	95,574,877	97,779,451
Program Revenues										
Governmental activities:										
Fees, Fines, and Charges for Services:										
General government	2,615,861	3,057,487	3,094,289	3,177,892	3,365,992	3,357,505	3,447,523	3,432,373	3,285,507	3,359,920
Public safety	2,181,119	2,507,755	2,478,352	2,516,712	2,584,509	2,875,433	2,418,173	2,501,244	2,886,737	2,756,996
Highways and streets	680,177	673,494	695,188	725,052	729,368	802,199	1,111,834	1,111,434	1,127,601	1,235,792
Sanitation	4,590,190	4,898,019	7,832,529	8,118,865	8,807,165	8,972,328	9,398,631	10,045,117	10,065,522	10,145,513
Cultural and leisure services	914,156	1,230,952	1,802,270	2,172,190	2,371,659	2,662,145	2,807,967	3,157,108	2,935,299	3,689,340
Education	43,820	-	-	-	-	-	-	-	-	-
Airport	1,111,021	1,661,659	2,035,667	2,412,573	2,388,479	3,175,668	2,224,004	2,311,344	2,874,462	3,037,702
Operating grants and contributions	1,338,228	827,188	849,828	1,311,852	461,062	562,086	482,504	732,270	867,166	517,463
Capital grants and contributions	1,468,364	470,486	234,923	2,628,486	971,480	899,528	1,202,640	3,249,962	978,717	1,558,087
Total governmental activities program revenues	14,942,936	15,327,040	19,023,046	23,063,622	21,679,714	23,306,892	23,093,276	26,540,852	25,021,011	26,300,813
Business-type activities:										
Charges for services:										
Water and sewer	15,953,977	19,645,941	20,944,907	22,770,255	21,815,931	25,014,928	27,390,285	25,929,814	29,387,212	28,645,921
Operating grants and contributions	343,954	105,280	22,539	-	1,366,031	564,609	2,763	106,221	-	74,735
Capital grants and contributions	16,297,931	19,751,221	20,967,446	22,773,385	23,181,962	25,579,537	27,393,048	26,036,035	29,387,212	28,720,656
Total business-type activities program revenues	31,240,867	35,078,261	39,990,492	45,837,007	44,861,676	48,886,429	50,486,324	52,576,887	54,408,223	55,021,469
Total primary government program revenues	\$ 31,240,867	\$ 35,078,261	\$ 39,990,492	\$ 45,837,007	\$ 44,861,676	\$ 48,886,429	\$ 50,486,324	\$ 52,576,887	\$ 54,408,223	\$ 55,021,469

(continued)

CITY OF TEMPLE, TEXAS
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense) Revenue										
Governmental activities	\$ (29,967,667)	\$ (32,242,676)	\$ (33,681,335)	\$ (33,126,811)	\$ (38,201,434)	\$ (44,263,342)	\$ (42,227,857)	\$ (38,513,438)	\$ (47,169,611)	\$ (47,257,912)
Business-type activities	1,337,501	4,374,629	4,259,245	4,393,863	3,826,836	4,727,070	5,099,589	2,109,404	6,002,957	4,499,930
Total primary government net expense	\$ (28,630,166)	\$ (27,868,047)	\$ (29,422,090)	\$ (28,732,948)	\$ (34,374,598)	\$ (39,536,272)	\$ (37,128,268)	\$ (36,404,034)	\$ (41,166,654)	\$ (42,757,982)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Ad valorem	\$ 11,776,451	\$ 12,689,681	\$ 13,662,218	\$ 13,801,987	\$ 14,788,877	\$ 15,825,309	\$ 16,837,010	\$ 17,655,483	\$ 17,582,789	\$ 18,195,808
Sales	12,066,112	12,508,790	13,022,243	13,934,218	14,933,628	15,510,913	15,238,812	15,134,138	16,125,862	16,967,401
Franchise	5,092,275	6,029,662	5,152,165	5,562,043	5,855,401	6,066,459	6,373,864	6,152,140	6,216,239	6,260,051
Hotel/Motel	768,264	866,299	1,005,483	1,028,787	1,029,398	1,210,494	1,067,836	1,104,894	1,215,396	1,223,910
Mixed beverage	72,143	73,281	81,641	89,878	96,724	108,764	106,387	106,418	123,581	100,164
Other taxes	50,601	54,665	54,651	53,087	52,539	54,077	54,198	55,750	70,191	77,451
Investment earnings	586,814	605,287	1,106,674	1,590,252	2,319,714	1,487,908	464,244	164,385	88,140	81,493
Miscellaneous	949,823	1,099,057	876,118	1,477,057	1,743,245	1,554,282	1,729,310	1,385,493	3,150,409	1,422,379
Total governmental activities	31,362,483	33,926,722	34,961,193	37,537,309	40,819,526	41,818,206	41,871,661	41,758,701	44,572,607	44,328,657
Business-type activities:										
Investment earnings	224,496	188,074	428,785	656,449	932,660	641,701	235,373	142,385	126,718	358,235
Total business-type activities	224,496	188,074	428,785	656,449	932,660	641,701	235,373	142,385	126,718	358,235
Total primary government	31,586,979	34,114,796	35,389,978	38,193,758	41,752,186	42,459,907	42,107,034	41,901,086	44,699,325	44,686,892
Changes in Net Assets										
Governmental activities	1,394,816	1,684,046	1,279,858	4,410,498	2,618,092	(2,445,136)	(356,196)	3,245,263	(2,597,004)	(2,929,255)
Business-type activities	1,561,997	4,562,703	4,688,030	5,050,312	4,759,496	5,368,771	5,334,962	2,251,789	6,129,675	4,858,165
Total primary government	\$ 2,956,813	\$ 6,246,749	\$ 5,967,888	\$ 9,460,810	\$ 7,377,588	\$ 2,923,635	\$ 4,978,766	\$ 5,497,052	\$ 3,532,671	\$ 1,928,910

Source: Comprehensive Annual Financial Reports

Table III

CITY OF TEMPLE, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	Fiscal Year ⁽¹⁾					2011	2012
					2007	2008	2009	2010			
General fund											
Nonspendable:											
Inventories and prepaid items	\$ 226,270	\$ 207,628	\$ 342,875	\$ 384,880	\$ 360,101	\$ 389,222	\$ 361,371	\$ 375,993	\$ 448,025	\$ 498,812	
Restricted for:											
Drug enforcement	212,015	217,805	252,071	280,045	197,743	304,931	298,679	329,408	384,797	321,867	
Library, museum, and other	33,994	231,016	348,942	528,054	575,459	642,816	368,817	469,706	636,101	629,792	
Assigned to:											
Capital technology acquisition	1,448,635	1,058,416	641,052	621,000	526,345	349,587	569,240	231,207	329,162	315,618	
Capital projects	5,084,396	5,931,395	4,794,405	5,648,213	5,924,986	3,793,396	4,634,697	5,630,052	6,375,154	4,277,846	
Self-funded health insurance	-	-	-	-	-	-	-	-	275,000	300,000	
Other purposes	2,869,024	2,058,558	2,090,952	1,237,527	1,482,391	1,135,807	1,951,008	1,532,988	1,109,456	2,060,396	
Unassigned	11,805,763	12,285,253	12,943,446	13,274,017	14,478,768	15,048,035	15,048,035	15,050,138	15,368,477	16,100,649	
Total general fund	\$ 21,680,097	\$ 21,990,071	\$ 21,413,743	\$ 21,973,736	\$ 23,545,793	\$ 21,663,794	\$ 23,231,847	\$ 23,619,492	\$ 24,926,172	\$ 24,504,980	
All other governmental funds											
Nonspendable:											
Prepaid items	\$ 9,405	\$ 93	\$ 547	\$ 2,072	\$ 2,000	\$ 2,000	\$ 5,098	\$ 4,581	\$ 4,555	\$ 4,203	
Restricted for:											
Debt service	79,599	116,314	6,472	644,563	1,130,345	1,744,532	1,538,432	1,758,817	1,364,049	2,960,522	
Construction, as restated	19,508,496	9,286,333	1,982,879	1,536,715	7,443,797	22,212,809	9,310,110	15,349,088	4,585,041	30,398,210	
Promotion of tourism	270,657	339,797	663,878	909,574	970,497	1,208,688	1,027,344	913,293	1,149,063	1,350,812	
Committed to:											
Drainage	658,763	505,595	411,002	500,117	766,162	558,905	999,253	1,265,722	1,279,068	1,503,965	
Total all other governmental funds, as restated	\$ 20,526,920	\$ 10,248,132	\$ 3,064,778	\$ 3,593,041	\$ 10,312,801	\$ 25,726,934	\$ 12,880,237	\$ 19,291,501	\$ 8,381,776	\$ 36,217,712	

¹ - The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011. Fiscal years 2003 through 2010 have been reclassified with the implementation of GASB Statement No. 54.

CITY OF TEMPLE, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES:										
Taxes:										
Ad valorem	\$ 11,821,528	\$ 12,720,902	\$ 13,659,452	\$ 13,835,799	\$ 14,749,272	\$ 15,821,743	\$ 16,741,749	\$ 17,617,718	\$ 17,647,927	\$ 18,246,346
Sales	12,066,112	12,508,790	13,022,243	13,934,218	14,933,628	15,510,913	15,238,812	15,134,138	16,125,862	16,967,401
Hotel/Motel	768,264	866,299	1,005,483	1,028,787	1,029,398	1,210,494	1,067,836	1,104,894	1,215,396	1,223,910
Mixed beverage	72,143	73,281	81,641	89,878	96,724	108,764	106,387	106,418	123,581	100,164
Other taxes	50,601	54,665	54,651	53,087	52,539	54,198	55,751	55,751	70,191	77,451
Franchise fees	5,092,275	6,029,662	5,152,165	5,562,043	5,855,401	6,066,459	6,373,864	6,152,141	6,216,239	6,260,051
Licenses and permits	315,759	303,168	336,506	424,378	419,367	407,634	333,085	323,817	448,076	377,290
Intergovernmental	2,760,371	1,320,232	1,084,752	3,940,238	1,432,542	1,461,614	1,865,144	3,982,232	1,847,522	2,265,741
Drainage fees	608,136	609,476	615,738	636,108	638,591	685,848	981,950	999,274	1,016,748	1,084,423
Charges for services:										
Library fees	43,821	43,906	43,310	43,363	43,295	48,070	46,664	37,678	40,202	35,829
Recreational entry fees	123,471	121,792	134,509	158,834	168,358	171,812	162,965	168,238	154,637	136,498
Summit recreational fees	114,012	368,549	428,084	448,170	460,064	469,840	468,832	624,394	773,341	751,824
Golf course revenues	-	-	589,011	891,829	931,270	1,017,243	911,780	788,981	239,610	1,017,595
Swimming pool	66,843	75,317	71,278	80,480	87,268	93,160	51,358	30,016	37,922	33,169
Lions Junction water park	-	-	-	-	-	-	275,978	270,067	298,497	259,976
Sammons indoor pool	-	-	-	-	-	-	10,507	60,445	72,336	82,530
Vital statistics	95,532	115,705	127,329	194,531	229,874	228,691	224,293	174,537	138,342	124,135
Police revenue	295,615	193,719	197,068	246,981	250,619	466,471	268,804	277,769	278,136	228,156
Contractual services - proprietary fund	1,920,020	2,249,706	2,392,450	2,415,086	2,564,022	2,815,038	2,916,744	2,965,786	2,968,883	3,063,081
County fire protection	4,147	4,233	2,225	1,389	1,084	1,353	5,007	2,058	4,095	3,988
Curb and street cuts	40,698	34,691	40,698	27,092	32,043	36,925	51,896	42,858	42,745	69,762
Other	128,010	152,543	149,086	131,421	116,099	115,091	107,866	173,520	177,315	183,078
Solid waste collection - residential	2,253,408	2,312,997	2,367,375	2,437,511	2,721,927	2,832,868	3,178,301	3,572,061	3,658,361	3,731,889
Solid waste collection - commercial	1,000,333	1,057,637	2,273,836	2,371,563	2,556,689	2,639,211	2,798,699	2,842,700	2,845,635	2,844,135
Solid waste collection - roll-off	366,830	489,424	1,888,941	1,119,593	2,305,986	2,203,748	1,904,048	2,016,329	1,920,793	1,894,753
Temporary fuel surcharge	-	-	-	92,569	-	-	-	-	-	-
Landfill contract	969,619	1,037,961	1,302,376	2,097,627	1,222,563	1,296,510	1,517,583	1,614,027	1,640,732	1,674,726
Airport sales and rental	1,111,022	1,661,659	2,035,667	2,412,574	2,388,479	3,175,668	2,224,005	2,311,344	2,874,462	3,037,702
Recreational services	245,744	296,863	270,462	278,963	376,134	537,091	550,001	728,785	760,084	819,626
Fire department	154,849	122,032	29,524	8,219	19,804	11,812	6,079	10,981	17,636	11,964
Subdivision fees	23,585	18,554	21,451	22,789	17,788	20,533	12,201	17,975	21,818	15,648
Civic center & railroad museum revenues	289,086	249,525	190,616	195,551	230,271	249,930	254,882	298,504	408,671	402,293
Fines	1,372,518	1,842,055	1,869,776	1,811,931	1,890,845	1,985,417	1,801,732	1,883,604	2,136,454	2,133,078
Interest and other	2,185,505	2,282,631	2,497,593	3,516,112	4,516,612	3,662,986	2,536,426	1,884,590	1,866,347	1,700,329
Total revenues	46,359,957	49,217,974	53,919,517	60,508,714	62,338,556	65,407,004	64,869,676	68,273,430	68,088,596	70,858,551
EXPENDITURES:										
Current:										
General government	9,168,664	8,157,197	8,724,300	9,309,505	10,388,342	12,486,714	10,996,117	11,408,326	11,324,780	11,703,131
Public safety	19,349,111	27,425,138	27,143,513	21,435,743	22,407,229	23,983,300	24,608,006	28,959,139	31,542,542	27,628,257
Highways and streets	5,641,199	6,131,449	4,112,820	3,668,866	6,417,838	9,932,915	6,250,717	4,435,722	5,908,268	9,204,905
Sanitation	2,542,603	4,290,608	4,758,194	5,014,310	5,764,373	5,516,414	4,471,564	5,188,280	5,391,763	5,056,524
Health and welfare	1,208,762	248,098	248,098	2,139,818	236,520	620,472	130,494	238,743	461,209	205,125
Culture and leisure services	5,712,445	7,112,033	7,572,315	8,527,394	9,482,059	12,211,783	18,805,709	11,865,596	11,183,792	10,978,275
Education	1,219,443	-	-	-	-	-	-	-	-	-
Airport	3,498,929	1,836,487	2,578,064	6,274,987	3,305,438	3,724,449	3,504,554	5,153,234	3,273,341	3,626,089
Debt service:										
Principal retirement	3,955,199	3,483,392	4,198,715	4,077,148	4,026,314	4,338,388	4,332,453	4,868,482	4,772,004	5,405,563
Interest and fiscal charges	2,172,068	2,508,587	2,472,470	2,359,042	2,554,604	2,706,182	3,314,077	3,381,115	3,244,597	3,236,670
Total expenditures	\$ 54,468,423	\$ 61,109,867	\$ 61,808,489	\$ 62,808,813	\$ 64,582,717	\$ 75,520,617	\$ 76,413,691	\$ 75,498,637	\$ 77,102,296	\$ 77,044,539

(continued)

CITY OF TEMPLE, TEXAS
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table IV
 (continued)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (8,108,566)	\$ (11,891,893)	\$ (7,888,972)	\$ (2,298,099)	\$ (2,244,161)	\$ (10,113,613)	\$ (11,544,015)	\$ (7,225,207)	\$ (9,013,700)	\$ (6,185,988)
OTHER FINANCING SOURCES (USES):										
Transfer in	4,454,908	3,651,356	2,753,523	3,780,514	2,123,769	2,261,777	1,206,082	1,240,854	1,042,837	1,330,355
Transfer out	(4,454,908)	(3,651,356)	(2,753,523)	(3,780,514)	(2,123,769)	(2,261,777)	(1,206,082)	(1,240,854)	(1,692,472)	(1,845,849)
Issuance of loans and bonds	24,443,443	-	-	3,550,000	10,635,000	23,180,000	265,371	13,995,000	-	30,445,000
Discount on bond issuance	-	-	-	-	(99,022)	(155,766)	-	-	(68,241)	(291,156)
Issuance of refunding bonds	-	-	14,526,582	-	-	-	-	3,950,000	9,820,000	9,290,000
Issuance of debt	-	1,923,079	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(5,125,000)	-	(14,397,292)	-	-	-	-	(3,926,713)	(9,903,444)	(10,482,241)
Premium on bond issuance	-	-	-	-	-	621,513	-	5,829	204,248	5,154,623
Total other financing sources (uses)	19,318,443	1,923,079	129,290	3,550,000	10,535,978	23,645,747	265,371	14,024,116	(597,072)	33,600,732
NET CHANGE IN FUND BALANCES	\$ 11,209,877	\$ (9,968,814)	\$ (7,759,682)	\$ 1,251,901	\$ 8,291,817	\$ 13,532,134	\$ (11,278,644)	\$ 6,798,909	\$ (9,610,772)	\$ 27,414,744
Debt service as a percentage of noncapital expenditures	14.3%	13.5%	13.5%	12.1%	11.8%	11.0%	12.7%	13.5%	13.0%	12.3%
Capital Outlay	\$ 11,750,816	\$ 16,668,564	\$ 12,453,493	\$ 9,728,555	\$ 8,718,456	\$ 11,703,515	\$ 16,423,100	\$ 14,306,611	\$ 15,437,565	\$ 6,873,201

CITY OF TEMPLE, TEXAS
GENERAL GOVERNMENTAL TAX & FRANCHISE REVENUES BY SOURCE ⁽¹⁾
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table V

Fiscal Year	General Property Tax	City Sales Tax	Franchise Fee	Hotel/Motel Tax	Mixed Beverage Tax	Other Tax	Total
2003	\$ 11,821,528	\$ 12,066,112	\$ 5,092,275	\$ 768,264	\$ 72,143	\$ 50,601	\$ 29,870,923
2004	12,720,902	12,508,790	6,029,662	866,299	73,281	54,665	32,253,599
2005	13,659,452	13,022,243	5,152,165	1,005,483	81,641	54,651	32,975,635
2006	13,835,799	13,934,218	5,562,043	1,028,787	89,878	53,087	34,503,812
2007	14,749,272	14,933,628	5,855,401	1,029,398	96,724	52,539	36,716,962
2008	15,821,743	15,510,913	6,066,459	1,210,494	108,764	54,077	38,772,450
2009	16,741,749	15,238,812	6,373,864	1,067,836	106,387	54,198	39,582,846
2010	17,617,718	15,134,138	6,152,141	1,104,894	106,418	55,751	40,171,060
2011	17,647,927	16,125,862	6,216,239	1,215,396	123,581	70,191	41,399,196
2012	18,246,346	16,967,401	6,260,051	1,223,910	100,164	77,451	42,875,323

⁽¹⁾ Includes the General Fund tax revenues on a GAAP basis.

Table VI

CITY OF TEMPLE, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year ¹	Estimated Market Value		Less: Productivity Loss	Less: Homestead Cap	Less: Tax-Exempt Property	Total Taxable Assessed Value	Less: Tax Increment District	Less: Applicable Adjustments	Total Taxable Value ⁴	Total Direct Tax Rate	Assessed Value ¹ as a Percentage of Actual Value
	Real Property	Personal Property									
2003	\$2,191,059,062	\$788,371,377	\$30,142,369	\$41,715,899	\$744,120,192	\$2,163,451,979	\$82,216,093	\$-	\$2,081,235,886	0.5893	72.61%
2004	2,314,466,603	750,167,536	31,359,993	45,438,758	748,963,095	2,238,872,293	85,417,297	1,343,363 ²	2,152,111,633	0.6047	73.06%
2005	2,407,820,798	875,240,770	30,588,532	30,073,035	811,983,222	2,410,416,779	102,827,565	-	2,307,589,214	0.6023	73.42%
2006	2,593,605,161	923,610,106	30,044,127	39,954,400	829,300,032	2,617,916,708	99,457,612	77,181,631 ³	2,441,277,465	0.5745	74.43%
2007	2,776,793,922	867,247,320	32,245,657	29,952,122	839,553,516	2,742,289,947	119,486,508	-	2,622,803,439	0.5734	75.25%
2008	3,010,380,513	890,891,949	34,753,485	30,407,611	857,950,357	2,978,161,009	123,405,421	-	2,854,755,588	0.5681	76.34%
2009	3,236,662,897	920,505,493	34,032,591	27,964,590	864,617,679	3,230,553,530	129,959,299	-	3,100,594,231	0.5595	77.71%
2010	3,328,646,073	913,243,710	36,416,466	12,780,852	842,391,021	3,350,301,444	129,278,930	-	3,221,022,514	0.5646	78.98%
2011	3,360,739,695	865,160,292	39,920,753	5,630,033	849,088,073	3,331,261,128	129,282,220	-	3,201,978,908	0.5679	78.83%
2012	3,489,946,100	921,088,202	40,788,663	7,005,234	915,915,243	3,447,325,162	136,065,299	-	3,311,259,863	0.5679	78.15%

Source: Property tax information - Tax Appraisal District of Bell County

Note: Property is reassessed annually. The Tax Appraisal District of Bell County assesses property at approximately 100 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per \$100 of assessed value.

¹ - Includes tax-exempt property.

² - Subsequent to the July 16, 2003 certification of the tax roll, the Interim Chief Appraiser adjusted the "certified" totals under Appraisal Review Board (ARB) review by 15%.

³ - Adjustment accounts for correction of an error and a court ordered agreement.

⁴ - Net taxable value not adjusted for frozen values

Table VII

CITY OF TEMPLE, TEXAS
 PROPERTY TAX RATES
 DIRECT AND OVERLAPPING ¹ GOVERNMENTS
 Last Ten Fiscal Years

Fiscal Year	City of Temple													
	Total		Bell County		Temple		Elm Creek		Temple		Belton		Troy	
	Operating	Debt Service	Direct Tax Rate	Bell County	Road District	Bell County	College	Flood Control District	Independent School District					
2003	\$ 0.3273	\$ 0.2620	\$ 0.5893	\$ 0.3366	\$ 0.0285	\$ 0.2245	\$ 0.0275	\$ 1.6500	\$ 1.6812	\$ 1.6000				
2004	0.3510	0.2537	0.6047	0.3351	0.0299	0.2245	0.0286	1.6500	1.6640	1.6068				
2005	0.3674	0.2349	0.6023	0.3315	0.0295	0.2154	0.0286	1.6318	1.7400	1.6325				
2006	0.3546	0.2199	0.5745	0.3465	0.0295	0.2054	0.0294	1.6300	1.7185	1.6725				
2007	0.3395	0.2339	0.5734	0.3815	0.0295	0.2000	0.0294	1.4900	1.6685	1.5435				
2008	0.3392	0.2289	0.5681	0.3795	0.0295	0.2180	0.0309	1.2401	1.2870	1.2681				
2009	0.3322	0.2273	0.5595	0.3779	0.0295	0.2100	0.0283	1.2300	1.4110	1.5217				
2010	0.3173	0.2473	0.5646	0.3759	0.0295	0.2100	0.0306	1.2100	1.4110	1.4030				
2011	0.3300	0.2379	0.5679	0.3820	0.0299	0.2100	0.0327	1.2100	1.4210	1.3517				
2012	0.3240	0.2439	0.5679	0.4096	0.0299	0.2054	0.0327	1.2850	1.4060	1.3517				

Source: Tax Appraisal District of Bell County

Notes: Statutes of the State of Texas (Article 1028) limit the maximum amount that a city can designate for debt service to \$2.50 per \$100 of assessed valuation. However, under City Charter, a limitation on taxes levied for general municipal operating purposes and for the purpose of paying interest and providing a proper sinking fund for paying the outstanding bonds and other obligations of the City, issued for municipal purposes, and any such future bonds or obligations which may be authorized, may not exceed \$1.20 per \$100 assessed valuation.

¹ Overlapping rates are those of local and county governments that apply to property owners within the City of Temple. Not all overlapping rates apply to all City of Temple property owners (e.g. rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district). A property's location within the City limits will determine which school district's tax will be applicable for the property.

Tax rate limit, City: \$1.20
 Is limitation by statute or constitution? Statute.
 Do they include debt service? Yes.
 Tax due date: January 31.
 Discount allowed? Yes; October 31, 3%; November 30, 2%; December 31, 1%.
 Penalty and interest: 1.5% per month beginning on the first day of delinquency (February 1) until tax is 12 months delinquent, at which time a 1.0% per month penalty is assessed until taxes are paid.
 Uncollected taxes: 1. Second notice mailed in March or April following due date.
 2. Letter of intent to sue sent.
 3. Tax suit filed.
 As ordered; not set by date.
 Source: Tax Appraisal District of Bell County.

**CITY OF TEMPLE, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Ten Years Ago**

Table VIII

Taxpayer	2012			2003		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ²	Rank	Percentage of Total Taxable Assessed Value
McLane Company, Inc.	\$ 119,495,788	1	3.61%	\$ 21,166,914	7	1.02%
Pactiv Corporation	108,300,131	2	3.27%	45,624,925	4	2.19%
Wal-Mart Distribution Center	101,226,832	3	3.06%	72,884,460	2	3.50%
Wilsonart International	77,939,544	4	2.35%	118,094,220	1	5.67%
Sam's East, Inc.	45,436,338	5	1.37%	-	-	-
Oncor Electric Delivery Company	44,376,803	6	1.34%	31,093,359	5	1.49%
H.E. Butt Grocery	21,564,960	7	0.65%	-	-	-
BNSF Railway Company	21,494,795	8	0.65%	11,033,169	10	0.53%
Performance Food Group	18,436,429	9	0.56%	13,770,458	9	0.66%
Coyote Temple Mall	15,449,291	10	0.47%	-	-	-
McLane Southwest, Inc.	-	-	-	68,670,212	3	3.30%
Southwestern Bell Telephone	-	-	-	23,492,885	6	1.13%
Colonial Realty LP	-	-	-	17,277,256	8	0.83%
Totals	\$ 573,720,911		17.33%	\$ 423,107,858		20.33%

Source: Tax Appraisal District of Bell County

¹- Total taxable value including real and personal property for fiscal year 2012 is \$3,311,259,863 (net taxable value not adjusted for frozen values).

²- Total taxable value including real and personal property for fiscal year 2003 is \$2,081,235,886 (net taxable value not adjusted for frozen values).

Table IX

**CITY OF TEMPLE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Eight Fiscal Years**

Fiscal Year ¹	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected within the Tax Year of the Levy		Collections in Subsequent Years ²		Total Collections to Date	
	Amount	Amount	Amount	Amount	% of Levy	Amount	Years ²	Amount	% of Levy
2005	\$ 13,900,164	\$ (163,645)	\$ 13,736,519	\$ 13,440,518	97.85%	\$ 163,632		\$ 13,604,150	99.04%
2006	14,096,975	-	14,096,975	13,792,514	97.84%	147,662		13,940,176	98.89%
2007	14,970,102	-	14,970,102	14,705,740	98.23%	109,316		14,815,056	98.96%
2008	16,089,326	-	16,089,326	15,783,170	98.10%	122,466		15,905,636	98.86%
2009	17,162,704	-	17,162,704	16,794,390	97.85%	117,359		16,911,749	98.54%
2010	17,957,542	-	17,957,542	17,582,962	97.91%	115,575		17,698,537	98.56%
2011	17,957,507	-	17,957,507	17,538,771	97.67%	100,726		17,639,497	98.23%
2012	18,585,931	-	18,585,931	18,276,652	98.34%	-		18,276,652	98.34%

¹ - Information prior to FY 2005 is not available in this format. As additional years of data become available, the City will report 10 years of historical data.

² - Collections from subsequent years restated to reflect collections net of refunds.

Source: Tax Appraisal District of Bell County

Table X

**CITY OF TEMPLE, TEXAS
TAXABLE SALES BY CATEGORY
Last Ten Calendar Years**

	Calendar Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Building Material	\$ 49,966,093	\$ 52,989,545	\$ 58,106,057	\$ 65,724,599	\$ 71,437,840	\$ 88,416,785	\$ 89,613,352	\$ 82,462,311	\$ 88,576,484	\$ 87,314,928
General Merchandise Stores	138,883,134	138,716,910	137,216,215	130,038,434	129,664,014	166,315,129	175,596,330	164,686,634	170,470,503	170,797,914
Food Stores ¹	43,085,830	45,609,166	47,757,177	47,494,054	47,944,503	37,103,364	39,420,176	41,712,916	49,113,761	56,881,719
Auto Dealers & Service Stations	29,602,245	27,529,976	27,015,799	28,048,074	29,640,807	53,782,893	55,042,952	57,044,251	58,364,792	59,241,754
Apparel & Accessory Stores	28,420,780	28,686,170	30,532,652	25,462,014	23,396,775	30,424,610	28,783,684	24,779,772	24,857,770	25,852,811
Furniture & Home Furnishings	36,858,225	38,790,500	40,712,380	38,358,643	45,858,144	43,464,834	44,804,031	39,113,284	45,981,591	40,458,746
Eating & Drinking Places	73,319,554	79,508,287	85,808,030	89,864,655	88,975,925	106,970,841	112,977,388	113,463,147	118,255,769	123,216,814
Miscellaneous Retail	40,326,007	41,875,917	42,296,804	43,706,477	41,634,298	63,350,221	66,585,331	67,017,206	67,267,029	62,914,213
Nonstore Retailers	2,197	3,018	-	12,214	20,917	15,024	613,748	323,075	13,731	3,894
Total Retail Sales	440,464,065	453,709,489	469,445,114	468,709,164	478,573,223	589,843,701	613,436,992	590,602,596	622,901,430	626,682,793
Total Non-Retail Sales	327,980,767	357,239,176	359,855,537	373,637,697	420,299,019	239,215,347	199,854,667	179,375,190	188,040,333	191,399,847
Total Taxable Sales	\$ 768,444,832	\$ 810,948,665	\$ 829,300,651	\$ 842,346,861	\$ 898,872,242	\$ 829,059,048	\$ 813,291,659	\$ 769,977,786	\$ 810,941,763	\$ 818,082,640
Applicable Sales Tax Rates:										
City of Temple	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Bell County	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
State of Texas	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
TOTAL SALES TAX RATE	8.25%									

Source: State of Texas Comptroller, City of Temple, and Bell County.

Notes: Retail sales information is not available on a fiscal-year basis.

¹ - General grocery items are not taxable; the sales tax applies only to prepared food items and nonfood items.

² - In prior years erroneously reported Miscellaneous Retail in Non-Retail Sales category.

Table XI

CITY OF TEMPLE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Certificates of Obligation Bonds	Contractual Obligations	Revenue Bonds	Pass-Through Revenue & Limited Tax Bonds	Water & Sewer Revenue Bonds	General Obligation Bonds	Contractual Obligations	Notes Payable	Notes Payable			
2003	\$ 29,374,827	\$ 21,250,000	\$ -	\$ -	\$ -	\$ 36,075,000	\$ 2,970,173	\$ 3,325,000	\$ 110,445	\$ 24,581	\$ 95,822,423	\$ 24,581	\$ 1,695
2004	27,196,582	20,450,000	1,620,000	-	-	35,575,000	2,053,418	2,745,000	833,153	25,672	92,977,945	25,672	1,618
2005	32,920,343	11,425,000	1,375,000	-	-	33,970,000	1,389,657	2,140,000	751,256	27,338	85,886,884	27,338	1,448
2006	30,467,518	10,240,000	1,115,000	-	-	32,320,000	682,482	1,505,000	666,874	30,132	82,283,179	30,132	1,360
2007	28,390,000	19,165,000	850,000	-	-	51,095,000	-	-	579,932	32,812	105,392,441	32,812	1,707
2008	35,135,000	32,180,000	575,000	-	-	63,395,000	-	-	490,352	35,255	136,444,464	35,255	2,173
2009	32,410,000	31,525,000	290,000	-	-	60,125,000	-	-	398,055	37,106	129,015,085	37,106	2,031
2010	46,835,000	27,400,000	-	-	-	73,885,000	-	-	302,959	37,917	151,956,507	37,917	2,299
2011	47,040,000	23,625,000	-	-	-	56,770,000	14,150,000	-	204,974	37,593	144,671,452	37,593	2,158
2012	48,315,000	17,160,000	5,745,000	-	24,700,000	34,110,000	32,390,000	-	104,018	40,029	164,709,933	40,029	2,411

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ - See the Schedule of Demographic and Economic Statistics on page 171 for personal income and population data. (Table XVI)

Table XII

CITY OF TEMPLE, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds ¹	Certificates of Obligation Bonds	General Bonded Debt Outstanding				Notes Payable	Total General Bonded Debt Outstanding	Less: Amounts Available in Debt Service Fund	Total General Net Bonded Debt Outstanding	% of Estimated	
			Contractual Obligations	Revenue Bonds	Pass-Through Revenue & Limited Tax Bonds	Revenue Bonds					Actual Taxable Value ² of Property	Per Capita ³
2003	\$ 32,345,000	\$ 21,250,000	\$ -	\$ -	\$ -	2,716,978	\$ 56,311,978	\$ 79,599	\$ 56,232,379	72.61%	\$ 995	
2004	29,250,000	20,450,000	1,620,000	-	-	2,504,692	53,824,692	116,314	53,708,378	73.06%	935	
2005	34,310,000	11,425,000	1,375,000	-	-	1,915,628	49,025,628	6,472	49,019,156	73.42%	826	
2006	31,150,000	10,240,000	1,115,000	3,550,000	-	1,736,305	47,791,305	644,563	47,146,742	74.43%	779	
2007	28,390,000	19,165,000	850,000	3,440,000	-	1,872,509	53,717,509	1,130,345	52,587,164	75.25%	852	
2008	35,135,000	32,180,000	575,000	3,135,000	-	1,534,112	72,559,112	1,744,532	70,814,580	76.34%	1,128	
2009	32,410,000	31,525,000	290,000	2,810,000	-	1,457,030	68,492,030	1,538,432	66,953,598	77.71%	1,054	
2010	46,835,000	27,400,000	-	2,470,000	-	1,063,548	77,768,548	1,758,817	76,009,731	78.98%	1,150	
2011	61,190,000	23,625,000	-	2,110,000	-	771,478	87,696,478	1,364,049	86,332,429	78.83%	1,288	
2012	80,705,000	17,160,000	5,745,000	1,730,000	24,700,000	455,915	130,495,915	2,960,522	127,535,393	78.15%	1,867	

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ - Amounts reported include governmental and business type general obligation bonds.

² - See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 161 for property value data.

³ - Population data can be found in the Schedule of Demographic and Economic Statistics on page 171.

CITY OF TEMPLE, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2012

Table XIII

<u>Governmental Unit</u>	<u>Net General Obligation Bonded Debt Outstanding¹</u>	<u>Percentage Applicable to City of Temple</u>	<u>Amount Applicable to City of Temple</u>
Direct Debt:			
City of Temple	\$ 98,105,915	100.00%	\$ 98,105,915
Reinvestment Zone No. 1 ²	30,135,000	100.00%	30,135,000
Total direct debt	<u>128,240,915</u>		<u>128,240,915</u>
Overlapping Debt:			
Temple Independent School District	\$ 136,349,905	93.29%	\$ 127,200,826
Temple College	24,090,000	99.04%	23,858,736
Bell County	118,200,000	25.13%	29,703,660
Belton Independent School District	137,889,996	21.27%	29,329,202
Troy Independent School District	20,796,647	6.15%	1,278,994
Total estimated overlapping debt	<u>437,326,548</u>		<u>211,371,418</u>
Total direct and overlapping debt	<u><u>\$ 565,567,463</u></u>		<u><u>\$ 339,612,333</u></u>

Sources: Finance departments of respective entities.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Temple. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident -- and therefore responsible for repaying the debt -- of each overlapping government.

¹ - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

² - Debt is secured by pledged property taxes attributable to incremental growth in real property within the Zone. Bell County, Temple I.S.D., Belton I.S.D., Troy I.S.D. and Temple College each participate in the Zone.

CITY OF TEMPLE, TEXAS
 COMPUTATION OF LEGAL DEBT MARGIN
 Last Ten Fiscal Years

Table XIV

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed value 2011/2012 tax roll ¹										
Limit on amount designated for debt service per \$100 assessed valuation										
										\$ 2,975,336,285
										x \$1.20
Legal debt service limit										\$ 35,704,035
Actual amount expended by Debt Service Fund for general obligation debt service during the year ended September 30, 2012										(7,597,902)
Legal Debt Margin										\$ 28,106,133
Debt service limit	\$ 24,974,831	\$ 25,825,340	\$ 27,375,114	\$ 29,295,330	\$ 28,538,710	\$ 31,159,190	\$ 33,506,296	\$ 34,778,639	\$ 34,475,515	\$ 35,704,035
Total net debt applicable to limit	(5,518,209)	(5,595,418)	(6,298,459)	(5,542,725)	(5,780,876)	(5,756,359)	(6,744,944)	(6,921,079)	(7,144,451)	(7,597,902)
Legal debt margin	\$ 19,456,622	\$ 20,229,922	\$ 21,076,655	\$ 23,752,605	\$ 22,757,834	\$ 25,402,831	\$ 26,761,352	\$ 27,857,560	\$ 27,331,064	\$ 28,106,133
Total net debt applicable to the limit as a percentage of debt service limit	22.10%	21.67%	23.01%	18.92%	20.26%	18.47%	20.13%	19.90%	20.72%	21.28%

Notes: Statutes of the State of Texas (Article 1028) limit the maximum amount that a city can designate for debt service to \$2.50 per \$100 of assessed valuation. However, under City Charter, a limitation on taxes levied for general municipal operating purposes and for the purpose of paying interest and providing a proper sinking fund for paying the outstanding bonds and other obligations of the City, issued for municipal purposes, and any such future bonds or obligations which may be authorized, may not exceed \$1.20 per \$100 assessed valuation.

¹ - Net taxable value adjusted for frozen taxable value. Frozen taxable value is not included in debt service calculation.

**CITY OF TEMPLE, TEXAS
 PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years**

Table XV

Water Revenue Bonds					
Fiscal Year	Gross Revenue ¹	Less: Operating Expenses ²	Net Available Revenue	Average Annual Debt Service ³	Coverage
2003	\$ 16,354,608	\$ 10,614,590	\$ 5,740,018	\$ 2,952,766	1.94
2004	19,939,295	11,374,773	8,564,522	2,888,623	2.96
2005	21,396,231	12,339,054	9,057,177	2,852,664	3.17
2006	23,429,834	12,818,521	10,611,313	2,799,622	3.79
2007	22,748,591	13,454,119	9,294,472	3,982,479	2.33
2008	25,656,629	14,967,382	10,689,247	4,697,031	2.28
2009	27,625,658	16,455,192	11,170,466	4,686,147	2.38
2010	26,072,200	17,037,596	9,034,604	5,352,275	1.69
2011	29,513,930	16,271,594	13,242,336	5,275,264	2.51
2012	29,078,891	16,753,197	12,325,694	5,104,498	2.41

Water Revenue Bonds					
Fiscal Year	Gross Revenue ¹	Less: Operating Expenses ²	Net Available Revenue	Maximum Annual Debt Service ⁴	Coverage
2007	\$ 22,748,591	\$ 13,454,119	\$ 9,294,472	\$ 3,496,500	2.66
2008	25,656,629	14,967,382	10,689,247	4,677,725	2.29
2009	27,625,658	16,455,192	11,170,466	4,677,625	2.39
2010	26,072,200	17,037,596	9,034,604	5,792,125	1.56
2011	29,513,930	16,271,594	13,242,336	5,792,125	2.29
2012	29,078,891	16,753,197	12,325,694	3,158,581	3.90

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial section. Operating expenses do not include interest, depreciation, or amortization expenses.

¹ - Gross revenues (as defined by revenue bond covenants) includes all income of the water and sewer system including interest income and noncash contributions of capital.

² - Total operating expense less depreciation.

³ - Includes Revenue Debt and 1993 Combination Tax & Revenue Debt for fiscal years 1995 - 2003. Includes Revenue Debt and 2003 General Obligation Refunding & Improvement Debt for fiscal years beginning in 2004 through 2006. Includes 2006 Utility Revenue Bonds for fiscal years beginning in 2007, plus 2008 Utility Revenue Bonds for fiscal years beginning in 2009, plus 2010 Utility Revenue Bonds for fiscal years beginning in 2010.

⁴ - FY 2007 is the first year of the new Junior Lien Master Ordinance requiring calculation of the Junior Lien Debt coverage based on the greater of 1.25 times the average annual debt service requirements or 1.10 times the maximum annual debt service requirements. Maximum annual debt service only includes the 2006 Utility Revenue Bonds for FY 2007, plus 2008 Utility Revenue Bonds for fiscal years beginning in 2009, plus 2010 Utility Revenue Bonds for fiscal years beginning in 2010.

**CITY OF TEMPLE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years**

Table XVI

Calendar Year	Population ¹	Personal Income ²	Per Capita Personal Income ³	Median Age ⁴	School Enrollment ⁵	Unemployment Rate ⁶
2003	56,537	\$ 1,389,735,997	\$ 24,581	35.2	8,090	3.90
2004	57,447	1,474,779,384	25,672	35.2	8,062	3.20
2005	59,318	1,621,635,484	27,338	35.2	8,066	4.30
2006	60,518	1,823,528,376	30,132	35.2	8,095	4.10
2007	61,755	2,026,305,060	32,812	35.2	8,359	3.80
2008	62,790	2,213,661,450	35,255	35.2	8,499	4.20
2009	63,524	2,357,121,544	37,106	35.2	8,629	5.90
2010	66,102	2,506,389,534	37,917	34.6	8,981	6.30
2011	67,036	2,520,084,348	37,593	34.6	8,953	6.77
2012	68,315	2,734,581,135	40,029	34.6	8,850	5.84

Source: 2010 population based on 2010 Bureau of Census report.

¹ - 2002 thru 2009 population is based on new residential water customers multiplied by 2000 Census data of average household size of 2.44. 2010 population is based on the 2010 Census and 2011 population is based on new residential water customers multiplied by 2010 Census data of average household size of 2.47.

² - Calculating Personal Income based on Per Capital Personal Income and estimated population.

³ - Per Capita Income provided by Metropolitan Area publication on the U.S. Department of Commerce's Bureau of Economic Analysis website (2007-2010). Based on most recent data available which will lag one year behind. This includes updates to prior years as they are updated by the Bureau of Economic Analysis.

⁴ - Median age of 35.2 provided in 2000 Census and 34.6 provided in the 2010 Census.

⁵ - School enrollment (for public schools in Temple) provided by Temple Independent School District.

⁶ - Unemployment rates provided on the Texas Workforce Commission website. This includes updates to prior years as they are updated by the Texas Workforce Commission.

CITY OF TEMPLE, TEXAS
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

Table XVII

Employer	FY 2012			FY 2003		
	Employees ¹	Rank	Percentage of Total City Employment ²	Employees ³	Rank	Percentage of Total City Employment ⁴
Scott & White Hospital	8,993	1	27.00%	7,608	1	27.17%
Wilsonart International	1,950	2	5.85%	1,685	3	6.02%
McLane Company - Corporation Headquarters & SW Distribution Center	1,773	3	5.32%	1,549	4	5.53%
Temple Independent School District	1,313	4	3.94%	1,368	5	4.88%
Wal-Mart Superstore, Distribution Center and Sam's Club	1,110	5	3.33%	655	9	2.34%
Sprint/Nextel Communications	1,000	6	3.00%	922	7	-
City of Temple	683	7	2.05%	637	10	2.27%
PACTIV Packaging Corporation	533	8	1.60%	1,063	6	3.80%
Texas Hydraulics	395	9	1.19%	-	-	-
Artoco-Bell Corp	390	10	1.17%	-	-	-
Central Texas Veterans Healthcare Systems	-	-	-	2,753	2	9.83%
King's Daughters Hospital and Clinic	-	-	-	688	8	2.46%
Totals	18,140		54.45%	18,928		64.30%

¹ - Source: Temple Economic Development Corporation

² - Source: Texas Workforce Commission website

³ - Source: Temple Chamber of Commerce

⁴ - Source: Texas Workforce Commission website

CITY OF TEMPLE, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government -										
City council	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
City manager ^{1, 18 & 24}	4.63	5.13	4.73	4.73	4.38	4.38	6.00	6.00	8.00	7.75
Finance ^{19 & 25}	9.70	9.70	9.70	9.75	10.75	10.75	11.00	11.00	10.50	11.00
Purchasing	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
City secretary	4.00	4.00	4.00	4.50	4.63	4.63	4.63	4.63	4.63	4.63
Legal	6.13	5.63	5.63	5.63	6.13	7.13	6.63	6.63	6.63	6.63
City planning ^{17 & 26}	5.45	4.45	6.45	6.45	6.33	6.33	6.45	6.45	6.45	5.95
Information technology services ^{2, 17, 18 & 20}	18.38	20.38	20.00	20.00	19.00	17.50	17.50	17.50	16.50	16.50
Human resources ²⁷	5.70	5.63	5.63	5.63	6.00	6.00	6.00	6.00	6.00	5.00
Fleet services ²⁸	12.00	13.50	16.00	16.00	16.00	16.00	16.10	16.10	16.10	16.00
Central service center ³	1.00	-	-	-	-	-	-	-	-	-
Facility services ^{4, 17 & 29}	-	13.50	13.50	15.00	15.00	15.00	15.00	16.70	16.70	14.68
Total general government	76.99	91.92	95.64	97.69	98.22	97.72	99.31	101.01	101.51	98.14
Public safety -										
Municipal court ^{5, 6 & 17}	9.66	11.66	11.66	13.03	13.03	13.53	12.03	12.03	12.03	12.03
Police ^{5, 6, 17, 21 & 30}	141.13	155.13	156.13	156.63	155.98	155.98	157.50	157.50	158.50	160.50
Animal control	6.50	6.35	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Fire ^{7, 8 & 31}	101.00	102.00	102.00	103.00	103.00	103.00	107.00	112.00	112.00	115.00
Construction safety ^{8 & 26}	15.00	9.00	9.50	11.50	12.50	14.50	14.50	13.50	13.50	14.00
Total public safety	273.29	284.14	285.79	290.66	291.01	293.51	297.53	301.53	302.53	308.03
Highways and streets -										
Street ^{17, 22 & 32}	27.00	22.00	22.00	22.00	21.00	21.00	20.75	20.15	25.15	25.00
Traffic signals ³³	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.55	3.55	3.50
Engineering ^{9, 10, 17, 34 & 35}	10.00	5.00	5.00	5.00	8.40	10.40	8.80	8.35	8.35	6.95
Drainage ^{9, 33 & 36}	7.76	8.83	8.83	8.83	12.43	12.43	11.58	11.83	11.83	12.98
Total highway and streets	47.76	38.83	38.83	38.83	44.83	46.83	44.13	43.88	48.88	48.43
Sanitation: 28.	63	27.63	38.63	41.26	41.26	42.26	42.46	42.42	42.42	42.22

(continued)

CITY OF TEMPLE, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table XVIII
 (Continued)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Health and welfare -										
Community development administration ¹¹	3.00	3.00	-	-	-	-	-	-	-	-
Community development projects/grants ^{11, 19, 24 & 25}	2.00	2.00	-	-	-	-	-	-	0.50	1.25
Total health and welfare	5.00	5.00	-	-	-	-	-	-	0.50	1.25
Cultural and leisure services -										
Parks ^{12, 17, 20, 36 & 37}	40.46	35.46	35.46	35.46	35.46	35.46	37.00	36.53	36.03	36.98
Leisure services ^{12, 20 & 38}	38.46	36.76	38.91	39.91	41.83	41.83	45.10	63.06	62.27	66.46
Parks & Leisure services administration ¹³	-	-	-	-	-	-	-	5.75	5.75	5.75
Golf course ^{14, 17, 20, 23, 29 & 38}	-	-	25.90	26.40	27.00	27.00	27.00	17.87	15.77	18.13
Library ¹⁷	28.53	29.26	29.89	30.39	30.23	30.13	29.79	28.66	28.65	28.65
Mayborn center ³⁹	17.36	13.15	15.58	15.58	15.58	15.58	15.58	12.70	12.70	13.40
Tourism/Marketing ¹³	-	-	-	-	-	-	-	1.28	1.60	1.60
Depot ¹⁵	0.50	0.58	-	-	-	-	-	-	-	-
Railroad museum ¹⁵	3.95	4.82	-	-	-	-	-	-	-	-
Total cultural and leisure services	129.26	120.03	145.74	147.74	150.10	150.00	154.47	165.85	162.77	170.97
Airport:	10.88	10.88	11.88	12.88	12.88	14.38	14.38	14.38	14.38	14.38
Water and sewer: ^{9, 16, 28, 33, 34 & 40}	77.08	76.38	80.88	81.88	81.13	89.13	89.53	90.43	90.43	91.18
Totals	648.89	654.81	697.39	710.94	719.43	733.83	741.81	759.50	763.42	774.60

Source: City Budget Office

¹ - An Assistant to City Manager position was added during FY 07-08 as part of the City Manager Reorganization Plan. In addition, two Administrative Assistant II positions were added, one of these positions is 25% funded by Public Education Government Access Channel (PEG). One Administrative Assistant II position is a reclassification of the Executive Assistant position.

² - In FY 07-08, two GIS Specialist positions were transferred to Engineering as part of the Public Works Reorganization- Phase II. A Communication Specialist position was added during FY 06-07, partially funded with the budgeted funds for the part-time Audio/Video Tech position and the remaining balance to be funded from the Public Education Government Access Channel (PEG) restricted funds.

³ - In FY 01-02, added a Public Service Facility Manager position to facilitate the management of the Central Service Center. As part of a reorganization effort, this position was terminated in December 2003.

(continued)

**CITY OF TEMPLE, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

**Table XVIII
(Continued)**

- 4 - In FY 03-04, the Facility Services Department was created to consolidate all of janitorial and maintenance services for City facilities. Employees were transferred from several departments including Inspections (formerly Construction Safety), Parks, Recreation, and the Maybom Center.
- 5 - New positions for the Traffic Program were created in FY 02-03 and for the Westside Cops Division in association with the Federal COPS Grant awarded in June 2003.
- 6 - In FY 08-09, the Parking Enforcement Official position was transferred from Municipal Court to the Police Department. In addition, the Facility Attendant at the Police Department was reclassified from a part-time to a full-time position.
- 7 - In FY 08-09, the SAFER Grant was awarded to the City to hire four Fire Control Rescue Officers (FCRO) as part of a plan to hire a total of 12 FCRO's for the new Fire Station #8 scheduled to be completed in March 2011. In FY 09-10, the city was awarded the SAFER Grant to hire an additional four Fire Control Rescue Officers.
- 8 - In FY 07-08, added one additional Code Enforcement Officer and a Plans Examiner/Inspector position.
- 9 - During FY 07-08, the Public Works Reorganization was implemented to include transferring of positions between departments, changing titles, and splitting positions between funds to allocate positions based on function.
- 10 - In FY 08-09, the percentage allocation of personnel positions based on function changed.
- 11 - In FY 04-05, the City of Temple adopted a resolution to authorize a five year professional services agreement with Traylor and Associates of Tyler, Texas for management of the CDBG program.
- 12 - In FY 08-09, the Parks & Facilities Maintenance Superintendent was transferred from Recreation to the Parks Department. In addition, positions were reclassified, added, and lump sum funding added due to the opening of the Family Aquatic Center and Indoor Pool; added part-time funding for enhancements to the After School Program.
- 13 - In FY 09-10, new division was created.
- 14 - In February 2005, the City of Temple began operating the Sammons Park Golf Course.
- 15 - In FY 02-03, a department was created for the Railroad Depot, but this only lasted two fiscal years. In FY 04-05, the City entered into an agreement with the Railroad and Pioneer Museum of Temple, Texas ("The Foundation") to lease the Santa Fe Depot to the Foundation and to transfer responsibility for maintenance and operation of the City's Railroad and Heritage Museum and the assets of the Museum from the City to the Foundation.
- 16 - In FY 07-08, Public Works added Crew Leader-Sewer Collection, Senior Utility Technician, Utility Technician II, and Utility Technician I positions to implement the Construction Crew for Sewer Line Repair/Replacement (referred to as the In-House Sewer Crew)
- 17 - In FY 09-10, division has position(s) that are authorized but unfunded.
- 18 - In FY 10-11, Communication Specialist position transferred to City Manager from Information Technology Services
- 19 - In FY 10-11, the Accounting Clerk position was funded 56% in General Fund and 44% with Community Development Block Grant (CDBG).
- 20 - In FY 10-11, positions were authorized but unfunded.
- 21 - In July 2009, Council approved an additional Police Officer position for the TISD Grant.
- 22 - In FY 10-11, the budget included the addition of one Crew Leader and four Maintenance Worker positions to implement a Crack Sealing Program.
- 23 - In FY 10-11, the reduction of staff was due to renovation project.

**CITY OF TEMPLE, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

**Table XVIII
(Continued)**

²⁴ - In FY 11-12, the City Manager's Office was reorganized to eliminate the Assistant to the City Manager and one Administrative Assistant II position and add a Director of Administrative Services and an Executive Assistant II position. 25% of the Director of Administrative Services position was funded in the Federal/State Grant Fund.

²⁵ - In FY 11-12, an Accounting Clerk position transferred to the Federal/State Grant Fund. An additional Accounting Clerk position was funded in the General Fund. The Budget Analyst position was reclassified to a Senior Accountant. The Accounting Clerk position was eliminated and an Accountant position was added.

²⁶ - In FY 11-12, Director of Community Services position was funded 50% in Planning and 50% in Construction Safety.

²⁷ - In FY 11-12, City Health Doctor position eliminated

²⁸ - In FY 11-12, Assistant Director of Public Works-Operations position was eliminated as a result of a reorganization of Public Works.

²⁹ - In FY 11-12, 0.3 FTE of the Maintenance Worker positions and 1.92 FTE's of the Facility Attendant/Custodian positions budgeted in Leisure Services and Golf Course. Part-time Facility Attendant/Custodian position reclassified to a full-time position.

³⁰ - In FY 11-12, two Police Officer positions added.

³¹ - In FY 11-12, three Captain positions added and three Fire Control Rescue Officer positions reclassified to Driver positions.

³² - In FY 11-12, Construction Supervisor and Maintenance Supervisor - Street/Signs positions changed to Street Services Foreman positions as a result of Public Works reorganization. During FY 2011, the Director of Public Works and Assistant Director of Public Works position allocations were changed. All General Fund portions are now charged to Engineering.

³³ - In FY 11-12, the Public Works reorganization included changes in position allocations.

³⁴ - In FY 11-12, the CIP Project Manager position was reclassified as a Project Engineer.

³⁵ - In FY 11-12 Assistant City Engineer position was unfrozen and the Mapping & Records Supervisor position was reclassified to a PW Mapping & Technology Manager during FY 2011 as a result of a reorganization of Public Works. During FY 2011, the reorganization included changes in position allocations.

³⁶ - In FY 11-12, City Council authorized a TxDOT Mowing/Drainage Crew. Council approved entering into an agreement with TxDOT to mow their ROW's in Temple in-house. The crew is to be utilized by Parks for mowing approximately 6 months of the year and then utilize the crew to clean the city storm drain inlets for the remaining 6 months. 50% of funding from General Fund and 50% funding from Drainage.

³⁷ - 0.05 FTE of a Maintenance Worker position is budgeted in the Summit Fitness and Recreation Center.

³⁸ - These FTE's account for positions from Facility Services and Parks for maintenance and janitorial services provided for the Summit Fitness and Recreation Center. In FY 11-12 adjusted part-time positions to actual.

³⁸ - In FY 11-12, reclassified Crew Leader position to Assistant Golf Course Superintendent.

³⁹ - Additional part-time funding will be added in FY 2012 to accommodate services for the increase in booking of events.

⁴⁰ - These divisions have position(s) that are authorized but unfunded in FY 2012 - see division budget for more details.

**CITY OF TEMPLE, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

Table XIX

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government -										
Capital projects obligated	\$87M	\$85M	\$89M	\$66M	\$58M	\$120M	\$114M	\$106M	\$115M	\$110M
Total funds invested @ 9/30	\$ 73,406,921	\$ 62,912,181	\$55,883,016	\$ 52,730,401	\$ 67,494,871	\$ 94,790,751	\$ 77,527,829	\$ 97,408,266	\$ 91,702,563	\$ 112,611,694
Average return on investments	1.46%	1.15%	2.62%	4.52%	5.28%	3.07%	0.09%	0.20%	0.14%	0.14%
Public safety -										
Police:										
Noise violations	16	15	11	38	138	156	110	52	41	41
Speeding citations	*	11,066	9,638	8,251	7,396	7,321	6,082	7,021	9,126	7,349
Stop sign/red light citations	*	1,071	1,226	1,231	1,372	1,342	963	1,014	795	708
Priority 1 calls	*	19 min 0 sec	16 min 1 sec	7 min 54 sec	7 min 47 sec	7 min 33 sec	7 min 38 sec	5 min 3 sec	4 min 51 sec	4 min 43 sec
Priority 2 calls	*	17 min 30 sec	15 min 43 sec	14 min 54 sec	13 min 55 sec	13 min 49 sec	13 min 52 sec	14 min 33 sec	13 min 56 sec	14 min 24 sec
Fire:										
Fire/EMS response time average (minutes)	4 min 48 sec	4 min 58 sec	5 min 8 sec	5 min 9 sec	5 min 11 sec	5 min 13 sec	5 min 15 sec	5 min 9 sec	5 min 6 sec	5 min 14 sec
Fire/EMS incidents responded to	7,500	8,553	9,608	10,075	10,982	10,544	11,071	9,747	12,548	12,334
% of one & two-family residential structure fires confined to room/structure of origin	*	62% / 26%	52% / 22%	45% / 80%	41% / 65%	36% / 73%	31% / 73%	39% / 89%	60% / 90%	62% / 92%
Animal control:										
Animals handled	5,697	5,708	6,772	5,517	5,110	5,242	4,704	5,009	4,780	4,582
Animals euthanized	3,118	3,146	3,703	2,639	2,441	2,124	2,249	2,471	2,315	1,956
Animals adopted	2,045	1,740	2,165	1,954	2,049	1,692	1,884	1,960	1,862	2,008
Animals reclaimed by owner	534	822	706	694	610	576	562	532	538	596
Inspections:										
Permits issued	3,270	2,500	3,057	2,926	3,525	5,383	4,658	4,949	4,584	4,855
Building inspections	10,496	7,000	7,651	13,727	14,250	11,584	9,914	11,396	8,934	13,837
Highways & streets -										
Street:										
New lane miles	6.0	4.4	5.8	6.0	5.0	32.0	7.0	11.0	7.9	4.0
Streets seal coated (lane miles)	18.8	19.9	19.3	15.1	12.0	11.0	10.0	50.0	15.0	64.0
Streets overlaid (lane miles)	14.6	19.3	20.5	18.4	10.3	10.2	9.0	-	-	-
Traffic signals:										
Signal lights repaired	175	170	160	160	120	110	95	192	312	330
Equipment upgraded by intersection	4	4	5	5	4	2	8	-	-	-
Engineering:										
Construction contracts administered/manage	48	80	75	19	10	14	10	22	17	Not Available
Construction/building plans & plats reviewed	60	60	50	231	278	324	324	404	586	Not Available
Health and welfare -										
Public service contracts										
Public service contracts	8	7	7	5	5	5	6	5	3	3
Sanitation -										
Number of residential customers	15,873	16,039	16,418	16,710	16,900	17,350	18,507	19,064	19,494	19,933
Number of commercial/industrial customers	1,067	1,075	1,688	1,850	1,875	1,982	2,133	2,097	2,055	2,001
Tons of garbage and bulk collected	42,232	46,383	87,215	89,330	90,910	90,905	78,545	83,589	79,590	81,697

* = Not available

(continued)

CITY OF TEMPLE, TEXAS
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table XIX
 (Continued)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Culture and leisure services -										
Parks:										
Ratio of acres maintained per maintenance staff employee	68.9	70.5	68.4	68.4	57.2	61.7	61.2	32.5	33.0	33.0
Park master plans designed	*	*	4	6	8	2	2	2	3	3
Park/city improvement projects completed	*	126	76	106	100	115	151	134	161	141
Leisure services:										
Number of classes offered	*	*	199	475	599	650	830	807	1,141	1,182
Overall customer satisfaction	*	*	*	92.0%	91.0%	93.6%	94.0%	98.6%	99.4%	99.5%
Mayborn center:										
Number of room nights	3,200	3,200	3,500	4,500	5,360	5,628	4,210	10,379	8,030	9,200
Event days booked	*	272	266	270	283	259	192	210	266	305
Golf course:										
Number of rounds of golf played	*	36,423	34,852	38,400	35,506	40,500	29,506	27,771	6,642	29,654
Number of youth in 'Learn to Golf' program	*	100	185	214	492	600	240	40	144	176
Education:										
Circulation per capita	8.01	8.00	8.14	8.10	8.07	8.23	7.31	7.03	6.68	6.53
Library visits per capita	5.95	6.11	5.94	5.75	5.34	5.48	4.65	4.75	4.78	4.34
Airport -										
Airshow attendance	26,000	21,000	24,000	26,000	23,000	22,000	23,000	26,000	28,600	22,000
T-Hangers available / occupancy rate	86 / 90%	86 / 93%	86 / 93%	86 / 100%	86 / 100%	86 / 100%	86 / 100%	86 / 100%	86 / 100%	74 / 100%
Water/sewer -										
Surface water treated (billions of gallons)	4.09	4.26	4.02	4.85	4.00	4.75	4.88	4.80	5.68	5.73
Number of customers (active meters)	19,529	19,592	19,995	20,015	22,747	22,418	22,467	22,871	23,245	23,802
Water billed (billions of gallons)	3.72	3.87	3.48	4.00	3.51	4.12	4.50	4.02	4.95	4.68
Sewer billed (billions of gallons)	2.21	2.13	2.13	2.50	2.18	2.29	2.33	2.31	2.37	2.36
Average daily production of treated water in MG (millions of gallons)	11,233	10,901	11,464	13,265	10,936	12,069	13,332	11,966	15,551	13,965
Highest daily production of treated water in MG (millions of gallons)	25,000	19,688	23,050	25,312	26,071	22,832	25,175	21,298	27,047	24,655
Average Cost of water treated per 1,000 gallons	\$0.58	\$0.67	\$0.56	\$0.56	\$0.68	\$0.69	\$0.76	\$0.84	\$0.71	\$0.79
Water main breaks repaired	400	316	311	425	324	325	325	301	689	595
New water taps installed	415	541	682	742	713	700	700	475	444	646
Sewer mains replaced (linear feet)	15,840	12,260	16,080	26,288	17,510	17,000	5,300	10,597	39,934	26,284
Average cost for wastewater per 1,000 gallons (Doshier Only)	\$2.42	\$2.45	\$2.40	\$2.45	\$2.50	\$2.55	\$1.15	\$1.96	\$2.06	\$1.79

* = Not available
 Source: Data collected from various city departments for the budget.

CITY OF TEMPLE, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety -										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	7	7	7	7	7	7	7	7	8	8
Hydrants	2,053	2,062	2,082	2,082	2,500	2,690	2,690	2,772	2,831	2,889
Highways & streets -										
Paved streets (lane miles)	730.00	734.40	741.20	751.21	751.21	765.00	765.00	765.00	765.00	1,067.00
Unpaved streets (miles)	0.40	0.20	0.20	0.20	0.20	1.50	1.50	1.50	1.50	1.50
Paved alleys (miles)	7.50	7.50	7.60	7.60	7.60	7.50	7.50	7.50	7.50	7.50
Culture & leisure services -										
Parks & recreation:										
Park acreage developed	587	608	638	678	678	678	678	688	688	688
Park acreage undeveloped	102	102	87	49	49	49	49	49	109	109
Golf course	1	1	1	1	1	1	1	1	1	1
Baseball/softball fields	17	17	17	17	17	17	17	17	17	17
Tennis courts	15	15	17	16	16	16	16	14	16	16
Swimming pools/water park	4	4	4	4	4	4	4	4	5	5
Soccer fields	5	5	6	6	6	6	6	6	6	6
Picnic pavilions	19	19	22	24	24	25	25	27	26	27
Basketball courts	7	7	14	18	18	18	18	18	18	18
Playgrounds	34	35	35	36	38	36	36	37	39	40
Community centers	2	2	2	2	2	2	2	2	2	2
Recreation centers	2	2	3	3	3	3	3	3	3	3
Multi-use fields	5	5	8	7	7	7	7	8	8	11
Sand volleyball courts	2	2	2	2	2	2	2	2	2	2
Hike and bike trails	6	6	6	9	11	12	12	16	18	18
Roller hockey court	1	1	1	1	1	-	-	-	-	-
Extreme skate park	1	1	1	1	1	1	1	1	1	1
Disc golf course	1	1	1	2	2	2	2	2	2	2
Education:										
Number of volumes	133,200	138,290	142,812	156,085	157,467	159,767	153,056	166,747	167,550	177,035

* = Not available

(continued)

CITY OF TEMPLE, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table XX
 (Continued)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Water and sewer -										
Water:										
Water system (square miles)	97.5	97.5	97.5	97.5	97.5	97.5	97.5	97.5	97.5	97.5
Water mains (miles)	399	399	399	537	537	593	593	600	600	600
Daily average production (MGD ¹)	11,233	10,901	11,464	13,265	10,936	12,069	13,332	11,966	15,551	13,965
Plant capacity (MGD ¹)	34.0	41.4	41.4	41.4	41.4	41.4	41.4	41.4	41.4	41.4
Number of service connections	19,674	20,248	21,076	21,263	21,765	22,149	22,467	22,871	23,245	23,802
Sewer:										
Sewage system (square miles)	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0
Sanitary sewers (miles)	352	352	352	362	362	410	410	410	410	410
Number of lift stations	21	20	20	24	24	24	24	27	27	29
Daily average treatment:										
Doshier Farm (MGD ¹)	2,500	2,500	2,500	2,000	4,080	4,080	4,080	3,430	1,900	2,290
TBRSS (MGD ¹)	6,000	6,215	4,486	4,486	6,590	6,590	6,590	5,659	5,470	6,380
Maximum capacity of treatment plants:										
Doshier Farm (MGD ¹)	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
TBRSS (MGD ¹)	10,000	10,000	7,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Number of disposal plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	16,148	16,497	17,024	17,356	17,930	18,564	18,945	19,395	19,791	20,206

¹ - MGD = million gallons daily

Source: Data collected from various departments for the budget statistical section.

**CITY OF TEMPLE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS AND CONTRIBUTION RATES
Last Ten Calendar Years**

Calendar Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1/2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total TMRS Required Contribution Rate ⁽¹⁾	(8) Prior Service Portion of the TMRS Rate
2002	\$ 39,696,356	\$ 53,794,902	73.8%	\$ 14,098,546	\$ 15,444,516	91.3%	13.65%	4.19%
2003	40,907,270	56,853,717	72.0%	15,946,447	16,146,786	98.8%	13.96%	4.14%
2004	41,975,607	57,920,245	72.5%	15,944,638	17,148,264	93.0%	14.09%	4.44%
2005	45,257,477	62,200,629	72.8%	16,943,152	18,559,837	91.3%	14.52%	4.84%
2006	48,011,224	66,943,722	71.7%	18,932,498	19,545,194	96.9%	13.93%	4.56%
2007	49,247,868	81,792,995	60.2%	32,545,127	21,602,818	150.7%	14.06%	4.56%
2008	51,738,536	86,582,734	59.8%	34,844,198	25,028,861	139.2%	14.31%	4.74%
2009	56,517,812	91,876,796	61.5%	35,358,984	25,179,120	140.4%	14.69%	4.60%
2010 ⁽²⁾	59,088,284	96,482,373	61.2%	37,394,089	25,450,326	146.9%	14.69%	4.60%
2010 ⁽³⁾	102,715,806	132,228,203	77.7%	29,512,397	25,450,326	116.0%	15.39%	4.71%
2011	110,135,037	138,612,957	79.5%	28,477,920	26,260,983	108.4%	16.76%	5.57%

Source: Texas Municipal Retirement System

Note: In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

⁽¹⁾ This rate does not include the supplemental death benefit component of the total TMRS rate.

⁽²⁾ Prior to restructuring

⁽³⁾ Restructured

Table XXII

**CITY OF TEMPLE, TEXAS
 TEMPLE FIREFIGHTERS' RELIEF AND RETIREMENT FUND
 ANALYSIS OF FUNDING PROGRESS AND CONTRIBUTION RATES
 Last Ten Fiscal Years**

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1/2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total Actual Contribution Rate
2003	\$ -	\$ -	-	Not Available	\$ -	-	\$ -
2004	23,065,666	30,372,886	75.9%	7,307,220	5,197,131	140.6%	14.09%
2005	-	-	-	Not Available	-	-	-
2006	26,362,903	33,812,661	78.0%	7,449,758	5,410,905	137.7%	13.93%
2007	-	-	-	Not Available	-	-	-
2008	30,270,841	39,027,627	77.6%	8,756,786	6,176,101	141.8%	14.31%
2009	-	-	-	Not Available	-	-	-
2010	33,272,723	43,373,453	76.7%	10,100,730	6,164,329	163.9%	14.93%
2011	-	-	-	Not Available	-	-	-
2012	34,400,736	45,148,511	76.2%	10,747,775	6,503,608	165.3%	14.93%

Source: Temple Firefighters' Relief and Retirement Fund

**CITY OF TEMPLE, TEXAS
ACTIVE AND RETIREE HEALTH CARE COSTS
Last Eight Fiscal Years**

Fiscal Year ^{1 & 2}	Total Health Care Expenses	Retiree Expense	Percentage Retiree Costs to Total	Retirees Using City Health Care		Total TMRS Retirees	Total Firemens' Retirees	Percentage Retirees Using Plan to Total Members	Retiree Contributions	Net Subsidy of Retirees	Subsidy as Percentage of Total Expense	Cost per Active Member	Cost per Retiree
				Active Members	City Health Care								
2005	\$ 2,788,762	\$ 373,903	13.4%	642	104	225	45	16.2%	\$ 245,912	\$ (127,991)	4.6%	\$ 3,761	\$ 3,595
2006	2,651,439	351,944	13.3%	632	108	234	49	17.1%	216,455	(135,489)	5.1%	3,638	3,259
2007	2,741,567	378,312	13.8%	636	107	247	51	16.8%	243,050	(135,262)	4.9%	3,716	3,536
2008	2,803,703	451,326	16.1%	665	110	258	50	16.5%	292,279	(159,047)	5.7%	3,537	4,103
2009	2,873,954	459,334	16.0%	678	113	250	52	16.7%	306,720	(152,614)	5.3%	3,561	4,065
2010	2,990,243	507,156	17.0%	640	109	264	54	17.0%	353,534	(153,622)	5.1%	3,880	4,653
2011	2,883,066	478,695	16.6%	618	109	273	56	17.6%	312,355	(166,340)	5.8%	3,891	4,392
2012	3,607,614	655,846	18.2%	636	109	302	60	17.1%	304,384	(351,462)	9.7%	4,641	6,017
Total	\$ 23,340,348	\$ 3,656,517	-	-	-	-	-	-	\$ 2,274,690	\$ (1,381,827)	-	\$ 30,626	\$ 33,619
Average	\$ 2,917,543	\$ 457,065	15.6%	643	109	257	52	16.9%	\$ 284,336	\$ (172,728)	5.8%	\$ 3,828	\$ 4,202

Source: City records, Texas Municipal Retirement System and the Temple Firefighters' Relief and Retirement Fund.

¹ - Information prior to FY 2005 is not available in this format. As additional years of data become available, the City will report 10 years of historical data.

² - In FY 2011 the City changed from a group health insurance plan to self funded plan for both employees and retirees.

CITY OF TEMPLE, TEXAS
AVERAGE DAILY TREATED WATER VS. AVERAGE DAILY TREATMENT CAPACITY
Fiscal Years 2003- 2012

Table XXIV

Fiscal Year	Average Daily Treatment (MGD)	Average Daily Treatment Capacity (MGD)	Peak Day Usage (MGD)
2003	11.2330	34.00	23.95
2004	10.9010	41.40	19.69
2005	11.4640	41.40	23.05
2006	13.2650	41.40	25.31
2007	10.9360	41.40	18.55
2008	12.0690	41.40	22.83
2009	13.3220	41.40	25.18
2010	11.9660	41.40	21.30
2011	15.5510	41.40	27.05
2012	13.9650	41.40	24.66

Source: Public Works Administration Office

CITY OF TEMPLE, TEXAS
ANNUAL TREATED WATER VS. TOTAL AVAILABLE WATER
Fiscal Years 2003 - 2012

Table XXV

<u>Fiscal Year</u>	<u>Annual Treated Water (Acre feet)</u>	<u>Total Available Water (Acre feet)</u>
2003	12,621	40,453
2004	12,522	40,453
2005	11,937	40,453
2006	14,893	40,453
2007	12,308	40,453
2008	14,568	40,453
2009	14,952	40,453
2010	14,733	40,453
2011	19,041	40,453
2012	15,699	47,757

Source: Public Works Administration Office

**CITY OF TEMPLE, TEXAS
WATER AND SEWER UTILITY SYSTEM
Schedule of Water Pumped to Town vs. Water Billed**

Table XXVI

Fiscal Year Ending Sept 30,	Water Pumped to Town (gals) ¹	Water Billed (gals) ¹	City Usage (gals) ¹	% (Billed + City) vs Pumped	Water Revenues	% Increase (Decrease)	
						Water Revenues	Water Billed
2003	4,112,401	3,889,225	5,937	94.72%	\$ 8,851,939	5.98%	4.50%
2004	4,080,296	3,492,829	48,836	86.80%	10,652,407	20.34%	-10.19%
2005	3,856,937	3,824,168	72,715	101.04%	11,723,071	10.05%	9.49%
2006	4,852,811	4,376,164	93,794	92.11%	13,227,268	12.83%	14.43%
2007	4,010,618	3,510,152	78,432	89.48%	11,652,316	-11.91%	-19.79%
2008	4,746,950	4,121,433	106,891	89.07%	14,364,289	23.27%	17.41%
2009	4,875,819	4,507,169	104,772	94.59%	16,226,526	12.96%	9.36%
2010	4,800,000	4,019,774	92,223	85.67%	14,466,103	-10.85%	-10.81%
2011	5,685,057	4,947,980	156,261	89.78%	17,784,551	22.94%	23.09%
2012	5,733,506	4,678,166	129,123	83.85%	16,948,961	-4.70%	-5.45%

¹ - Information is reported in thousands of gallons

Source: Public Works Administration Office and Utility Business Office

**CITY OF TEMPLE, TEXAS
WATER AND SEWER UTILITY SYSTEM
Schedule of Water Customers - Residential and Commercial**

Table XXVII

Fiscal Year Ending September 30,	Residential	Commercial	Total	Percentage Growth
2003	16,822	2,852	19,674	1.11%
2004	17,195	3,053	20,248	2.92%
2005	17,962	3,114	21,076	4.09%
2006	18,454	2,809	21,263	0.89%
2007	18,961	2,804	21,765	2.36%
2008	19,385	2,764	22,149	1.76%
2009	19,686	2,781	22,467	1.44%
2010	20,139	2,732	22,871	1.80%
2011	20,517	2,728	23,245	1.64%
2012	21,035	2,767	23,802	2.40%

Source: Utility Business Office

AVERAGE DAILY TREATED WASTEWATER VS. AVERAGE DAILY TREATMENT CAPACITY

Fiscal Years 2003 - 2012

<u>Fiscal Year</u>	Average Daily Wastewater Treated (MGD)			<u>Average Daily Treatment Capacity (MGD)</u>
	<u>TBRSS</u>	<u>Doshier</u>	<u>Total</u>	
2003	4.35	2.48	6.83	17.50
2004	4.25	3.18	7.43	17.50
2005	4.69	2.78	7.47	17.50
2006	5.31	2.02	7.33	17.50
2007	4.55	3.21	7.76	17.50
2008	5.71	2.14	7.85	17.50
2009	3.46	2.25	5.71	17.50
2010	5.66	3.43	9.09	17.50
2011	5.47	1.90	7.37	17.50
2012	6.38	2.29	8.67	17.50

Source: Public Works Administration Office

**CITY OF TEMPLE, TEXAS
WATER AND SEWER UTILITY SYSTEM
Schedule of Sewer Customers - Residential and Commercial**

Table XXIX

Fiscal Year Ending September 30,	Residential	Commercial	Total	Percentage Growth
2003	13,916	2,232	16,148	0.95%
2004	14,289	2,208	16,497	2.16%
2005	14,808	2,216	17,024	3.19%
2006	15,321	2,035	17,356	1.95%
2007	15,886	2,044	17,930	3.31%
2008	16,485	2,079	18,564	3.54%
2009	16,849	2,096	18,945	2.05%
2010	17,314	2,081	19,395	2.38%
2011	17,704	2,087	19,791	2.04%
2012	18,101	2,105	20,206	2.10%

Source: Utility Business Office

**City of Temple, Texas
Top 10 Water Customers
For the year ended September 30, 2012**

Customer	Gallons	Revenue	% of Total Annual Revenue	% of Total Usage
Scott & White Hospital	295,259,700	\$ 991,891	5.85%	6.31%
City of Morgan's Point Resort *	151,225,400	491,280	2.90%	3.23%
City of Temple*	129,122,500	514,948	3.04%	2.76%
VA Hospital	77,576,400	255,255	1.51%	1.66%
Pactiv Corporation	75,043,600	247,510	1.46%	1.60%
Wilsonart International	55,658,300	189,557	1.12%	1.19%
City of Troy *	54,146,200	210,510	1.24%	1.16%
Temple Public Schools	50,523,800	183,511	1.08%	1.08%
Housing Authority	43,066,900	150,719	0.89%	0.92%
Bell County WCID #2 *	34,586,300	120,377	0.71%	0.74%
	966,209,100	\$ 3,355,558	19.80%	20.65%

* Wholesale customers

\$ 1,337,115

**City of Temple, Texas
Top 10 Wastewater Customers
For the year ended September 30, 2012**

Customer	Gallons	Revenue	% of Total Annual Revenue	% of Total Usage
Scott & White Hospital	203,228,300	\$ 864,971	8.24%	8.62%
V A Hospital	62,802,900	266,948	2.54%	2.66%
Housing Authority	37,103,700	157,987	1.51%	1.57%
Temple Public Schools	35,231,900	150,523	1.43%	1.49%
Wilsonart International	29,703,200	126,883	1.21%	1.26%
Pactiv Corporation	28,164,300	119,843	1.14%	1.19%
City of Temple	17,183,500	74,808	0.71%	0.73%
Temple Living Center	16,319,500	69,412	0.66%	0.69%
Wal-Mart Dist Center	15,619,100	66,461	0.63%	0.66%
Twin Oaks Apartments	14,446,900	61,417	0.59%	0.61%
	459,803,300	\$ 1,959,253	18.66%	19.48%

Source: Utility Business Office

Type of Coverage and Insurer	Amount of Coverage		Deductible Amounts ⁽¹⁾	Policy Expiration Date ⁽²⁾
Property:				
Building & Contents:				
Texas Municipal League	\$	200,011,987	Real and Personal \$ 5,000	10/01/12
Fine Arts/Valuable Papers:				
Texas Municipal League	\$	388,250	Fine Arts \$ 500	10/01/12
	\$	1,600,000	Valuable Papers & Records: Includes EDP Media \$ 500	10/01/12
Contractor's equipment:				
Texas Municipal League	\$	4,421,686	\$ 1,000	10/01/12
Electronic Equipment:				
Texas Municipal League	\$	1,100,000	Equipment \$ 1,000	10/01/12
Liability:				
Employee Dishonesty, Theft, Disappearance, & Destruction:				
Travelers	\$	150,000	\$ 5,000	10/01/12
Airport:				
Texas Municipal League	\$	1,000,000	Premises \$ -	10/01/12
	\$	1,000,000	Products/ Completed Operations \$ -	10/01/12
	\$	1,000,000	Hangar-Keepers-Each Aircraft \$ -	10/01/12
	\$	1,000,000	Hangar-Keepers-Each Occurrence \$ -	10/01/12
Error & omissions:				
Texas Municipal League	\$	1,000,000	\$ 10,000	10/01/12
General:				
Texas Municipal League	\$	1,000,000	\$ 5,000	10/01/12

**City of Temple, Texas
Insurance Coverage**

**Table XXXI
(Continued)**

Type of Coverage and Insurer	Amount of Coverage	Deductible Amounts ⁽¹⁾	Policy Expiration Date ⁽²⁾
Liability (Cont'd):			
Auto:			
Texas Municipal League	\$ 1,000,000	\$ 5,000	10/01/12
Law Enforcement:			
Texas Municipal League	\$ 1,000,000	\$ 10,000	10/01/12
Bonds:			
Western Surety Company	\$ 500,000	Finance Director	03/03/12
Harford Casualty Insurance Co.	\$ 500,000	City Manager	05/19/12
	\$ 200,000	Each (3) Finance Director Deputies, City Secretary	10/01/12
Insurer's Indemnity	\$ 5,000	Electrical Inspector	06/08/12
	\$ 5,000	Plumbing Inspector	06/08/12
Worker's Compensation:			
Texas Municipal League			10/01/12

Source: City of Temple Legal Department

⁽¹⁾ Per occurrence, unless noted.

⁽²⁾ Policies are renewed annually or replaced with similar coverage.



Fast Facts*

2012 Population: 68,315 ¹

2013 Assessed Value: \$3,377,876,619

Median Age: 34.6

Median Household Income: \$48,472

Total Employment in Temple: 31,310

Total Labor Force in Temple: 33,227

Square Miles: 74.37

Developable Land Remaining: 32.94 Square Miles

Housing Units:

- Owner Occupied: 50.8%
- Renter Occupied: 41.1%
- Vacant: 8.1%

Average Home Sale Price: \$138,867

Average Temperatures in January: HI: upper 60's LOW: upper 30's

Average Temperatures in July: HI: upper 90's LOW: lower 70's

Annual Average Temperature: 67.2 degrees

Rainfall:

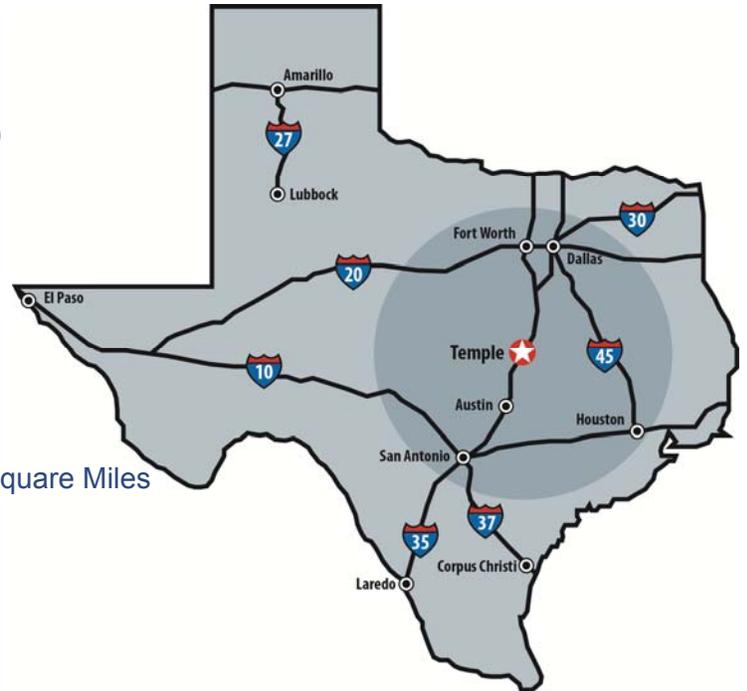
- Wettest Month: May / 4.5"
- Driest Month: July / 1.80"
- Annual Average Rainfall: 34.25"

Only Health & Bioscience District in Texas

Scott & White Hospital—Only Level I Trauma Center between Dallas and Austin

McLane Children's Hospital Scott & White—Only acute care pediatric hospital between Dallas and Austin

80% of Texas' population is within 180 miles of Temple



1. Population is based on new residential water customers multiplied by 2010 Census data of average household size of 2.47.

* Sources:: 2010 United States Census, Temple Economic Development Corporation, Texas Workforce Commission and the City of Temple.



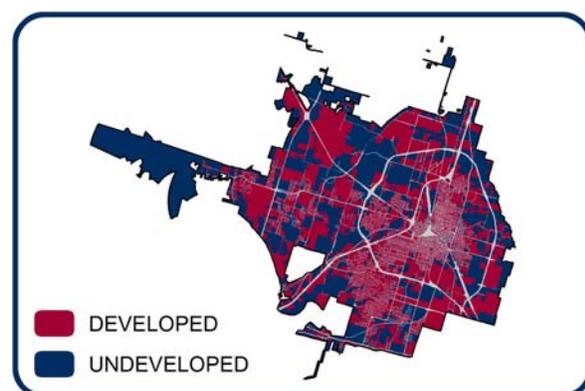
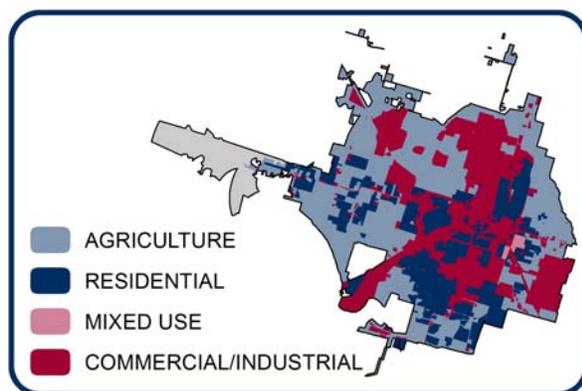
Miscellaneous Statistical Data

GOVERNMENT

Form of Government:.....	Council-Manager, July 8, 1922
Area in square miles:.....	74.37
Date of original public sale of town lots:.....	June 20, 1881
Original charter, special:	March 27, 1907
Amendment to charter:	August 5, 1919
Second charter, home rule city:	July 8, 1922
Amendment to charter:	April 7, 1926
Third charter, present:	September 23, 1953
Amendment to charter:	October 23, 1967
Amendment to charter:	April 2, 1977
Amendment to charter:	January 20, 1990
Amendment to charter:	May 4, 1996
Amendment to charter:	May 6, 2000
2012 Population (est.):.....	68,315

LAND USE (Square Miles)

Agriculture:	31.10
Commercial/Industrial:	22.12
Mixed Use:.....	0.34
Residential:	15.76





Miscellaneous Statistical Data

SERVICE STATISTICS

Airport

Number of Airports 1
 Emphasis on general aviation, private,
 charter air service and military
 National Guard Training Facility on site
 AMCOM Military Aircraft Maintenance
 Operations on site
 2008 Texas Airport of the Year



Fire Protection

Number of stations: 8
 Number of hydrants: 2,889
 Number of fire fighters: 117
 Fire fighters per 1,000 population: ... 1.68
 Insurers Services Office (ISO) Rating: . 3



Police Protection

Number of stations: 1
 Number of sworn officers: 135
 Sworn officers per 1,000 population: 1.94



Miscellaneous Statistical Data

SERVICE STATISTICS CONTINUED

Libraries

Number of libraries (public):.....	1
Number of volumes:	177,035
Circulation of volumes (2011-2012):	445,902
Circulation per capita:.....	6.53
Library cards in force:	48,958

Parks and Recreation

Park acreage developed:.....	688	Playgrounds:	40
Park acreage undeveloped:...	109	Community Center:	2
Golf Course:	1	Recreation Center:	3
Baseball/Softball Fields:	17	Multi-Use Fields:.....	11
Tennis Courts:	16	Sand Volleyball Courts:	2
Swimming Pools:	4	Trail Miles:	16
Soccer Fields:	6	Extreme Skate Park:	1
Picnic Pavilions:.....	27	Disc Golf Course:	2
Basketball Courts:	18	Family Water Park:.....	1
		Splash Pads:	3





Miscellaneous Statistical Data

SERVICE STATISTICS CONTINUED



Streets

Paved streets:1,067 lane miles
 Unpaved streets: 1.5 miles
 Paved alleys:..... 7.5 miles
 Unpaved alleys: 72.5 miles

(all figures are approximate)

Utilities

Water:

Water system:97.5 sq. miles
 Miles of water mains:600 miles
 Daily average treatment:13.965MGD*
 Plant capacity:..... 41.40 MGD
 Number of service connections:23,802
 Source of water:Surface Water



Sewer:

Sewage system:..... 90 sq. miles
 Miles of sanitary sewers:410 miles
 Number of lift stations: 29

Daily average treatment:

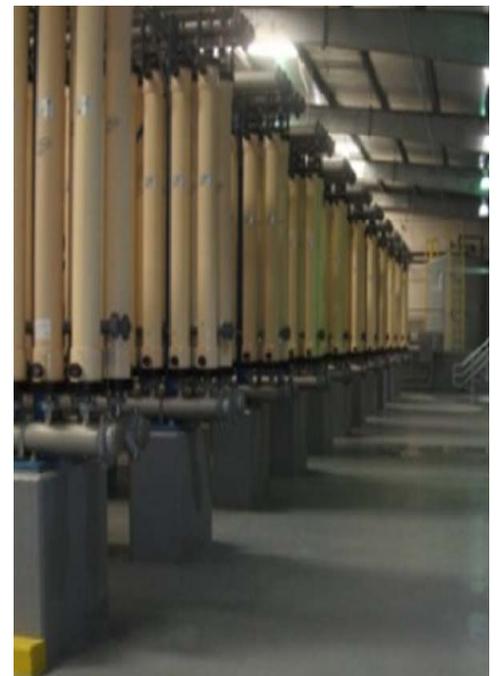
Doshier Farm2.29 MGD
 TBRSS6.38 MGD

Maximum capacity of treatment plants:

Doshier Farm 7.5 MGD
 TBRSS10.0 MGD

Number of disposal plants:..... 2

Number of service connections:20,206





Miscellaneous Statistical Data

EDUCATION STATISTICS

Temple Independent School District

Senior high school:.....1
 Number of classrooms:132
 Number of students:.....2,069

Middle schools:3
 Number of classrooms:142
 Number of students:.....1,800

Elementary schools:11
 Number of classrooms:286
 Number of students:.....4,981

Admin. personnel & support: 650*
 Teachers: 600*
 Total Students:8,850*

Annual budget:\$76,350,000



*Represents a combined total of all the schools in Temple

Private Schools

- Central Texas Christian School, Pre K3—12 grade
- Christ Church School, Pre K3—5th grade
- Holy Trinity Catholic School, 9th—12th grade
- Immanuel Lutheran School, Pre K2—Pre K4
- St. Francis Episcopal Church & School, Pre K3—Kindergarten
- St. Mary's Catholic School, Pre K3—8th grade
- Temple Christian Academy, 1st—12 grade
- Temple Montessori School, 2 yrs.—6th grade
- Young World Kindergarten & Daycare Center, Pre K2—5yrs.



Miscellaneous Statistical Data

EDUCATION STATISTICS CONTINUED

Temple College*

Number of classrooms & labs:	161
Number of administrative personnel:	44
Number of full-time professors:.....	119
Number of full-time students ⁽¹⁾ :	2,333
Number of part-time students ⁽¹⁾ :	3,359
Population served	198,123
Counties Served:	3

East Bell, Milam and East Williamson Counties

Annual budget: \$40,675,462

Source:

*Temple College

(1) Total spring enrollment



Higher Educational Institutions

(within 75 miles of Temple)

The University of Texas at Austin	Concordia Lutheran College
Baylor University	Huston-Tillotson College
University of Mary Hardin-Baylor	St. Edward's University
Texas A&M University	Austin Community College
Tarleton State University	Hill Junior College
Central Texas College	McLennan Community College
Southwestern University	Temple College
Texas State Technical College	



Miscellaneous Statistical Data

OTHER STATISTICS

Hospitals

Number of hospitals: 3

Scott & White Memorial Hospital & Clinic

McLane Children’s Hospital at Scott & White

Veteran’s Administration Hospital

Number of beds: 1,410



Bond Rating—General Obligation (G.O.) Debt

Moody’s Investors Service:Aa2 Rating

Standard & Poor’s:AA Rating

Bond Rating—Utility System Revenue Debt

Moody’s Investors Service:Aa2 Rating

Standard & Poor’s:AA Rating

Compliance Section





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Temple, Texas

We have audited the 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 4, 2013. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item number 2012-1.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



February 4, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council
City of Temple, Texas

Compliance

We have audited the City of Temple, Texas' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, and federal/state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brookway, Sindelich, Franklin & Nimmick, P.C.

February 4, 2013

**CITY OF TEMPLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued was unqualified.

Internal control over financial reporting:

Material weakness(es) identified:	___yes	<u>X</u> no
Significant deficiency(ies) identified:	___yes	<u>X</u> none reported
Noncompliance material to financial statements noted?	___yes	<u>X</u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified:	___yes	<u>X</u> no
Significant deficiency(ies) identified:	___yes	<u>X</u> no none reported

Type of auditors' report issued on compliance for major programs was unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ___X___yes _____no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster
81.128	Energy Efficiency and Conservation Block Grant Program (EECBG)

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Xyes _____no

**CITY OF TEMPLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section II-Financial Statement Findings

There were no findings and no matters were reported.

Section III-Federal Award Findings and Questioned Costs

U. S. Department of Housing and Urban Development

Finding 2012-1 Community Development Block Grant – CFDA 14.218, Grant No. B-10-MC-48-0021:

Condition and Criteria:	Several contracts were awarded to a Company operated by an immediate family member of a city employee involved in the procurement action and the CDBG funded activity. The standards of Part 85.36b with respect to procurement and the CDBG regulations at CFR 570.611(b) regarding conflict of interest were not followed.	
Cause:	Procedures in place regarding procurement policies and conflicts of interest were not followed.	
Effect:	The cost associated with contracts awarded have been disallowed and costs associated with the contracts are to be refunded to HUD to be reprogrammed for future use.	
Context:	City awarded contracts to immediate family members of a city employee that was in a position to obtain information regarding the activities to be performed.	\$ 63,755
Recommendation:	Employees of the City that are involved in procurement actions, contract administration, or is in a position to obtain inside information regarding procurement actions be reminded of the policies and procedures in place to ensure procurement policies are followed.	
Total U. S. Department of Housing and Urban Development		\$ 63,755

View of Responsible Officials and Planned Corrective Action:

The City is conducting a comprehensive review of its CDBG and other grant programs to include its procurement policies and procedures, as well as its internal controls. The City is developing a grant management policy that will include required training for city staff and elected officials to ensure that they are familiar with applicable federal, state, and local laws and regulations. Additionally, the City will repay the funds to CDBG to be reprogrammed to be used as a later date.