OFFICIAL STATEMENT

Dated January 26, 2022

Ratings:
S&P: "AA+"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

$41,360,000
CITY OF TYLER, TEXAS
(Smith County)
WATER AND SEWER SYSTEM REVENUE BONDS, NEW SERIES 2022

Dated Date: January 15, 2022;
Interest Accrues from Date of Initial Delivery

Due: September 1, as shown on Page 2

PAYMENT TERMS . . . Interest on the $41,360,000 City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2022 (the "Bonds") will accrue from the date of initial delivery of the Bonds (anticipated to be February 17, 2022), will be payable March 1 and September 1 of each year, commencing September 1, 2022 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Bonds is UMB Bank, Austin, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), particularly Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council of the City of Tyler, Texas (the "City"). The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and, together with certain Previously Issued Bonds (hereinafter defined), secured by a lien on and pledge of the Net Revenues of the City's Water and Sewer System (the "System"). **The City has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation and holders of the Bonds are not entitled to demand payment of the Bonds from any money raised by taxation** (see "THE BONDS - Authority for Issuance" and "- Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for improving and extending the City's combined water and sewer system and to pay issuance costs on the Bonds (see "THE BONDS" herein).

CUSIP PREFIX: 902354
MATURITY SCHEDULE & CUSIP SUFFIX
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about February 17, 2022.

CUSIP Prefix: 902354 [(1)]

MATURITY SCHEDULE

Principal Amount	September 1 Maturity	Interest Rate	Initial Yield		CUSIP Suffix [(1)]
$ 830,000	2023	5.000%	0.680%		NY1
870,000	2024	5.000%	0.890%		NZ8
915,000	2025	4.000%	1.100%		PA1
950,000	2026	5.000%	1.220%		PB9
995,000	2027	4.000%	1.350%		PC7
1,035,000	2028	4.000%	1.430%		PD5
1,080,000	2029	4.000%	1.520%		PE3
1,120,000	2030	4.000%	1.600%		PF0
1,165,000	2031	4.000%	1.650%		PG8
1,210,000	2032	4.000%	1.700%	(2)	PH6
1,260,000	2033	2.000%	2.000%		PJ2
1,285,000	2034	2.000%	2.050%		PK9
***	***	***	***		***
1,500,000	2041	3.000%	2.200%	(2)	PS2
1,460,000	2042	3.000%	2.250%	(2)	PT0
1,500,000	2043	3.000%	2.300%	(2)	PU7
1,545,000	2044	3.000%	2.350%	(2)	PV5
1,595,000	2045	3.000%	2.400%	(2)	PW3
1,640,000	2046	3.000%	2.450%	(2)	PX1
1,690,000	2047	3.000%	2.500%	(2)	PY9
1,740,000	2048	3.000%	2.550%	(2)	PZ6
1,795,000	2049	3.000%	2.600%	(2)	QA0
***	***	***	***		***
1,950,000	2052	2.750%	2.900%		QD4

$2,660,000 3.000% Term Bonds due September 1, 2036 Priced to Yield 2.000% [(2)] - CUSIP Suffix [(1)]: PM5
$5,820,000 3.000% Term Bonds due September 1, 2040 Priced to Yield 2.070% [(2)] - CUSIP Suffix [(1)]: PR4
$3,750,000 2.750% Term Bonds due September 1, 2051 Priced to Yield 2.850% - CUSIP Suffix [(1)]: QC6

(Interest accrues from the date of initial delivery)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Purchaser of the Bonds nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield shown is yield to first call date, March 1, 2032.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . The Term Bonds maturing on September 1 in the years 2036, 2040 and 2051 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under "THE BONDS – Mandatory Sinking Fund Redemption".

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the City. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY.................................. The City of Tyler, Texas is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), located in Smith County. The City covers approximately 52.75 square miles (see "INTRODUCTION - Description of the City").

THE BONDS................................. The $41,360,000 City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2022 are issued as serial bonds maturing on September 1 of each year, commencing September 1, 2023 through and including September 1, 2034, September 1, 2041 through and including September 1, 2049, and September 1, 2052, and as Term Bonds maturing on September 1 in the years 2036, 2040 and 2051 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery (anticipated to be February 17, 2022), and is payable September 1, 2022 and each March 1 and September 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption").

AUTHORITY FOR ISSUANCE......... The Bonds are issued pursuant to the City's Home Rule Charter, the Constitution and the general laws of the State, including particularly Chapter 1502 Texas Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council of the City (see "THE BONDS - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and, together with certain Previously Issued Bonds (hereinafter defined), secured by a lien on and pledge of the Net Revenues of the City's Water and Sewer System (the "System"). **The City has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Security and Source of Payment").

REDEMPTION.............................. The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption"). The Term Bonds maturing on September 1 in the years 2036, 2040 and 2051 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under "THE BONDS – Mandatory Sinking Fund Redemption".

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

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for improving and extending the City's combined water and sewer system and to pay issuance costs on the Bonds (see "THE BONDS" herein).

RATINGS .... The Bonds are rated "AA+" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard insurance. The City's Previously Issued Bonds are currently rated "AA+" by S&P without regard to credit enhancement (see "OTHER INFORMATION – Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

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

For additional information regarding the City, please contact:

Keidric Trimble	or	Steven A. Adams, CFA
Chief Financial Officer		Paul N. Jasin
City of Tyler		Specialized Public Finance Inc.
212 N. Bonner		4925 Greenville Avenue, Suite 1350
Tyler, Texas 75702		Dallas, Texas 75206
(903) 531-1142		(214) 373-3911

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Don Warren Mayor	2 Years	May, 2022	Business Owner
Bob Westbrook	5 Years	May, 2022	Retired
Broderick McGee	3 Years	May, 2022	Human Resources Director, Bethesda Health Clinic
Shirley McKellar	2 Years	May, 2023	Retired
Stuart Hene	6 Months	May, 2023	Attorney
James Wynne	1 Year	May, 2022	Retired
Brad Curtis	1 Year	May, 2022	President, Tyler Building Systems

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the City
Edward Broussard	City Manager	6 Years
Keidric Trimble	Chief Financial Officer	22 Years
Cassandra Brager	City Clerk	22 Years
Deborah Pullum	City Attorney	17 Years
Jim Yanker	Water Utilities Financial Manager	15 Years
Kate Dietz, P.E.	Director of Utilities	4 1/2 Years

CONSULTANTS AND ADVISORS

Auditors..Prothro, Wilhelmi and Company, PLLC
Tyler, Texas

Bond Counsel ....Norton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor ....Specialized Public Finance Inc.
Dallas, Texas

OFFICIAL STATEMENT
RELATING TO

$41,360,000
CITY OF TYLER, TEXAS
WATER AND SEWER SYSTEM REVENUE BONDS, NEW SERIES 2022

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $41,360,000 City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2022. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds, except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE ORDINANCE").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City, its water and sewer system (the "System") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and home rule municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1850, and first adopted its Home Rule Charter in 1937, and said Charter has not been amended or revised in any respect since May 5, 1990, the date of the last Charter Amendment Election. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is two years with the terms of the Mayor and three of the Councilmembers' terms expiring in even-numbered years and the terms of the other three Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), water and sewer service, sanitation service, park and recreational facilities, library services, street maintenance and improvement, airport facilities, and general administrative services. The 2021 Census population for the City was 106,985. The City covers approximately 52.75 square miles.

THE BONDS

PURPOSE . . . Proceeds from the sale of the Bonds will be used for improving and extending the City's combined water and sewer system and to pay issuance costs on the Bonds.

DESCRIPTION OF THE BONDS . . . The Bonds are dated January 15, 2022 (the "Dated Date"), and mature on September 1 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of initial delivery and will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing September 1, 2022, until maturity of the Bonds or their prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1502 of the Texas Government Code, as amended, an ordinance adopted by the City Council authorizing the issuance of the Bonds (the "Ordinance") and the City's home rule charter.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the City payable, both as to principal and interest, solely from, and, together with the Previously Issued Bonds (defined in the Ordinance) and any parity bonds that may be issued by the City in the future (the "Additional Bonds", and together with the Bonds and Previously Issued Bonds, collectively referred to as the "Bonds Similarly Secured"), are secured by a lien on and pledge of the Net Revenues of the System.

In the Ordinance, the City expressly retains the right to issue additional obligations secured by a lien on the Net Revenues of the System that is on a parity with or subordinate to the lien securing the Bonds and the Previously Issued Bonds. For additional information, including a description of the flow of funds relating to the Bonds, see "SELECTED PROVISIONS OF THE ORDINANCE."

Flow of Funds . . . In the Ordinance, the City has confirmed the establishment of a separate fund (the "Revenue Fund") relating to the System, and has covenanted to deposit, as collected, all revenues of every nature derived from the operation of the System into the Revenue Fund. The Revenue Fund is pledged and appropriated to the following uses and in the order of precedence shown:

First: To the payment of all necessary and reasonable maintenance and operation expenses of the System as said expenses are defined by law;

Second: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund (as defined below) created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;

Third: To the payment of any other indebtedness payable from and secured, in whole or in part, by a lien on and claim against the Net Revenues of the System; and

Fourth: Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now or hereafter permitted by law.

In the Ordinance, the City has confirmed the establishment of the “City of Tyler, Texas, New Series Water and Sewer System Interest and Sinking Fund” (the “Interest and Sinking Fund”) and has covenanted that from the funds in the Revenue Fund, the City shall pay into the Interest and Sinking Fund during each year in which any of the Bonds Similarly Secured are outstanding, an amount equal to one hundred percent (100%) of the amount required to meet the principal and interest payments falling due on or before the next interest payment, maturity or redemption date of the Bonds Similarly Secured, such payments to be made in substantially equal monthly installments. See “SELECTED PROVISIONS OF THE ORDINANCE.”

Additional Bonds . . . In addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue or incur bonds or other contractual obligations in the future that are secured on a parity with the Bonds (“Additional Bonds,” and, together with the Bonds and Previously Issued Bonds, the “Bonds Similarly Secured”). Additional Bonds will be secured by and payable from a lien on and pledge of the Net Revenues of the System on a parity with all other Bonds Similarly Secured, provided no Additional Bonds may be issued unless the conditions specified therefor in the Ordinance are met, including that the Net Earnings of the System for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements of all Outstanding Bonds Similarly Secured that will be Outstanding after the issuance of the proposed Additional Bonds. However, (A) should the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant’s certification, and (C) an independent engineer or engineering firm having a national reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant’s certification, the Net Earnings would have been, in the opinion of the engineer, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Bonds, and Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant’s certificate will be sufficient if accompanied by an engineer’s certificate to the above effect. See “SELECTED PROVISIONS OF THE ORDINANCE.”

Previously Issued Bonds . . . The City has outstanding bonds secured by and payable from a lien on the Net Revenues of the System that are on a parity with the lien on the Bonds (the “Previously Issued Bonds”), as follows:

Dated Date	Outstanding Debt [(1)]	Issue Description
6-15-2012	$ 790,000	Water and Sewer System Revenue Refunding Bonds, New Series 2012
8-15-2015	6,840,000	Water and Sewer System Revenue Refunding Bonds, New Series 2015A
9-1-2015	12,320,000	Water and Sewer System Revenue Refunding Bonds, New Series 2015B
7-15-2017	3,200,000	Water and Sewer System Revenue Refunding Bonds, New Series 2017A
8-15-2017	7,950,000	Water and Sewer System Revenue Refunding Bonds, New Series 2017B
6-15-2018	7,580,000	Water and Sewer System Revenue Bonds, New Series 2018A
7-15-2018	6,605,000	Water and Sewer System Revenue Refunding Bonds, New Series 2018B
10-1-2019	19,095,000	Water and Sewer System Revenue Bonds, New Series 2019
7-15-2020	5,055,000	Water and Sewer System Revenue Refunding Bonds, New Series 2020
4-15-2021	26,875,000	Water and Sewer System Revenue Bonds, New Series 2021

(1) As of December 1, 2021.

Neither the Bonds or Previously Issued Bonds are a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and no judgment against the City may be enforced for payment of the Bonds by levy and execution against any property owned by the City.

As used in this Official Statement and the Ordinance, the term "Net Revenues" shall mean the gross revenues of the System less the expense of operation and maintenance, all salaries, labor, materials, repairs, and extensions necessary to render efficient service, provided, however, that only such expenses for repairs and extensions as in the judgment of the City, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition that would otherwise impair any bonds or other contractual obligations payable from the net revenues of the System, shall be deducted in determining "Net Revenues." Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in any contract therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

NO DEBT SERVICE RESERVE FUND. . . The City has not made provision in the Ordinance for the establishment of a debt service reserve fund for the Bonds or any Bonds Similarly Secured.

RATES . . . The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System sufficient to (i) pay all operating, maintenance, depreciation, replacement and improvement expenses of the System, (ii) produce Net Revenues in each year in an amount of not less than the greater of (a) 1.10 times the average annual debt service of all the Bonds Similarly Secured Outstanding or (b) 1.10 times the annual debt service requirements of all Bonds Similarly Secured Outstanding scheduled to come due and mature in each year, and (iii) pay all other outstanding indebtedness against said System as and when the same become due. The City has further covenanted that, if the System should become legally liable for any other indebtedness, it will fix and maintain rates and collect charges for the services of the System sufficient to discharge such indebtedness. See "SELECTED PROVISIONS OF THE ORDINANCE – Section 12. Rates and Charges."

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on September 1 in the years 2036, 2040 and 2051 (the "Term Bonds") are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts as follows:

Term Bonds Maturing September 1, 2036			Term Bonds Maturing September 1, 2040			Term Bonds Maturing September 1, 2051		
Redemption Date		Principal Amount	Redemption Date		Principal Amount	Redemption Date		Principal Amount
9/1/2035		$ 1,310,000	9/1/2037		$ 1,390,000	9/1/2050		$ 1,850,000
9/1/2036	*	1,350,000	9/1/2038		1,435,000	9/1/2051	*	1,900,000
		$ 2,660,000	9/1/2039		1,475,000			$ 3,750,000
			9/1/2040	*	1,520,000			
					$ 5,820,000			

* Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following September 1 from moneys set aside for that purpose in the respective Bond Fund. Any Term Bond not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Bonds of like Stated Maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

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

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

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or authorized escrow agent, in trust, (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Ordinance provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Bonds to the Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry Only System has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY ONLY SYSTEM . . . In the event that the Book-Entry Only System is discontinued, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

So long as Cede & Co. is the registered owner of the Bonds, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is UMB Bank, Austin, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

PAYMENTS ON THE BONDS . . . Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of each registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to each registered owner at their stated maturity or upon prior redemption upon their presentation and surrender to the Designated Payment/Transfer Office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the month next preceding each interest payment date.

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

BONDHOLDERS' REMEDIES . . . The Ordinance does not provide for specific events of default. If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

AMENDMENTS OF THE ORDINANCE . . . The City may amend the Ordinance without the consent of or notice to any registered owners of the Bonds in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Outstanding Bonds, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds; (2) give any preference to any Bond over any other Bond; or, (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or rescission.

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

SOURCES OF FUNDS:	
Par Amount of Bonds	$ 41,360,000.00
Net Reoffering Premium	2,844,292.17
Total Sources of Funds	$ 44,204,292.17
USES OF FUNDS:	
Deposit to Project Construction Fund	$ 44,000,000.00
Costs of Issuance	199,750.00
Rounding Amount	4,542.17
Total Uses of Funds	$ 44,204,292.17

INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment in Texas. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19 or variants of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and limit the growth of or reduce the City's ad valorem and sales tax collections. In addition, further or extended reductions in the value of stocks and other investments could impact employee retirement plans or other funds and could require actions by the State. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19, or variants of COVID-19, or a similar virus on the City's operations or financial condition.

Some of the financial and operating data contained herein are as of dates and for periods prior to the economic impact of COVID-19 and measures instituted to slow it. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the City. The City continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the COVID-19 pandemic upon the City. While the extent of the impact of COVID-19 on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

THE WATERWORKS AND SEWER SYSTEM

New Capital Expenditures

The City's financial policies specify a fund balance in the Water Utility Fund equal to at least 15% of annual System operating expenditures. Amounts collected in excess of that goal are generally used to fund System capital expenditures. The 2021 fiscal year budget includes approximately $13.2 million of capital expenditures paid in cash for the System to be funded from such excess revenues.

Waterworks System

The primary water supply source for the City is surface water obtained from Lake Palestine, Lake Tyler, Lake Tyler East and Lake Bellwood. As described below, the City began taking water from Lake Palestine in June of 2003, and Lake Palestine currently provides 55% of the City's water. Based upon the existing water resources of the City and projected water use in the City, the City believes that it has secured a water supply that is sufficient for the needs of the City until at least the year 2084.

Lake Bellwood has a surface area of 170 acres and served as the primary water supply for the City until Lake Tyler was constructed in 1949. In 1965, the water treatment facilities of the City, located at Lake Bellwood, were retired and abandoned. The only current diversion of water from Lake Bellwood is by two users of raw water. Cascades Country Club and Bellwood Golf Course purchase water in place and pump it with their own facilities for irrigation. Lake Bellwood is located on Indian Creek and lies in the Neches River watershed. It and 185 acres of marginal lands owned by the City are presently used principally for limited recreational uses.

Lake Tyler is located on Prairie Creek, a tributary of Mud Creek, and lies in the Angelina River watershed. It has storage capacity of over 14 billion gallons (43,000 acre feet) at spillway elevation and has an average depth of 18.24 feet. It has a watershed area of 42 square miles. Lake Tyler was constructed in 1949 and covers approximately 2,600 surface acres. This lake has served as the major source of water supply for the City since its construction. Lake Tyler also serves as a major recreation center for the area, under strict sanitary controls. The City's Water Utilities Department (the "Department") maintains six recreational areas adjacent to the lake.

Lake Tyler East is located on Mud Creek and lies in the Angelina River watershed. It has a surface area of approximately 2,500 acres, a watershed area of 65 square miles and an average depth of 16.18 feet. The lake has slightly less storage area than Lake Tyler. Lake Tyler East was completed and the dam closed in 1967. The lake filled to capacity in 1968, and was connected to Lake Tyler by a connecting channel. This channel, in effect, forms one lake from the standpoint of water supply. The two lakes have a combined safe yield of approximately 36 million gallons per day ("MGD").

Lake Palestine lies in the Neches River watershed. In 1965, the City purchased the right to 40% of the perpetual annual water yield of Lake Palestine from the Upper Neches River Municipal Water Authority for $12,524,200. At September 30, 2020, total water rights were $12,526,700. Management believes there is no impairment in the value of the water rights at September 30, 2020.

Lake Palestine Water Treatment Plant began operation in 2004. It has a current capacity of 30 MGD. The 100 acre treatment plant site provides ample room for a second 30 MGD plant for a maximum production capability of 60 MGD. The plant uses conventional treatment methodology under guidelines established by the Texas Commission on Environmental Quality.

Golden Road Water Treatment Plant began operation in 1950, with the final phase of construction being completed in 1986. It has a current capacity of 34 MGD. The facility uses the conventional treatment methods of sedimentation, flocculation, filtration, and disinfection under guidelines established by the Texas Commission on Environmental Quality.

Deep Water Wells The City owns twelve deep water wells, which provide ground water supplies of approximately 9.3 MGD (from 2010 Master Plan Study). The wells produce from the Carrizo Wilcox sand group at depths ranging from 600 feet to 1,100 feet. Golden Road and Lake Palestine Water Treatment Plants along with the 12 wells, gives the City a total water treatment capacity of 73.3 MGD. This large capacity allows the City, if it elects to do so, to increase its water sales to municipalities and other water users in the region.

WATER DISTRIBUTION AND COLLECTION

The water distribution system has approximately 734 miles of mains ranging in size from two-inch diameter to thirty-six inch diameter. Static water pressure on the system ranges from 35 psi to 125 psi. The City has six elevated water storage tanks that hold 7 million gallons. In addition, the City owns five ground storage tanks with a capacity of 2.25 million gallons. The City also has 4 million gallons of ground storage in the clearwell at Golden Road water treatment plant and an additional 4 million gallons in the Lake Palestine water treatment plant clearwell.

The City has an agreement with surrounding cities and water supply corporations to provide a supplemental source of water. The amount to be provided is estimated to be 50% of the annual supply. The parties have established a minimum annual and monthly take or pay volume and a surcharge to water taken above maximum day volume.

Fire protection is a secondary function of the water distribution system. At least 90% of the improved property within the City is within 500 feet or less of an approved fire hydrant. Maintenance of fire hydrants along with other appurtenances is carried out by the Department.

All mains and appurtenances are installed in accordance with applicable codes adopted by the City Council. Actual construction is performed by the City or private contractors as circumstances warrant.

Installation of water connection (taps) and service connections from the main to a point outside the curb area or point of the meter set is performed only by employees of the Department or a contractor approved by the Director of Utilities. A charge is made by the Department for each new tap of the water main for a connection. This charge is determined by the size of the connection and the size of the meter.

TABLE 1 - HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year Ended 9/30	Average Daily Water Consumption (1)	Peak Day Water Treated	Daily Average in Peak Month	Annual Total Usage (000's)(1)	Water Revenue
2017	22,747,823	36,485,000	27,091,677	8,302,000	$ 20,000,394
2018	26,552,644	40,934,000	36,002,452	9,691,496	22,335,017
2019	23,551,666	38,811,000	34,599,367	8,596,358	20,547,956
2020	23,597,790	36,602,000	29,024,900	8,613,195	22,438,880
2021 (2)	21,777,040	32,193,000	25,631,097	7,948,619	22,139,689

(1) Variations in amount of water sold from year to year is significantly impacted by variances in annual rainfall totals.
(2) Unaudited figures.

TABLE 2 - TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) FYE SEPTEMBER 30, 2021 (UNAUDITED)

Customer	Type of Industry	Annual Water Usage (000's)	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Delek Refining Company	Refinery	362,775	4.56%	$ 674,122	3.04%
Walnut Grove Water Supply Corp.	Water District	182,558	2.30%	648,008	2.93%
Southern Utilities	Water District	88,133	1.11%	170,429	0.77%
Caldwell Zoo	Cultural/Entertainment	72,069	0.91%	142,148	0.64%
UT Tyler	Education	58,396	0.73%	116,392	0.53%
Trane	Manufacturing	50,232	0.63%	200,996	0.91%
Mother Frances	Medical	42,238	0.53%	80,772	0.36%
Tyler Square Apartments	Residential	29,491	0.37%	61,658	0.28%
Community Water	Water District	28,000	0.35%	111,032	0.50%
Hiland Dairy	Food Processing	26,025	0.33%	54,647	0.25%
	Total	939,917	11.82%	$ 2,260,204	10.21%

Source: City Staff.

TABLE 3 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2020)

The table below sets forth the water rates, which were adopted by the City Council in September, 2020.

Minimum Monthly Rates		
Meter Size	Inside City	Outside City
5/8"	$ 15.80	$ 23.70
1"	15.80	23.70
1 - 1/2"	15.80	23.70
2"	18.50	27.75
3"	21.40	32.10
4"	32.50	48.75
6"	48.00	72.00
8"	64.60	96.90
10"	91.30	136.95
12"	117.90	176.85

Monthly Volume Charge per 1,000 Gallons		
Volume	Inside City	Outside City
First 2,000 Gallons	Minimum	Minimum
Next 23,000 Gallons	$ 3.40	$ 5.10
Next 975,000 Gallons	2.29	3.44
Next 4,000,000 Gallons	1.90	2.85
Over 5,000,000 Gallons	1.83	2.75

The City annually reviews water and sewer rates in conjunction with the establishment of the annual City budget. The most recent increase in water rates occurred at the start of the 2020 fiscal year, which was approximately a 9% increase, above prior rates.

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WASTEWATER SYSTEM

Southside Wastewater Treatment Plant was constructed in 1955, with an original capacity of 3 MGD. In 1980 it was modified to increase its capacity to the current 9 MGD. This plant is an activated sludge plant, utilizing mechanical aeration to achieve advanced secondary treatment levels. The facility serves approximately 40% of the City and discharges treated effluent into West Mud Creek, which flows into the Mud Creek and thence to the Angelina River. The average daily flow into the plant is currently over 5 MGD.

Westside Wastewater Treatment Plant has a design capacity of 13 MGD and was placed into operation in 1968, and upgraded in 1990. This plant has a trickling filter/activated sludge plant, utilizing carousel aeration to achieve advanced secondary treatment levels. The facility serves approximately 60% of the City and most of the industrial waste discharges in the System. Effluent from the plant is discharged into Blackfork Creek, which flows into Prairie Creek and thence to the Neches River. The average daily flow into the plant is currently over 7 MGD.

Collection System The sanitary sewer collection and outfall system has approximately 694 miles of mains, ranging in size from six inches in diameter to fifty-four inches in diameter. Installation of sewer connections (taps) and service connections from the main to the property line or point of user connection is performed only by employees of the Department or a contractor approved by the Managing Director of Utilities and Public Works.

TABLE 4 - WASTEWATER USAGE (MILLION GALLONS)

Fiscal Year Ended 9/30	Millions of Gallons			
	Average Daily (1)	Monthly Average	Total Usage (1)	Total Revenue
2017	15.36	467.1	5,605.75	$ 14,772,198
2018	15.37	467.6	5,610.88	15,889,875
2019	18.89	574.2	6,890.97	16,157,505
2020	17.10	520.1	6,241.80	17,218,515
2021 (2)	19.56	595.2	7,141.75	18,315,850

(1) In general, sewage flows are based upon water metered by the City, which means that variations in amount of sewage billed for treatment by the City from year to year is significantly impacted by variances in annual rainfall totals.
(2) Unaudited figures.

TABLE 5 - TEN LARGEST WASTEWATER CUSTOMERS FYE SEPTEMBER 30, 2021 (UNAUDITED)

Customer	Type of Industry	Wastewater Revenue	% of Total Wastewater Revenue
Delek Refining Company	Oil & Gas Refinery	$ 972,904	5.45%
John Soules	Food Processing	505,844	2.83%
Hiland Dairy	Food Processing	169,360	0.95%
Caldwell Zoo	Cultural/Entertainment	124,319	0.70%
Trane	Manufacturing	89,713	0.50%
Mother Frances	Medical	77,425	0.43%
University of Texas at Tyler	Education	53,802	0.30%
Tyler Square Apartments	Residential	49,902	0.28%
Tyler ISD	Education	37,249	0.21%
SV Tyler	Mobile Home Park	19,869	0.11%
	Total	$ 2,100,386	11.77%

Source: City Staff.

TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2020)

The table below sets forth the sewer rates, which were adopted by the City Council in September, 2020. In calculating the monthly service charge, the rates are applied to the volume of water used as measured by the consumer's water meter, except that water usage subject to charges for sanitary sewer service to single-family residences, duplexes, apartment houses, townhouses, condominiums, and mobile home parks shall not exceed ten thousand (10,000) gallons per single-family residential unit monthly. Rates to commercial, governmental and institutional customers will be based on monthly water use subject to customer proof of lower sewage discharged. If the customer is not supplied water by City, the volume of water used shall be determined by metering or measuring devices acceptable to the Department.

Residential and Commercial
Minimum Monthly Rates

Meter Size	Inside City	Outside City
5/8"	$ 19.10	$ 28.65
1"	19.10	28.65
1 - 1/2"	19.10	28.65
2"	22.90	34.35
3"	26.60	39.90
4"	41.90	62.85
6"	64.60	96.90
8"	87.50	131.25
10"	125.50	188.25
12"	161.00	241.50

Residential and Commercial
Monthly Volume Charge Rate per 1,000 Gallons

Gallons	Inside City	Outside City
First 2,000 Gallons	Minimum	Minimum
Next 23,000 Gallons	$ 2.80	$ 4.21
Next 975,000 Gallons	2.69	4.03
Next 4,000,000 Gallons	1.98	2.97
Over 5,000,000 Gallons	1.51	2.27

The City annually reviews water and sewer rates in conjunction with the establishment of the annual City budget. The most recent increase in sewer rates occurred at the start of the 2020 fiscal year, which was approximately a 9% increase, above prior rates.

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DEBT INFORMATION

TABLE 7 – WATER AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Outstanding Debt Service Requirements			The Bonds [1]			Grand Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2022	$ 4,610,000	$ 3,356,054	$ 7,966,054	$ -	$ 716,345	$ 716,345	$ 8,682,399
2023	5,000,000	3,010,063	8,010,063	830,000	1,329,300	2,159,300	10,169,363
2024	5,160,000	2,839,713	7,999,713	870,000	1,287,800	2,157,800	10,157,513
2025	5,345,000	2,662,013	8,007,013	915,000	1,244,300	2,159,300	10,166,313
2026	5,550,000	2,458,031	8,008,031	950,000	1,207,700	2,157,700	10,165,731
2027	5,765,000	2,229,056	7,994,056	995,000	1,160,200	2,155,200	10,149,256
2028	5,855,000	1,999,006	7,854,006	1,035,000	1,120,400	2,155,400	10,009,406
2029	5,445,000	1,755,606	7,200,606	1,080,000	1,079,000	2,159,000	9,359,606
2030	5,720,000	1,520,606	7,240,606	1,120,000	1,035,800	2,155,800	9,396,406
2031	3,845,000	1,305,681	5,150,681	1,165,000	991,000	2,156,000	7,306,681
2032	3,985,000	1,172,381	5,157,381	1,210,000	944,400	2,154,400	7,311,781
2033	3,720,000	1,052,931	4,772,931	1,260,000	896,000	2,156,000	6,928,931
2034	3,800,000	941,631	4,741,631	1,285,000	870,800	2,155,800	6,897,431
2035	2,440,000	827,881	3,267,881	1,310,000	845,100	2,155,100	5,422,981
2036	2,115,000	754,731	2,869,731	1,350,000	805,800	2,155,800	5,025,531
2037	2,175,000	695,181	2,870,181	1,390,000	765,300	2,155,300	5,025,481
2038	2,240,000	633,731	2,873,731	1,435,000	723,600	2,158,600	5,032,331
2039	1,705,000	570,281	2,275,281	1,475,000	680,550	2,155,550	4,430,831
2040	1,745,000	532,506	2,277,506	1,520,000	636,300	2,156,300	4,433,806
2041	1,785,000	492,888	2,277,888	1,500,000	590,700	2,090,700	4,368,588
2042	1,830,000	449,438	2,279,438	1,460,000	545,700	2,005,700	4,285,138
2043	1,870,000	407,838	2,277,838	1,500,000	501,900	2,001,900	4,279,738
2044	1,910,000	365,313	2,275,313	1,545,000	456,900	2,001,900	4,277,213
2045	1,960,000	317,375	2,277,375	1,595,000	410,550	2,005,550	4,282,925
2046	2,005,000	268,156	2,273,156	1,640,000	362,700	2,002,700	4,275,856
2047	2,060,000	217,763	2,277,763	1,690,000	313,500	2,003,500	4,281,263
2048	2,110,000	164,513	2,274,513	1,740,000	262,800	2,002,800	4,277,313
2049	2,145,000	109,950	2,254,950	1,795,000	210,600	2,005,600	4,260,550
2050	1,195,000	54,338	1,249,338	1,850,000	156,750	2,006,750	3,256,088
2051	1,220,000	27,450	1,247,450	1,900,000	105,875	2,005,875	3,253,325
2052	-	-	-	1,950,000	53,625	2,003,625	2,003,625
	$ 96,310,000	$ 33,192,105	$ 129,502,105	$ 41,360,000	$ 22,311,295	$ 63,671,295	$ 193,173,400

(1) Interest on the Bonds has been calculated at the rates set forth on the inside cover.

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ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The City does not anticipate the issuance additional water and sewer system revenue bonds in the next twelve months.

TEXAS MUNICIPAL RETIREMENT SYSTEM . . . The City provides pension benefits for all of its full-time employees with the exception of its firefighters through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. In addition, the City provides service, retirement, death, disability and withdrawal benefits for firefighters in the City's Fire Department through the Tyler Firefighter's Relief and Retirement Fund ("TFRRF"). Benefits from the TMRS administered plan depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. Members can retire at age 60 and above with 5 or more years of service or with 20 or more years of service regardless of age. A member is vested after 5 years. The TMRS plan provisions are adopted by the City Council, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes. (For more detailed information concerning the retirement plans, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note E.)

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). The report may be obtained from TMRS' website at www.TMRS.com.

Employees for the City of Tyler were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Tyler were 21.12% and 21.23% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were $7,930,591, and were equal to the required contributions.

TYLER FIREFIGHTER'S RELIEF AND RETIREMENT FUND . . . In addition to TMRS, the City provides retirement benefits for firemen in the City's fire department known as the Tyler Firefighters' Relief and Retirement Fund (the "Fund"). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act ("TLFFRA"). The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Tyler Firefighters' Relief and Retirement fund at 1718 West Houston St., Tyler, Texas 75702.

The contribution policy of the Tyler Firefighters' Relief and Retirement Fund requires contributions equal to 13.5% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The city currently contributes according to an agreement between the city and the Fund's board of trustees. The city's contribution rate to the Fund is the same percentage of payroll that the city contributes to the Texas Municipal Retirement System for other employees each calendar year. The actual city contribution rate was 20.92% in 2018 and 21.12% in 2019. In late 2020, the city agreed in principle to a new contribution policy which will gradually phase in from a 21.23% contribution rate in 2020 to the ultimate rate of 23% beginning in 2025. The December 31, 2019 actuarial valuation includes the assumption that the city contribution rate will be according to this new policy and continue to be the ultimate 23% over the remainder of the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets.

Information describing TLFFRA is contained in Note E. of the City's audited financial statements for the year ended September 30, 2020, which are attached hereto as APPENDIX B.

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS . . . In addition to providing pension benefits through TMRS and TFRRF, the City has opted to provide retired employees (and qualified dependents) health and dental post-employment benefits with some restrictions as to eligibility (i.e. a retiree from the City who starts work with another employer that offers this coverage cannot continue in the City's plan and would not be eligible to join again at a later date; retirees and spouses are no longer allowed to participate when they become Medicare eligible).

City contributions consists of monthly premium contributions to the Public Agency Retirement Services (PARS) Post-Retirement Health Funding Plan Trust, which is a multi-employer irrevocable trust that has a private letter ruling confirming it is in full compliance with the requirements of Section 115 of the Internal Revenue Code.

Medicare eligible retirees are provided a Medicare insurance supplement program. For retirees hired before 1/1/1997, the City contributions are fixed at the 2013 subsidy level for age-band as of 12/31/17. For retirees hired on and after 1/1/1997, there is no City contribution. See the table below for the 2013 Medicare Supplement Rates.

Actuarial Assumptions . . . The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.50%
Overall payroll growth TMRS: 3.50% to 10.50%, including inflation
FIRE: 3.50% to 9.71%, including inflation
Healthcare cost trend rates Initial rates of 7.00% declining to ultimate rates of 4.15% after 15 years

Salary increases were based on a service-related table obtained from either TMRS or FTDRRF. Per TMRS, mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Per FTDRRF, mortality rates for active members, retirees, and beneficiaries were based on the RP2000 Combined Healthy Mortality Tables projected to 2024 using Scale AA for males and females.

The actuarial assumptions for TMRS members are based on the assumptions that were developed for the defined benefit plan in which the City participates. The assumptions are based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement Plan (TMRS). The assumptions for firefighters are based on the pension valuation report provided by the City as of December 31, 2017.

For more information regarding such benefits currently provided by the City, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note F.)

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FINANCIAL INFORMATION

TABLE 8 - CONDENSED STATEMENT OF SYSTEM OPERATIONS

	For Fiscal Year Ended September 30,				
	2016	2017	2018	2019	2020
Operating Revenues					
Water and Sewer Operations	$ 36,612,671	$ 38,835,572	$ 42,616,756	$ 41,101,206	$ 44,456,111
Miscellaneous	502,085	40,423	613,186	1,378,456	2,657,788
Total Operating Revenues	$ 37,114,756	$ 38,875,995	$ 43,229,942	$ 42,479,662	$ 47,113,899
Total Operating Expenses [1]	$ 24,333,185	$ 25,974,213	$ 28,809,429	$ 29,453,362	$ 29,783,127
NET AVAILABLE FOR DEBT SERVICE	$ 12,781,571	$ 12,901,782	$ 14,420,513	$ 13,026,300	$ 17,330,772
Water Customers	34,293	34,824	35,172	34,741	35,463
Sewer Customers	32,812	33,324	34,824	33,151	34,253

(1) Does not include depreciation or capital outlay; includes amounts paid to the General Fund by Utilities Fund as a payment in lieu of franchise payment for City street and right-of-way use.

TABLE 9 - COVERAGE AND FUND BALANCES [1]

Average Annual Principal and Interest Requirements, 2022-2052	$ 6,231,400
Coverage of Average Requirements by 2020 Net Income	2.78 Times
Maximum Annual Principal and Interest Requirements, 2023	$ 10,169,363
Coverage of Maximum Requirements by 2020 Net Income	1.70 Times
Waterworks and Sewer System Revenue Bonds Outstanding, 11-31-21	$ 137,670,000
Bond Fund Balance, 9-30-21 [2]	$ 15,995,177
I&S Fund Balance, 9-30-21 [2]	$ 1,561,207
System Reserve Fund Balance, 9-30-21 [2]	$ 814,699

(1) Projected, includes the Bonds.
(2) Unaudited.

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CAPITAL IMPROVEMENT PROGRAM

Each year the City prepares an update to its capital improvement program for the System. The actual timing and budget appropriations are approved only in annual increments, but this plan is the basis for the City's long range planning for water and sewer rates and charges, and the plan is subject to material revision. The current System five year capital improvement plan includes approximately $40 million in expenditures to be funded from cash flow of the System.

FINANCIAL ACCOUNTING POLICIES

Implementation of New Accounting Standards. . .Beginning for the fiscal year ended September 30, 2002, the City implemented the provisions of the Governmental Accounting Standard Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Note Disclosures* which results in a change in content and format of the City's financial statements (collectively, the "GASB Statements"). The audited financial statements of the City for the year ended September 30, 2020, prepared in accordance with the GASB Statements, are included in APPENDIX B hereto.

The purpose of the GASB Statements is to create new information and restructure much of the information that governments have presented in the past to provide a more comprehensive demonstration of their annual financial performance on a system wide basis. Among the significant changes effected by the new accounting standards are new presentations for proprietary or business-type operations of the City, such as those reported for the City's water and waste water operations (the "Proprietary Funds"). As required by these accounting principles, the City's annual report consists of three basic financial statements for the Proprietary Funds: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Those statements are included in the financial statements of the City for the year ended September 30, 2020 in APPENDIX B.

Government-wide and Fund Financial Statements . . . The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally 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 support.

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. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate 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.

Measurement Focus, Basis of Accounting and Basis of 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

Property 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 Capital Projects Fund accounts for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

The government reports the following major proprietary funds:

The Utilities Fund is used to account for sale of water, wastewater treatment and storm water management by the City to businesses and residential customers and to surrounding communities.

The Solid Waste (Sanitation) Fund accounts for residential and commercial solid waste collection, disposal services, and recycling operation by the City.

The Airport Fund is used to account for operations of the Tyler Pounds Regional Airport.

Additionally, the government reports the following fund types:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary Funds consist of Trust funds. Trust funds are used to account for assets held by the City in a trustee capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between the government's water utilities function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. 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 proprietary funds and of the internal service funds 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 proprietary funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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INVESTMENTS

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

LEGAL INVESTMENTS . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in the State of Texas that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in the State of Texas that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or are secured by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City in a certificate of deposit through (I) a broker that has its main office or a branch office in the State of Texas and is selected by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a bank organized under the laws of the United States or any state, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 10 - CURRENT INVESTMENTS

As of November 30, 2021, the City's investable funds were invested in the following categories:

Type of Investments	Market Value	% of Market Value
Certificate of Deposit	$ 79,534,037	52.66%
TexPool	216,075	0.14%
TexStar	26,976,036	17.86%
Investments	1,142,487	0.76%
NOW	22,028,189	14.58%
Pooled Cash	6,135,799	4.06%
InterBank ICS	15,010,209	9.94%
Total	$ 151,042,833	100.00%

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SELECTED PROVISIONS OF THE ORDINANCE

The following are selected provisions of the Ordinance. These excerpts should be qualified by reference to the exact terms of the Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Ordinance and section headings contained in the following excerpts are to sections contained in the Ordinance.

Section 10. Definitions. For purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues therefor, the following definitions are provided:

(a) The term "Additional Bonds" shall mean the additional parity revenue obligations which the City reserves the right to issue in this Ordinance.

(b) The term "Bonds" shall mean the water and sewer system revenue bonds authorized by this Ordinance and designated as "City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2022."

(c) The term "Bonds Similarly Secured" means the Bonds, the Previously Issued Bonds and Additional Bonds.

(d) The term "Fiscal Year" shall mean the twelve months' period ending September 30 of each year, unless otherwise designated by the City.

(e) The term "Net Revenues" shall mean the gross revenues of the System less the expense of operation and maintenance, all salaries, labor, materials, repairs, and extensions necessary to render efficient service, provided, however, that only such expenses for repairs and extensions as in the judgment of the City, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition that would otherwise impair any obligations payable from the net revenues of the System, shall be deducted in determining "Net Revenues." Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in any contract therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

(f) The term "Ordinance" means this Ordinance under which the Bonds are authorized.

(g) The terms "Outstanding" and "outstanding", when used in this Ordinance with respect to Bonds, Previously Issued Bonds or Additional Bonds means, as of the date of determination, all bonds theretofore issued and delivered, except:

(1) those bonds theretofore canceled by the paying agent/registrar or delivered to the paying agent/registrar for cancellation;

(2) those bonds for which payment has been duly provided by the City of the irrevocable deposit with the paying agent/registrar, or an authorized escrow agent, of money, or government securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the ordinance authorizing such bonds or irrevocably provided to be given to the satisfaction of the paying agent/registrar, or waived;

(3) those bonds that have been mutilated, destroyed, lost or stolen and replacement bonds have been registered and delivered in lieu thereof as provided in the ordinance authorizing such bonds.

(h) The term "Previously Issued Bonds" means bonds issued on a parity with the Bonds and Additional Bonds, including the Outstanding (1) "City of Tyler, Texas, Water and Sewer System Revenue Refunding Bonds, New Series 2012," (2) "City of Tyler, Texas, Water and Sewer System Revenue Refunding and Improvement Bonds, New Series 2015A," (3) "City of Tyler, Texas, Water and Sewer System Refunding Bonds, New Series 2015B," (4) "City of Tyler, Texas, Water and Sewer System Refunding Bonds, New Series 2017A," (5) "City of Tyler, Texas, Water and Sewer System Refunding Bonds, New Series 2017B," (6) "City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2018A," (7) "City of Tyler, Texas Water and Sewer System Refunding Bonds, New Series 2018B, (8) "City of Tyler, Texas Water and Sewer System Revenue Bonds, New Series 2019," (9) "City of Tyler, Texas, Water and Sewer System Revenue Refunding Bonds, Series 2020," and (10) "City of Tyler, Texas Water and Sewer System Revenue Bonds, New Series 2021".

(i) The term "System" shall mean the City's combined Water and Sewer System, including all present and future additions, extensions, replacements, and improvements thereto.

Section 11. Pledge of Revenues. That the City hereby covenants and agrees that, under the terms and conditions of the ordinances and proceedings pertaining to their authorization, the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on the Net Revenues of the System and be valid and binding without any filing or recording except for the filing of this Ordinance in the records of the City.

Texas Government Code, Chapter 1208, as amended, applies to the issuance of the Bonds and the pledge of the revenues granted by the City under this Section of this Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are Outstanding and unpaid such that the pledge of the revenues granted by the City under this Section of this Ordinance is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the Holders of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 12. Rates and Charges. For the benefit of the original purchasers as well as the ultimate owners of the Bonds and the Bonds Similarly Secured, and, in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, it is expressly stipulated that the City shall, at all times while any of the Bonds Similarly Secured are Outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the System, as required by Texas Government Code, Section 1502.057, as amended, which will provide revenues sufficient at all times to:

(a) Pay for all operation, maintenance, depreciation, replacement, and betterment charges of said System;

(b) Produce Net Revenues each year in an amount reasonably estimated to be not less than the greater of (i) 1.10 times the average annual principal and interest requirements of the Bonds Similarly Secured Outstanding, or (ii) 1.10 times the annual principal and interest requirements of the Bonds Similarly Secured scheduled to come due and mature in each year; and

(c) Pay all other outstanding indebtedness against said System as and when the same becomes due.

Section 13. Revenue Fund. The City again covenants that it will deposit, as collected, all revenues of every nature derived from the operation of the System into a separate account known as the "City of Tyler, Texas, Water and Sewer System Revenue Fund (herein called the "Revenue Fund") heretofore established which shall be kept separate and apart from all other funds of the City, and, further, that said Revenue Fund shall be pledged and appropriated to the following uses and in the order of precedence shown:

First: To the payment of all necessary and reasonable maintenance and operation expenses of the System as said expenses are defined by law;

Second: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;

Third: To the payment of any other indebtedness payable from and secured, in whole or in part, by a lien on and claim against the Net Revenues of the System; and

Fourth: Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now or hereafter permitted by law.

Section 14. Interest and Sinking Fund. The following provisions shall govern the establishment, maintenance and use of the "City of Tyler, Texas, New Series Water and Sewer System Interest and Sinking Fund" (the "Interest and Sinking Fund"). The City covenants that from the funds in the Revenue Fund, the City shall pay into the Interest and Sinking Fund during each year in which any of the Bonds Similarly Secured are outstanding, an amount equal to one hundred percent (100%) of the amount required to meet the principal and interest payments falling due on or before the next interest payment, maturity or redemption date of the Bonds Similarly Secured, such payments to be made in substantially equal monthly installments. If the revenues of the System in any month, after deductions for maintenance and operation expenses, are then insufficient to make the required payments into the Interest and Sinking Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Interest and Sinking Fund in the next month. All moneys paid into the Interest and Sinking Fund shall be deposited in a City depository bank, and the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer or City Clerk, any one or more of said officials of the City, shall cause the depository bank, not later than any principal or interest payment date, to transfer the amount then to become due to the paying agent. Said moneys not invested shall be continuously secured by a valid pledge to the City of direct obligations of the United States of America having an aggregate market value, exclusive of accrued interest, at all times at least equal to such Interest and Sinking Fund.

Section 15. Investment of Certain Funds. The Interest and Sinking Fund may be invested in investments authorized by the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, and the City's investment policy. All moneys resulting from the investment of said fund shall be transferred to the Revenue Fund as received.

Section 16. Further Covenants. The City further covenants and agrees by and through this Ordinance as follows:

(a) That the Bonds shall be special obligations of the City, and the registered owners thereof shall never have the right to demand payment out of any funds raised or to be raised by taxation.

(b) That it has the lawful power to pledge the revenues supporting the Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, and that the Bonds issued under this Ordinance shall be ratably secured in such manner that no one Bond shall have preference over any other Bond or Bonds or Bonds Similarly Secured.

(c) That other than for the payment of the Previously Issued Bonds and the Bonds, the Net Revenues have not been in any manner pledged to the payment of any debt or obligation of the City or the System, other than debt or obligations which have a lien on or pledge of the Net Revenues subordinate to the lien on and pledge of such Net Revenues to the Bonds Similarly Secured.

Section 17. Issuance of Additional Bonds.

(a) That, in addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds, for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding in any lawful manner, any part or all of the Bonds Similarly Secured or other obligations of the City eligible to be refunded under the laws of the State of Texas as such laws now or hereafter may exist. The Additional Bonds shall be secured by and payable from a lien on and pledge of the Net Revenues in the same manner and to the same extent as any then Outstanding Bonds Similarly Secured, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to wit:

(i) The City is not then in default as to any covenant, condition, or obligation contained in this Ordinance or the ordinances authorizing the issuance of the Bonds Similarly Secured.

(ii) Each of the special funds created for the payment and security of the Bonds Similarly Secured contains the amount of money then required to be on deposit therein.

(iii) The City has secured from a certified public accountant a certificate or opinion showing that the Net Earnings of the System for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve month period out of the last fifteen (15) months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of the Additional Bonds) of all Bonds Similarly Secured that will be Outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a national reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Bonds, and Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect.

(iv) The ordinance authorizing the Additional Bonds requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due.

(v) The Additional Bonds are made to mature on March 1 or September 1 (or both) of each of the years in which they are scheduled to mature or become due.

(b) The term "Net Earnings," as used in this Ordinance shall mean all income, revenues, and receipts derived from the operation or by reason of the ownership of the System, including grants, gifts, contributions in aid of construction (but excluding meter deposits), interest earned on invested moneys in the special funds created therein for the payment and security of Bonds Similarly Secured, after deduction of maintenance and operation expenses but not deducting depreciation, and other expenditures which, under standard accounting practice, should be classified as capital expenditures.

(c) Wherever, in this Ordinance, the City reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations, whether now existing or hereafter authorized, which may be made lawfully payable from and secured by the Net Revenues.

Section 18. The City will not hereafter create or issue evidences of indebtedness for any purpose possessing a lien on the Net Revenues of the System superior to that to be possessed by the Bonds Similarly Secured. The City, however, retains the right to create and issue evidences of indebtedness whose lien on the Net Revenues of the System shall be subordinate to that possessed by the Bonds Similarly Secured.

Section 19. Maintenance and Operation - Insurance. The City shall maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any Bonds are outstanding, the City agrees to maintain insurance for the benefit of the holder or holders thereof on the System of a kind, including but not limited to self-insurance to the extent and in the manner deemed advisable by the City, and in an amount which usually would be carried by private companies engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City to expend any funds derived from sources other than the operation of the System, but nothing therein shall be construed as preventing the City from doing so.

Section 20. Records - Accounts - Accounting Reports. The City covenants and agrees that so long as any Bonds, or any interest thereon, remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of its System separate and apart from all other records and accounts; complete and correct entries shall be made of all transactions relating to the System, in accordance with generally accepted accounting principles except as provided by Texas Government Code, Chapter 1502, as amended; and registered owners shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants of national reputation. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the System for such Fiscal Year.

(b) A balance sheet as of the end of such Fiscal Year.

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

Expenses incurred in making the audits referred to hereinabove are to be regarded as maintenance and operation expenses and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon request, to the original purchaser or any subsequent owner of the Bonds.

Section 21. Excess Revenues. As provided in Section 13 hereof, all revenues in excess of those required to establish and maintain the Interest and Sinking Fund as required, may be used for any proper City purpose now or heretofore permitted by law.

Section 22. Security of Funds. All funds for which provision is made by the Ordinance shall be secured in the manner and to the fullest extent permitted by law for the security of public funds and the funds created by the Ordinance shall be used only for the purposes therein specified.

Section 23. Remedy in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Interest and Sinking Fund as required by this Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, registered owner or owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

Section 24. Bonds are Special Obligations. The Bonds are and shall be special obligations of the City payable from the pledged Net Revenues, and the holder or holders thereof shall never have the right to demand payment of the Bonds out of funds raised or to be raised by taxation.

Section 25. Bonds are Negotiable Instruments. Each of the Bonds authorized shall be deemed and construed to be a "Security" and as such a negotiable instrument within the meaning of Chapter 8 of the Texas Business and Commerce Code, as amended.

Section 26. Competition - Sale of System. So far as it legally may, the City covenants and agrees, for the protection and security of the Bonds, and the registered owner or owners thereof from time to time, that it will not grant a franchise for the operation of any competing system in the City until all Bonds shall have been retired. Neither the System, nor a substantial part thereof, shall be sold while the Bonds are outstanding, but nothing in this Ordinance shall prevent the sale or disposal of properties constituting a part of the System which are no longer useful in connection with the operation thereof.

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TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. A proposed form of Bond Counsel's opinion for the Bonds is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN BONDS . . . The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and registered owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA").

ANNUAL REPORTS . . . The City will provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2021, financial information and operating data with respect to the City of the general type of information contained in Tables 1 through 10 and (2) within twelve months after the end of each fiscal year ending in or after 2021, audited financial statements of the City. Any financial statements so provided shall be prepared in accordance with the accounting principles described in APPENDIX B, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. If audited financial statements are not available within twelve months after the end of any fiscal year, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data of the general type included in this Official Statement under Tables numbered 1 through 10 by March 31 in each year and audited financial statements for the preceding year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the City, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. Additionally, the City intends the words used in the preceding clauses (15) and (16) to have the same meaning as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

OTHER INFORMATION

Ratings . . . The Bonds are rated "AA+" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement. The City's Previously Issued Bonds are currently rated "AA+" by S&P without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Bonds.

Litigation . . . It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the System or its operations. At the time of the initial delivery of the Bonds, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

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

Legal Investments and Eligibility to Secure Public Funds in Texas . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in obligations such as the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency, this requirement does not apply, however, to the purchase of obligations such as the Bonds for interest and sinking funds of such entities. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Opinions . . . The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103 of the Code, subject to the matters described under "TAX MATTERS – Tax Exemption" herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement or the Notice of Sale and Bidding Instructions, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "THE BONDS" (exclusive of the subcaptions "Sources and Uses of Funds", "Book-Entry-Only System" and "Bondholders' Remedies"), "SELECTED PROVISIONS OF THE ORDINANCE", "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Opinions" (except the last sentence of the first paragraph thereof), "Registration and Qualification of Bonds for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

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

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

INITIAL PURCHASER . . . After requesting competitive bids for the Bonds, the City accepted the bid of SAMCO Capital Markets, Inc. (the Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of the Official Statement at a price of approximately 106.877% of par. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Bonds, the City will furnish the Purchaser a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

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

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

The City provides and publishes a variety of information concerning its affairs, including information provided on the City's web site. Such information, however, is not generally prepared for the benefit of investors or in connection with the offering of securities by the City. No such public information is incorporated herein by reference.

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

Don Warren
Mayor
City of Tyler, Texas

ATTEST:

Cassandra Brager
City Clerk
City of Tyler, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY OF TYLER, TEXAS

LOCATION AND GENERAL DESCRIPTION . . . The City of Tyler, the county seat of Smith County, is an important East Texas commercial and industrial center located on U.S. Highway 69 just south of Interstate 20. The City is located an equal distance (approximately 100 miles) from the cities of Dallas, Texas and Shreveport, Louisiana and encompasses approximately 52.746 square miles.

The City is commonly referred to as the City of Roses primarily for its large municipal rose garden and the numerous rose and other garden festivals held annually. Economic activity within the City is diverse, consisting of medical, educational, manufacturing, oil and gas, agricultural, tourism and general trade activities.

U. S. CENSUS OF POPULATION . . . The City's 2020 Census population was 105,995, which was a 9.39% increase from the 2010 Census population of 96,900. The census population for 2021 is 106,985.

	City of Tyler		Smith County	
Year	Number	% Change	Number	% Change
1980	70,508	+22.05	128,366	+32.21
1990	75,450	+7.01	151,309	+17.87
2000	83,650	+10.87	174,706	+15.46
2010	96,900	+15.84	209,714	+20.04
2020	105,995	+9.39	233,479	+11.33

Source: U.S. Census Bureau.

MEDICAL CENTER . . . Tyler is the medical center of East Texas, with seven hospitals and 66 clinics. Including nursing homes and retirement centers there are more than 2,000 beds available in health care facilities. There are more than 400 medical doctors and 95 dentists in Tyler. Included in the array of medical-related services in Tyler is a three-year professional training course offered by Texas Eastern School of Nursing and a baccalaureate degree in nursing offered by University of Texas at Tyler.

MANUFACTURING . . . Tyler has a diversified industrial base with approximately 250 manufacturers, distributors and processors in the Tyler/Smith County area. Some of the products manufactured, processed or distributed in the area include: air conditioning units, cast iron pipe, life jackets, guncases, baking products, milk products, petrochemical processing equipment, petrochemical products, brass products, manufacturing and processing equipment, meat products, corrugated boxes, exercise equipment, furniture, printing, medical supplies, silk flowers, acetylene, various rubber products, adhesives, fishing lures, candy, lumber treating and many others.

Major employers in the Tyler area are:

Employer	Product/Service	Employees
Christus Trinity Mother Francis*	Medical Care	3,872
UT Health East Texas*	Medical Care	3,559
Tyler Independent School District	Education	2,563
Sanderson Farms	Distribution	1,845
Walmart	Retail	1,521
Trane Technologies	Air Conditioning Units	1,473
UT Health Science Center at Tyler	Medical Care/Research	1,460
Brookshire Grocery Company	Grocery Distribution	1,455
University of Texas - Tyler	Education	1,201
Altice USA	Cable, Internet & Phone	1,150
Tyler Junior College	Education	1,033
Target Distribution Center	Distribution	1,000
John Soules Foods	Food Distribution	895
Smith County	County	887
	Total	23,914

Source: City of Tyler, Texas 2020 Annual Financial Report.
* Company has headquarters in City.

LABOR FORCE

	City of Tyler				
	October,	Average Annual			
	2021	2020	2019	2018	2017
Civilian Labor Force	54,532	51,393	50,674	51,061	50,711
Total Employed	52,232	47,923	49,009	49,223	48,688
Total Unemployed	2,300	3,470	1,665	1,838	2,023
% Unemployed	4.2%	6.8%	3.3%	3.6%	4.0%

	Smith County				
	October,	Average Annual			
	2021	2020	2019	2018	2017
Civilian Labor Force	115,110	108,544	107,171	107,543	105,896
Total Employed	110,300	101,201	103,584	103,634	101,599
Total Unemployed	4,810	7,343	3,587	3,909	4,297
% Unemployed	4.2%	6.8%	3.3%	3.6%	4.1%

Source: Labor Market Information, Texas Workforce Commission.

HIGHER EDUCATION . . . Higher education facilities are provided at the University of Texas at Tyler with enrollment of approximately 6,700 with 74 undergraduate and graduate degrees in five colleges; Texas College at Tyler with approximately 870 students; Tyler Junior College with an enrollment of approximately 24,738 students; Tyler School of Business; East Texas Barber College; and Tyler Real Estate School.

OIL AND GAS INDUSTRY . . . When the East Texas Oilfield was discovered in 1931, the City became a headquarters for major oil companies and hundreds of independent oilmen. The City remains an oil center today; however, the City's expanded economic base is more diversified than it was in past years. Today there are numerous oil related service and manufacturing companies located in the City, which produce, among other things, various oilfield equipment and petroleum based products.

BUILDING PERMITS

	Single Family Residential (1)		Multi-Family		Industrial & Commercial		Residential Remodels		Commercial Remodels	
Year	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2016	462	$ 14,902,289	92	$ 36,714,646	72	$ 108,363,002	443	$ 4,299,198	63	$ 22,164,657
2017	359	112,455,496	4	452,685	117	102,486,619	117	4,898,895	113	18,395,982
2018	323	100,392,802	119	30,326,828	40	262,563,599	142	5,663,710	153	90,449,656
2019 (2)	339	75,889,544	93	30,318,193	42	78,691,418	168	8,766,518	149	62,489,117
2020 (2)	358	67,461,529	7	9,400,840	53	94,872,208	110	2,487,883	116	26,357,636
	2,694	$653,132,387	359	$114,049,584	506	$1,017,021,840	2,485	$201,515,582	1,043	$339,190,259

Source: The City of Tyler, Texas.
(1) New starts only.
(2) Valuations were not required after May 21, 2019 for residential permits per TX state law.

APPENDIX B

EXCERPTS FROM THE
CITY OF TYLER, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2020
The information contained in this Appendix consists of excerpts from the City of Tyler, Texas Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2020, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITORS' REPORT

To the Honorable City Council and Audit Committee,
City of Tyler, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of the City of Tyler, Texas (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

6855 OAK HILL BOULEVARD • TYLER, TEXAS 75703 • TEL 903 534 8811 • FAX 903 534 8891 • WWW.PW-TX.COM

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, 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 ("GASB"), 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, additional supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual fund statements and schedules, additional supplemental information, statistical section, and the Schedules of Expenditure of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, additional supplemental information, and the Schedules of Expenditure of Federal Awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Prothro, Wilhelmi & Company, PLLC

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
March 10, 2021

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As management of the City of Tyler, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Tyler exceeded its liabilities and deferred inflows of resources at September 30, 2020 by $508,457,159 (net position).

- The City's total net position increased by $20,458,052 for the current year.

- As of the close of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of $62,662,928. $25,927,641 is unassigned and available for use within the City's fund designation and fiscal policies.

- At the end of the current fiscal year the unassigned fund balance for the general fund was $25,785,219. The general fund operating reserve targeted amount was $10,842,493 (15% of general fund expenditures).

- The City's revenue bond payable had a net increase of $15,415,000. The City has no general obligation bond payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information indicating how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, public services and culture and recreation. The business-type activities of the City include utilities, airport and sanitation operations. The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 25 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and the Capital Projects Half Cent Sales Tax Fund, both of which are considered to be major funds. Data from the other 23 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. The basic governmental funds financial statements can be found on pages 16-21.

Proprietary Funds - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utilities, airport and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its fleet services, risk management, technology, property and facility management, productivity pay, active employee benefit program and retiree benefit program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within 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 utilities, airport and sanitation funds as they are considered to be major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside 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 of Tyler's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 25-26 of this report. Individual fund data for the fiduciary funds is provided in the form of combining statements elsewhere in this report. An additional fiduciary fund was created in 2009 for the Other Post Employment Benefit Trust. Information about Other Post-Employment Benefits and the related trust can be found in note 5 on pages 60-68. The Fireman's Relief and Retirement Fund as of 2012 is reported in the City's financial statements as a blended component unit. This information is included in the basic fiduciary fund statement on page 25-26. A separate independent audit of the Fund's financial condition is completed each fiscal year and details can be found in note 5 on pages 55-60.

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 28-69.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 71-77 of this report.

The combining statements referred to earlier in connection with general governmental funds, non-major governmental funds, enterprise funds, internal service funds and fiduciary funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 79-132 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of governments' financial position. In the case of the City of Tyler, assets exceeded liabilities by $508,457,159 as of September 30, 2020.

The largest portion of the City's net position, 95.3%, or $484,742,379, reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction-in-progress and infrastructure), less any outstanding debt used to acquire the assets. The City uses these capital assets to provide service 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 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.

CITY OF TYLER'S NET POSITION – Fiscal Year 2020

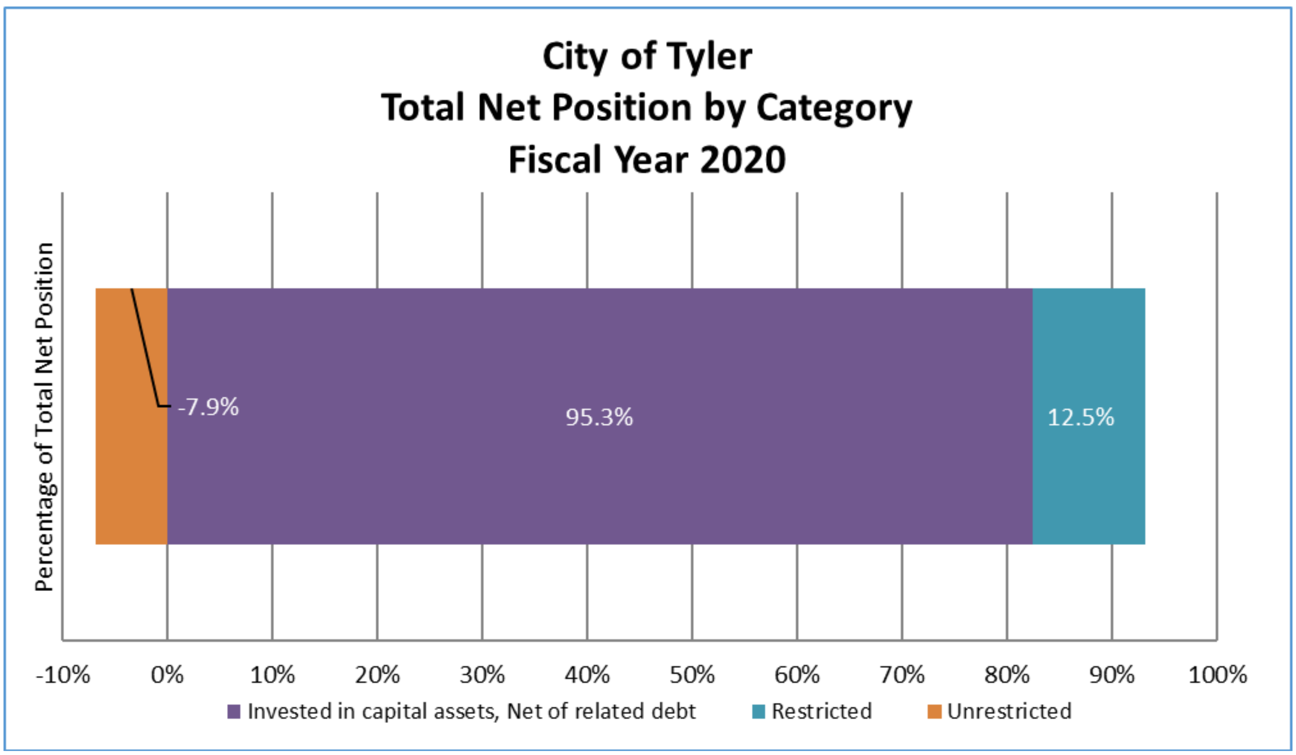
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	$101,891,972	$94,688,568	$53,161,339	$41,509,602	$155,053,311	$136,198,170
Capital assets	265,788,679	259,297,768	297,862,289	281,613,229	563,650,968	540,910,997
Total Assets	367,680,651	353,986,336	351,023,628	323,122,831	718,704,279	677,109,167
Deferred Outflow of Resources	17,646,638	21,827,641	2,715,978	4,580,002	20,362,616	26,407,643
Non-current liabilities	97,954,886	114,520,897	93,710,761	84,416,666	191,665,647	198,937,563
Other liabilities	8,181,613	7,911,678	5,841,230	5,747,792	14,022,843	13,659,470
Total Liabilities	106,136,499	122,432,575	99,551,991	90,164,458	205,688,490	212,597,033
Deferred Inflows of Resources	19,226,384	2,324,782	5,694,862	595,888	24,921,246	2,920,670
Net Position:						
Net Investment in Captial Assets	265,255,743	257,564,279	219,486,636	220,412,254	484,742,379	477,976,533
Restricted	34,968,729	36,220,286	28,681,236	16,738,113	63,649,965	52,958,399
Unrestricted	(40,260,066)	(42,727,945)	324,881	(207,880)	(39,935,185)	(42,935,825)
Total Net Position	$259,964,406	$251,056,620	$248,492,753	$236,942,487	$508,457,159	$487,999,107

An additional portion of the City's net position, 12.5% or $63,649,965 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (7.9%) at $(39,935,185).

The negative remaining balance in unrestricted net position is related to the implementation of GASB 68, 71, and 75 in prior years requiring the recording of all pension and Other Post-Employment Benefits (OPEB) related assets and liabilities in the financial statements. Currently Pension and OPEB liabilities exceed pension assets. The City of Tyler has two pension plans on its books: Texas Municipal Retirement System (TMRS) and Tyler Firemen's Relief and Retirement Fund (TFDRRF). Texas Municipal Retirement plan has a thirty-year closed amortization period. It is estimated that TMRS pension plan will be 100% funded in 2036. 100% funding will mean that pension and OPEB assets will be equal to liabilities. Once that has been achieved it is expected that the City's contribution rate (TMRS) and actuarial determine contribution (ADC) will be reduced. Tyler Firemen's Relief and Retirement Fund is an open amortization plan and targets to amortize its unfunded actuarial accrued liability over a fifteen to twenty-five year period.

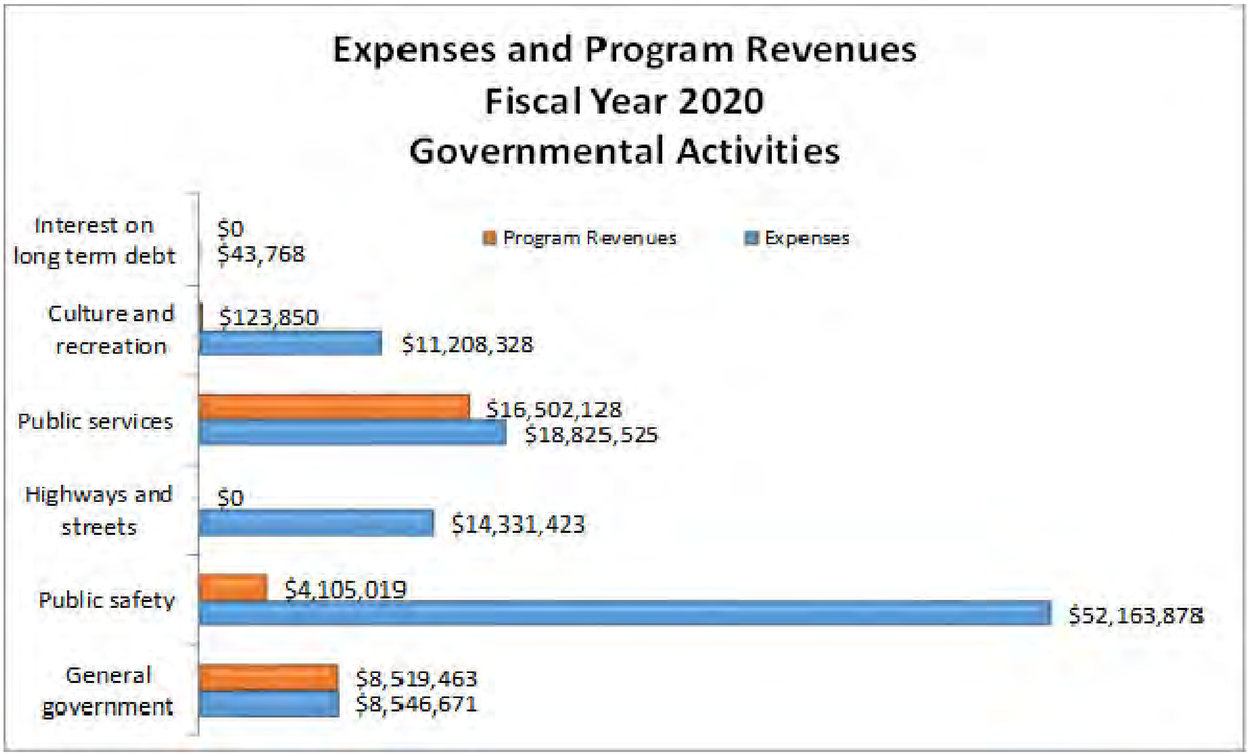
This negative impact on the City's net position is not unique to the City of Tyler. Many organizations across the country are experiencing similar scenarios with the implementation of this new accounting standard. This new standard has been discussed for some time and organizations have been preparing for this implementation. Pension plans like TMRS have worked with us and made changes to make sure that we are properly setting aside the appropriate dollars for future benefits. The City has implemented reduction in retiree Medicare RX and Medicare supplemental insurance contributions and increased its ADC to begin work toward reducing its OPEB liability.

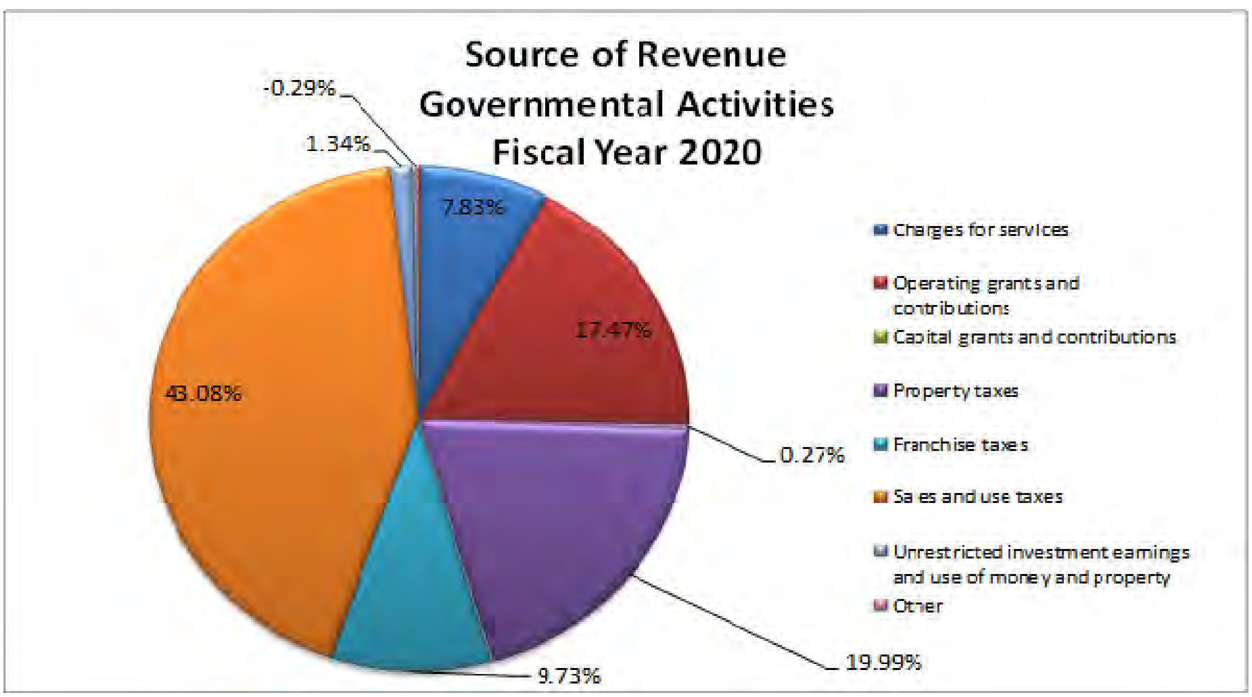
As of September 30, 2020, the City can report positive balances in two of the three categories of net position. The prior fiscal year also had positive balances in two of the three categories. The following chart illustrates for the current fiscal year the percentage of total net position each category encompasses.



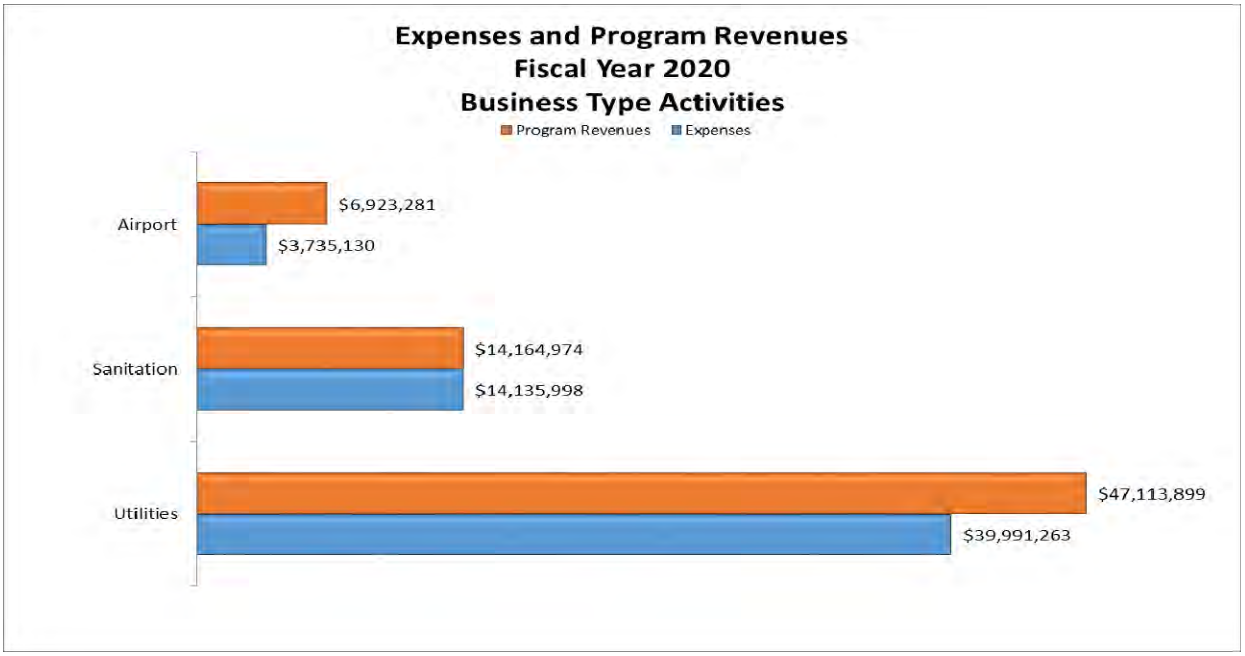
Analysis of the City's Operations – Overall, the City's total net position increased by $20,458,052 for the current year.

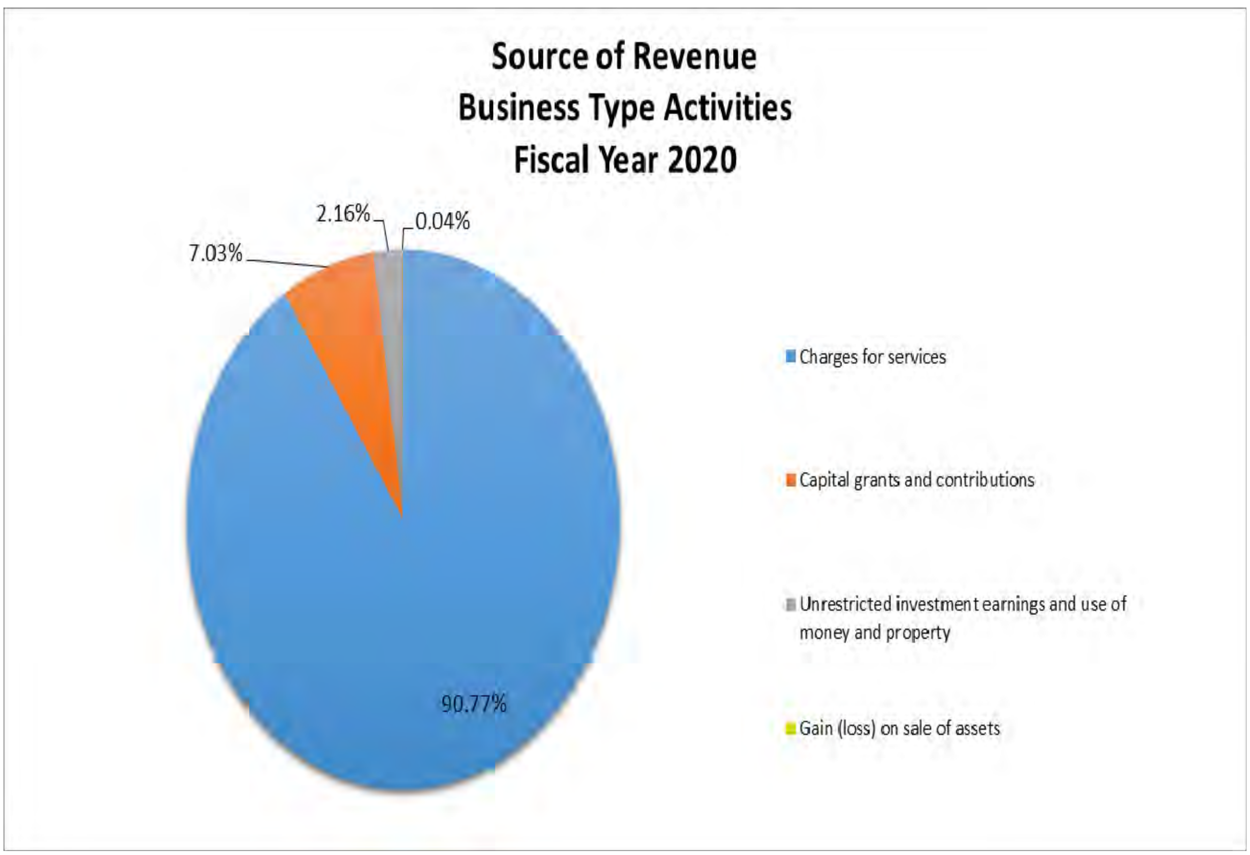
Governmental Activities: Governmental activities increased total net position by $8,907,786. Net position invested in capital assets; net of related debt increased by $7,691,464 addition of assets. Restricted net position decreased by $1,251,656.





Business-type Activities: Net Position from business-type activities increased by $11,550,266. This increase was primarily due to an increase in capital assets related to the Airport and Water Utilities Fund.





The following table provides a summary of the City's operations for the year ended September 30, 2020 with comparative totals for the year ended September 30, 2019.

CITY OF TYLER'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	$8,960,991	$14,237,454	$63,301,413	$59,639,150	$72,262,404	$73,876,604
Operating grants and contributions	19,981,326	11,744,468	-	-	19,981,326	11,744,468
Capital grants and contributions	308,143	411,605	4,900,741	8,459,328	5,208,884	8,870,933
General revenues:						
Property taxes	22,858,131	20,736,120	-	-	22,858,131	20,736,120
Franchise taxes	11,124,504	11,019,217	-	-	11,124,504	11,019,217
Sales and use taxes	49,273,911	50,168,540	-	-	49,273,911	50,168,540
Investment earnings and use of money and property	1,531,778	1,264,860	1,505,184	661,536	3,036,962	1,926,396
Gain on sale of assets	(336,086)	170,908	30,000	60,681	(306,086)	231,589
Donations	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	113,702,698	109,753,172	69,737,338	68,820,695	183,440,036	178,573,867
Expenses:						
General government	8,546,671	6,929,613	-	-	8,546,671	6,929,613
Public safety	52,163,878	54,290,654	-	-	52,163,878	54,290,654
Streets	14,331,423	12,863,503	-	-	14,331,423	12,863,503
Public services	18,825,525	16,293,667	-	-	18,825,525	16,293,667
Culture and recreation	11,208,328	8,573,123	-	-	11,208,328	8,573,123
Interest on long-term debt	43,768	68,488	-	-	43,768	68,488
Water and sewer	-	-	39,991,263	38,465,495	39,991,263	38,465,495
Sanitation	-	-	14,135,998	13,836,676	14,135,998	13,836,676
Airport	-	-	3,735,130	3,390,497	3,735,130	3,390,497
Total Expenses	105,119,593	99,019,048	57,862,391	55,692,668	162,981,984	154,711,716
Increases (decreases) in net position before transfers	8,583,105	10,734,124	11,874,947	13,128,027	20,458,052	23,862,151
Transfers	324,681	83,936	(324,681)	(83,936)	-	-
Change in net position	8,907,786	10,818,060	11,550,266	13,044,091	20,458,052	23,862,151
Net position – October 1	251,056,620	240,238,560	236,942,487	223,898,396	487,999,107	464,136,956
Prior Period Adjustment	-	-	-	-	-	-
Net position – September 30	$ 259,964,406	$ 251,056,620	$ 248,492,753	$ 236,942,487	$ 508,457,159	$ 487,999,107

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The focus of the City of Tyler's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of $62,662,928. Approximately 41% of this total amount, $25,927,641, constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted or assigned for the following: 1) to pay for capital projects, $23,269,327; 2) to pay for the perpetual care of city cemeteries, $3,094,567; 3) to purchase items restricted under grant and donation terms, $1,910,615; 4) to purchase items restricted under tourism and conventions, $6,102,399 and 5) to pay for other miscellaneous restrictions, $2,358,379. The City of Tyler also self imposes an operating designation in the general fund equivalent to approximately 15 percent of total expenditures, $10,842,493.

In the general fund, the City's original budget planned to decrease the fund balance on a budget basis by $56,816. Additional amendments were made to fund various expenses required for operations for a net budgeted decrease in fund balance of $257,338. Due to both revenue and expenditure budget variances the actual net increase in fund balance for fiscal year 2020 was $6,798,375. Capital Projects Half Cent Sales Tax Fund balance decreased in 2020 by $1,193,396. Other non-major governmental fund balances increased in 2020 by $265,456, from $13,579,311 to $13,884,767.

Proprietary funds - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the respective proprietary funds are Utilities - $178,540, Sanitation – $(2,606,116) and Airport – $32,775. The following funds had a net position increase in 2020 as follows: Utilities $7,375,105, Sanitation $186,608, and Airport- $3,988,553.

General Fund Budgetary Highlights - The City revised the original budget appropriations approved by the City Council. Overall, these changes resulted in increased budgeted appropriations of $202,197.

Actual revenues were above the final budgeted amounts by a total of $4,911,134. Actual expenditures including transfers were below final budgeted amounts by a total of $2,144,579.

CAPITAL ASSETS

The City of Tyler's investment in capital assets for its governmental and business-type activities as of September 30, 2020 amounts to $563,650,968, (net of accumulated depreciation). This investment in capital assets includes land, water rights, building, equipment, improvements, infrastructure, and construction in progress. The total net increase in capital assets for the current fiscal year was $22,739,971.

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

- $ 7,937,350 Roadway improvement projects
- $ 5,331,808 Airport capital projects
- $ 18,409,412 Water and Sewer capital projects
- $ 3,061,480 Parks
- $ 4,070,285 Drainage Capital Projects

Capital Assets at Year End
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$17,684,384	$18,243,886	$11,792,909	$11,412,159	$29,477,293	$29,656,045
Water rights	-	-	12,526,700	12,526,700	12,526,700	12,526,700
Building	34,676,850	35,981,215	27,649,874	29,082,014	62,326,724	65,063,229
Improvements	45,342,566	33,052,512	196,032,907	178,790,611	241,375,473	211,843,123
Machinery & equipment	20,437,499	19,691,904	5,815,048	5,583,937	26,252,547	25,275,841
Infrastructure	127,200,200	135,244,307	16,882,622	17,371,248	144,082,822	152,615,555
Construction in progress	20,447,180	17,083,944	27,162,229	26,846,560	47,609,409	43,930,504
Total	$265,788,679	$259,297,768	$297,862,289	$281,613,229	$563,650,968	540,910,997

Additional information on the City of Tyler's capital assets can be found in note 4 on page 43-45 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tyler had a total bonded debt of $73,645,000 comprised of bonds secured by water and sewer revenues $72,935,000 and airport customer facility revenue $710,000.

Outstanding Debt at Year End

Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital leases	$ 1,621,501	$ 1,733,492	$ 51,691	$ 102,423	$ 1,673,192	$ 1,835,915
Revenue bonds payable	-	-	73,645,000	58,230,000	73,645,000	58,230,000
Total	$ 1,621,501	$ 1,733,492	$ 73,696,691	$ 58,332,423	$ 75,318,192	$ 60,065,915

During the fiscal year, the City's revenue bond debt increased by $15,415,000 or 26.5%.

The City's General Obligation and Revenue Bond ratings are listed below.

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	Aa2	AAA
Revenue Bonds	Aa2	AA+
Revenue Bonds (Senior Lien Debt)	Aa2	AAA

Please see note 4 on page 47 for an explanation of reserve requirements for the City of Tyler. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Tyler is $939,938,978. The City of Tyler has no outstanding general obligation bond debt.

Additional information on the City of Tyler's long term-debt can be found in note 4 on pages 46-48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the City of Tyler is currently 5.9%, which is an increase from 3.2% a year ago. This compares to the state's average unemployment rate of 7.1% and the national average rate of 6.5%.
- The office space occupancy rate for the City of Tyler increased slightly in 2020 to 84.47% from 82.58% occupancy in 2019.
- Sales tax receipt growth over a ten year average increased slightly to 3.20%. Property values have grown at an average of 3.08% over the last ten years. Growth in values include new and existing values.

All of these factors were considered in preparing the budget for the fiscal year 2020-2021 and the City of Tyler anticipates that total net position will remain at similar levels by September 30, 2021.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Chief Financial Officer at P.O. Box 2039, Tyler, Texas 75710, call (903) 531-1138, or email cfo@tylertexas.com.

CITY OF
TYLER

A Natural Beauty

BASIC FINANCIAL STATEMENTS

CITY OF TYLER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 44,720,297	$ 13,756,494	$ 58,476,791
Receivables (net of allowance for doubtful accounts)	30,689,086	8,598,793	39,287,879
Internal balances	(2,719,682)	2,719,682	-
Inventories	398,616	691,187	1,089,803
Prepaid items	170,037	42,237	212,274
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	22,644,548	27,352,946	49,997,494
Permanently restricted			
Cash and cash equivalents	3,092,164	-	3,092,164
Other post employment benefits asset	14,707	-	14,707
Investment in joint venture	2,882,199	-	2,882,199
Capital assets not being depreciated:			
Land	17,684,384	11,792,909	29,477,293
Water rights	-	12,526,700	12,526,700
Construction in progress	20,447,180	27,162,229	47,609,409
Capital Assets net of accumulated depreciation:			
Buildings	34,676,850	27,649,874	62,326,724
Improvements, other than buildings	45,342,566	196,032,907	241,375,473
Machinery and equipment	20,437,499	5,815,048	26,252,547
Infrastructure	127,200,200	16,882,622	144,082,822
Total assets	367,680,651	351,023,628	718,704,279
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	17,976,950	2,407,354	20,384,304
Deferred outflows related to OPEB	(330,312)	(57,835)	(388,147)
Deferred charge on refunding (net of amortization)	-	366,459	366,459
Total deferred outflows of resources	17,646,638	2,715,978	20,362,616
LIABILITIES			
Accounts payable	5,297,565	5,534,767	10,832,332
Deposits and other refundable balances	1,284,336	66,180	1,350,516
Insurance claims payable	1,545,166	-	1,545,166
Accrued interest payable	22,541	240,283	262,824
Unearned revenues	32,005	-	32,005
Non-current liabilities:			-
Due within one year	1,378,364	3,695,528	5,073,892
Due in more than one year	96,576,522	90,015,233	186,591,755
Total liabilities	106,136,499	99,551,991	205,688,490
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	6,725,640	2,489,366	9,215,006
Deferred inflows related to pensions	12,500,744	3,205,496	15,706,240
Total deferred inflows of resources	19,226,384	5,694,862	24,921,246
NET POSITION			
Net investment in capital assets	265,255,743	219,486,636	484,742,379
Restricted for:			
Perpetual care - nonexpendable	3,094,567	-	3,094,567
Storm water management	-	1,328,290	1,328,290
Public Safety	495,082	-	495,082
Capital improvements	527,438	-	527,438
Tourism and convention	5,975,133	-	5,975,133
Donor restrictions	362,873	-	362,873
Capital projects	21,942,766	25,355,673	47,298,439
Airport improvements	127,192	-	127,192
Communications	895,936	-	895,936
Housing assistance	1,160,377	-	1,160,377
Grant restrictions	387,365	-	387,365
Debt service	-	1,997,273	1,997,273
Unrestricted	(40,260,066)	324,881	(39,935,185)
Total net position	$ 259,964,406	$ 248,492,753	$ 508,457,159

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

EXHIBIT 2

CITY OF TYLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
FUNCTIONS / PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	$ 8,546,671	$ 2,602,642	$ 5,916,821	$ -	$ (27,208)	$ -	$ (27,208)
Public safety	52,163,878	3,401,998	394,878	308,143	(48,058,859)	-	(48,058,859)
Highways and streets	14,331,423	-	-	-	(14,331,423)	-	(14,331,423)
Public services	18,825,525	2,832,501	13,669,627	-	(2,323,397)	-	(2,323,397)
Culture and recreation	11,208,328	123,850	-	-	(11,084,478)	-	(11,084,478)
Interest on long term debt	43,768	-	-	-	(43,768)	-	(43,768)
Total governmental activities	105,119,593	8,960,991	19,981,326	308,143	(75,869,133)	-	(75,869,133)
Business-type activities:							
Utilities	39,991,263	47,113,899	-	-	-	7,122,636	7,122,636
Sanitation	14,135,998	14,164,974	-	-	-	28,976	28,976
Airport	3,735,130	217,900	-	5,804,364	-	2,287,134	2,287,134
Total business-type activities	57,862,391	61,496,773	-	5,804,364	-	9,438,746	9,438,746
Total primary government	$ 162,981,984	$ 70,457,764	$ 19,981,326	$ 6,112,507	(75,869,133)	9,438,746	(66,430,387)
General revenues:							
Property taxes					22,858,131	-	22,858,131
Franchise taxes					11,124,504	-	11,124,504
Sales and use taxes					49,273,911	-	49,273,911
Unrestricted investment earnings and use of money and property					1,531,778	2,406,201	3,937,979
Gain (loss) on sale of assets					(336,086)	30,000	(306,086)
Transfers					324,681	(324,681)	-
Total general revenues and transfers					84,776,919	2,111,520	86,888,439
Change in net position					8,907,786	11,550,266	20,458,052
Net position - beginning of year					251,056,620	236,942,487	487,999,107
Net position - end of year					$ 259,964,406	$ 248,492,753	$ 508,457,159

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

EXHIBIT 3

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	MAJOR FUNDS		OTHER	
	GENERAL	ONE-HALF CENT SALES TAX	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	$ 16,646,688	$ -	$ 8,311,861	$ 24,958,549
Receivables (net of allowance for doubtful accounts) :				
Property taxes	636,729	-	-	636,729
Other	25,033,247	2,687,683	2,010,082	29,731,012
Due from other funds	1,217,559	-	-	1,217,559
Inventories	74,900	-	4,450	79,350
Prepaid items	93,973	-	102	94,075
Cash - restricted	-	20,225,030	5,511,682	25,736,712
Total assets	$ 43,703,096	$ 22,912,713	$ 15,838,177	$ 82,453,986
LIABILITIES				
Accounts payable	2,822,753	969,817	545,873	4,338,443
Deposits and other refundable balances	1,025,996	-	258,210	1,284,206
Other liabilities	-	130	-	130
Due to other funds	-	-	1,188,498	1,188,498
Unearned revenues	31,176	-	829	32,005
Total liabilities	3,879,925	969,947	1,993,410	6,843,282
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	607,738	-	-	607,738
Unavailable revenue-fines	12,299,925	-	-	12,299,925
Unavailable revenue-permits	40,113	-	-	40,113
Total deferred inflows of resources	12,947,776	-	-	12,947,776
FUND BALANCES				
Nonspendable:				
Inventory	74,900	-	4,450	79,350
Prepaid items	93,973	-	-	93,973
Permanent fund principal	-	-	3,094,567	3,094,567
Restricted for:				
Public Safety	-	-	495,082	495,082
Capital improvements	-	-	527,438	527,438
Tourism and convention	-	-	5,975,133	5,975,133
Donor restrictions	-	-	362,873	362,873
Capital projects	-	21,942,766	-	21,942,766
Airport improvements	-	-	127,192	127,192
Communications	-	-	895,936	895,936
Housing assistance	-	-	1,160,377	1,160,377
Grant restrictions	-	-	387,365	387,365
Assigned to:				
Development services	794,038	-	-	794,038
Capital projects	-	-	671,931	671,931
Tourism and convention	127,266	-	-	127,266
Unassigned	25,785,218	-	142,423	25,927,641
Total fund balances	26,875,395	21,942,766	13,844,767	62,662,928
Total liabilities, deferred inflows of resources, and fund balances	$ 43,703,096	$ 22,912,713	$ 15,838,177	$ 82,453,986

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

CITY OF TYLER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total fund balances governmental funds (Exhibit 3)	$ 62,662,928
Other post employment benefits in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. (Includes other post employment benefit assets of Internal Service Funds)	14,707
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	246,929,681
Equity in an affiliated joint venture is included in governmental activities in the statement of net assets.	2,882,199
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	12,947,776
Deferred outflows of funds related to pension and OPEB activities	17,323,001
Deferred inflows of funds related to pension and OPEB activities	(18,461,458)
Net pension and OPEB liabilities reflected under GASB 68 and 75 at year end	(81,216,098)
Internal service funds are used by management to charge the costs of various goods or services provided to other departments or agencies of the City. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (Net of the amount allocated to business-type activities - $2,719,682)	29,227,687
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(12,346,017)
Net position of governmental activities (Exhibit 1)	$ 259,964,406

EXHIBIT 5

CITY OF TYLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	MAJOR FUNDS				
	GENERAL	ONE-HALF CENT SALES TAX	OTHER NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Property	$ 22,732,277	$ -	$ 94,198	$ -	$ 22,826,475
Franchise	11,000,729	-	123,775	-	11,124,504
Sales and use	31,110,809	15,315,318	2,847,784	-	49,273,911
Licenses and permits	1,728,305	-	6,525	-	1,734,830
Fines, forfeitures, and penalties	3,532,014	-	477,581	-	4,009,595
Revenues from use of money or property	531,635	370,071	258,374	-	1,160,080
Charges for current services	2,483,110	-	471,613	-	2,954,723
Revenues from other agencies	6,311,699	-	13,977,770	-	20,289,469
Donations	-	-	168,415	-	168,415
Miscellaneous	995,692	-	42,358	-	1,038,050
Total revenues	80,426,270	15,685,389	18,468,393	-	114,580,052
EXPENDITURES					
Current:					
General government	7,061,471	175,000	106,907	-	7,343,378
Public safety	49,359,878	-	429,032	-	49,788,910
Public services	2,782,929	-	12,985,064	-	15,767,993
Highways and streets	4,839,899	-	-	-	4,839,899
Culture and recreation	8,017,086	-	398,972	-	8,416,058
Capital outlay	222,024	16,049,570	4,535,350	-	20,806,944
Debt service:					
Principal retirement	-	-	136,114	-	136,114
Interest and fiscal charges	-	-	17,715	-	17,715
Total expenditures	72,283,287	16,224,570	18,609,154	-	107,117,011
Excess (deficiency) of revenues over (under) expenditures	8,142,983	(539,181)	(140,761)	-	7,463,041
OTHER FINANCING SOURCES (USES)					
Transfers in	1,833,500	-	2,493,392	(112,371)	4,214,521
Transfers out	(3,178,108)	(654,215)	(2,087,175)	112,371	(5,807,127)
Total other financing sources (uses)	(1,344,608)	(654,215)	406,217	-	(1,592,606)
Net change in fund balances	6,798,375	(1,193,396)	265,456	-	5,870,435
Fund balances - beginning of year	20,077,020	23,136,162	13,579,311	-	56,792,493
Fund balances - end of year	$ 26,875,395	$ 21,942,766	$ 13,844,767	$ -	$ 62,662,928

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

EXHIBIT 6

CITY OF TYLER, 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, 2020

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	$	5,870,435
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 and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		6,258,299
The net increase of the equity in investment in an affiliated joint venture is reflected on the statement of activities.		102,133
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(597,177)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The current adjustment reflects a net decrease in the deferral of the revenue.		(1,084,733)
The issuance of long-term debt (e.g. capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		151,286
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences, accrued legal expenses, and net pension expense.		(4,756,000)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities.		2,963,543
Change in net assets of governmental activities (Exhibit 2)	$	8,907,786

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

CITY OF TYLER, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
REVENUES				
Property tax collections	$ 22,859,193	$ 22,859,193	$ 22,732,277	$ (126,916)
Franchise fees	10,925,687	10,925,687	11,000,729	75,042
Sales and use taxes	30,611,458	30,611,458	31,110,809	499,351
Licenses and permits	2,021,743	2,021,743	1,728,305	(293,438)
Fines, forfeitures, and penalties	4,102,600	4,102,600	3,532,014	(570,586)
Revenues from use of money or property	972,036	973,711	531,635	(442,076)
Charges for current services	2,583,411	2,583,411	2,483,110	(100,301)
Revenues from other agencies	461,252	461,252	6,311,699	5,850,447
Miscellaneous	976,081	976,081	995,692	19,611
Total revenues	75,513,461	75,515,136	80,426,270	4,911,134
EXPENDITURES				
GENERAL GOVERNMENT:				
General Government Services	4,464,058	4,381,030	3,898,482	482,548
Communications	454,519	454,519	412,671	41,848
Finance	1,292,395	1,292,395	1,258,077	34,318
Human Resources	483,213	483,213	446,260	36,953
Legal	1,032,607	1,032,607	1,002,992	29,615
Parking Garage	28,428	50,795	22,009	28,786
Innovation Pipeline	7,373	22,202	20,980	1,222
Total General Government	7,762,593	7,716,761	7,061,471	655,290
PUBLIC SAFETY				
Police	28,713,871	28,713,871	28,668,849	45,022
Fire	19,022,359	19,022,359	18,966,615	55,744
Municipal Court	1,790,779	1,790,779	1,724,414	66,365
Total Public Safety	49,527,009	49,527,009	49,359,878	167,131
PUBLIC SERVICES				
Animal Services	1,138,766	1,138,766	1,040,713	98,053
Planning and Zoning Services	651,765	651,765	622,074	29,691
Building Services	1,189,644	1,189,644	1,120,142	69,502
Total Public Services	2,980,175	2,980,175	2,782,929	197,246

(Continued)

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

CITY OF TYLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
ASSETS	UTILITIES	SANITATION	AIRPORT	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Current assets:					
Unrestricted current assets:					
Cash and cash equivalents	$ 11,761,949	$ 1,132,073	$ 862,472	$ 13,756,494	$ 19,761,748
Prepaid expenses	41,510	727	-	42,237	75,962
Accounts receivable (net of allowance for doubtful accounts)	5,955,873	2,386,029	240,385	8,582,287	321,345
Accrued interest receivable	16,297	-	209	16,506	-
Inventories - at average cost	691,187	-	-	691,187	319,266
Total unrestricted current assets	18,466,816	3,518,829	1,103,066	23,088,711	20,478,321
Restricted Current assets:					
Temporarily restricted:					
Cash and cash equivalents for payment of current maturities of revenue bond principal and interest	1,893,093	-	104,180	1,997,273	-
Total restricted current assets	1,893,093	-	104,180	1,997,273	-
Total current assets	20,359,909	3,518,829	1,207,246	25,085,984	20,478,321
Noncurrent assets:					
Restricted assets:					
Temporarily restricted					
Cash and cash equivalents	25,144,299	211,374	-	25,355,673	-
Total restricted assets	25,144,299	211,374	-	25,355,673	-
Other post employment benefits asset	-	-	-	-	14,707
Capital assets:					
Land	6,842,055	3,285,312	1,665,542	11,792,909	93,938
Water rights	12,526,700	-	-	12,526,700	-
Buildings and infrastructure	41,380,122	727,319	42,144,225	84,251,666	1,692,125
Improvements other than buildings	272,481,798	591,665	57,140,435	330,213,898	2,233,569
Machinery and equipment	5,992,795	8,603,443	1,266,521	15,862,759	49,013,123
Construction in progress	3,668,511	54,280	23,439,438	27,162,229	14,500
Less accumulated depreciation	(150,839,878)	(5,992,524)	(27,115,470)	(183,947,872)	(34,188,257)
Total capital assets net of accumulated depreciation	192,052,103	7,269,495	98,540,691	297,862,289	18,858,998
Total noncurrent assets	217,196,402	7,480,869	98,540,691	323,217,962	18,873,705
Total assets	237,556,311	10,999,698	99,747,937	348,303,946	39,352,026
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	1,531,807	726,853	148,694	2,407,354	521,961
Deferred outflows related to OPEB	(43,648)	(12,710)	(1,477)	(57,835)	(198,324)
Deferred charge on refunding (net of amortization)	366,459	-	-	366,459	-
Total deferred outflows of resources	1,854,618	714,143	147,217	2,715,978	323,637
LIABILITIES					
Current liabilities:					
Unrestricted current liabilities					
Accounts and contracts payable	4,545,055	851,062	138,650	5,534,767	959,122
Due to other funds	-	-	-	-	-
Insurance claims payable	-	-	-	-	1,545,166
Current portion of capital lease payment	-	-	51,691	51,691	628,851
Current portion of compensated absences payable	30,216	12,157	21,464	63,837	10,331
Total unrestricted current liabilities	4,575,271	863,219	211,805	5,650,295	3,143,470
Current liabilities payable from restricted assets					
Revenue bonds payable	3,500,000	-	80,000	3,580,000	-
Customer deposits	66,180	-	-	66,180	-
Accrued interest	240,283	-	-	240,283	22,541
Total current liabilities payable from restricted assets	3,806,463	-	80,000	3,886,463	22,541
Total current liabilities	8,381,734	863,219	291,805	9,536,758	3,166,011
Noncurrent liabilities:					
Revenue bonds payable	74,165,653	-	630,000	74,795,653	-
Capital lease payable	-	-	-	-	444,542
Net pension obligation	6,363,730	2,911,979	591,249	9,866,958	2,286,694
Net OPEB obligation	3,053,197	1,286,832	207,513	4,547,542	826,046
Compensated absences	574,101	230,979	-	805,080	196,307
Total noncurrent liabilities	84,156,681	4,429,790	1,428,762	90,015,233	3,753,589
Total liabilities	92,538,415	5,293,009	1,720,567	99,551,991	6,919,600
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to OPEB	1,711,653	687,980	89,733	2,489,366	236,908
Deferred inflows related to pensions	2,230,189	858,099	117,208	3,205,496	528,018
Total deferred inflows of resources	3,941,842	1,546,079	206,941	5,694,862	764,926
NET POSITION					
Net investment in capital assets	114,386,450	7,269,495	97,830,691	219,486,636	18,858,998
Restricted for:					
Debt service	1,893,093	-	104,180	1,997,273	-
Storm water management	1,328,290	-	-	1,328,290	-
Capital projects	25,144,299	211,374	-	25,355,673	-
Unrestricted	178,540	(2,606,116)	32,775	(2,394,801)	13,132,139
Total net position	$ 142,930,672	$ 4,874,753	$ 97,967,646	$ 245,773,071	$ 31,991,137
Reconciliation to government-wide statements of net assets:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				2,719,682	
Net position of business-type activities				$ 248,492,753	

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

EXHIBIT 9

CITY OF TYLER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	UTILITIES	SANITATION	AIRPORT	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Water and sewer operations	$ 44,456,111	$ -	$ -	$ 44,456,111	$ -
Trash and garbage	-	14,128,961	-	14,128,961	-
Airport sales and rentals	-	-	177,996	177,996	-
Charges for services	-	-	-	-	18,626,081
Contributions	-	-	-	-	11,137,643
Miscellaneous	2,657,788	36,013	39,904	2,733,705	2,684,727
Total operating revenues	47,113,899	14,164,974	217,900	61,496,773	32,448,451
OPERATING EXPENSES					
Water and sewer operations	29,783,127	-	-	29,783,127	-
Sanitation operations	-	13,485,214	-	13,485,214	-
Municipal airport operations	-	-	1,363,021	1,363,021	-
Garage operations	-	-	-	-	5,915,499
Depreciation	7,715,415	650,784	2,340,657	10,706,856	4,185,046
Insurance claims	-	-	-	-	13,286,966
Administrative	-	-	-	-	6,775,988
Special services	-	-	-	-	874,442
Maintenance	-	-	-	-	410,240
Total operating expenses	37,498,542	14,135,998	3,703,678	55,338,218	31,448,181
Operating income (loss)	9,615,357	28,976	(3,485,778)	6,158,555	1,000,270
NON-OPERATING REVENUES (EXPENSES)					
Revenues from use of money and property	780,448	686,867	938,886	2,406,201	415,007
Gain (loss) on sale of assets	-	30,000	-	30,000	261,091
Interest expense	(2,492,721)	-	(31,452)	(2,524,173)	(26,051)
Total non-operating revenues (expenses)	(1,712,273)	716,867	907,434	(87,972)	650,047
Income (loss) before income from other agencies and transfers	7,903,084	745,843	(2,578,344)	6,070,583	1,650,317
Income from other agencies	-	-	5,804,364	5,804,364	-
Transfers in	22,694,205	1,497,269	767,882	24,959,356	1,480,252
Transfers out	(23,222,184)	(2,056,504)	(5,349)	(25,284,037)	(137,965)
Net transfers and income from other agencies	(527,979)	(559,235)	6,566,897	5,479,683	1,342,287
Change in net position	7,375,105	186,608	3,988,553	11,550,266	2,992,604
Net position - beginning of year	135,555,567	4,688,145	93,979,093	234,222,805	28,998,533
Net position - end of year	$ 142,930,672	$ 4,874,753	$ 97,967,646	$ 245,773,071	$ 31,991,137

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

CITY OF TYLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	UTILITIES	SANITATION	AIRPORT	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	$ 47,581,286	$ 13,970,237	$ 2,312,791	$ 63,864,314	$ 31,904,906
Cash paid to suppliers for goods and services	(16,982,196)	(8,922,230)	(3,062,009)	(28,966,435)	(11,498,617)
Cash paid to employees for services	(11,003,754)	(4,567,804)	(670,018)	(16,241,576)	(2,573,562)
Insurance claims paid	-	-	-	-	(12,871,111)
Net cash provided by (used in) operating activities	19,595,336	480,203	(1,419,236)	18,656,303	4,961,616
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	22,694,205	1,497,269	767,882	24,959,356	1,480,252
Transfers out to other funds	(23,222,184)	(2,056,504)	(5,349)	(25,284,037)	(137,965)
Net cash (used in) provided by non-capital financing activities	(527,979)	(559,235)	762,533	(324,681)	1,342,287
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(20,560,589)	(1,234,043)	(5,537,034)	(27,331,666)	(4,516,968)
Proceeds from grants for capital purposes	21,033,477	-	5,804,364	26,837,841	-
Proceeds from sale of assets	-	520,641	-	520,641	261,091
Payments on debt	(4,075,000)	-	(75,000)	(4,150,000)	(427,349)
Interest paid	(2,492,721)	-	(31,452)	(2,524,173)	(21,362)
Net cash provided by (used in) capital and related financing activities	(6,094,833)	(713,402)	160,878	(6,647,357)	(4,704,588)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	826,751	628,649	938,880	2,394,280	404,773
Net cash (used in) provided by investing activities	826,751	628,649	938,880	2,394,280	404,773
Net increase (decrease) in cash and cash equivalents	13,799,275	(163,785)	443,055	14,078,545	2,004,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25,000,066	1,507,232	523,597	27,030,895	17,507,660
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 38,799,341	$ 1,343,447	$ 966,652	$ 41,109,440	$ 19,511,748
Reconciliation to Exhibit 8:					
Unrestricted cash and cash equivalents	$ 11,761,949	$ 1,132,073	$ 862,472	$ 13,756,494	$ 19,761,748
Restricted cash - current asset	1,893,093	-	104,180	1,997,273	-
Restricted cash - noncurrent asset	25,144,299	211,374	-	25,355,673	-
Total Cash and Cash Equivalents at End of Year	$ 38,799,341	$ 1,343,447	$ 966,652	$ 41,109,440	$ 19,761,748
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	$ 9,615,357	$ 28,976	$ (3,485,778)	$ 6,158,555	$ 1,000,270
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Gain on sale of assets	-	(30,000)	-	(30,000)	-
Depreciation expense	7,715,415	650,784	2,340,657	10,706,856	4,185,046
(Increase) decrease in accounts receivable	466,788	(153,406)	2,094,682	2,408,064	(262,637)
(Increase) decrease in prepaid expenses	(390)	(727)	-	(1,117)	(7,316)
(Increase) decrease in inventories	(32,481)	-	-	(32,481)	224
(Increase) decrease in deferred outflows related to pensions	1,027,761	411,941	53,351	1,493,053	253,278
(Increase) decrease in deferred outflows related to OPEB	89,892	35,997	4,648	130,537	195,558
Increase (decrease) in accounts payable	2,167,273	199,928	(2,283,713)	83,488	(46,414)
Increase (decrease) in claims payable	-	-	-	-	443,792
Increase (decrease) in accrued interest payable	-	-	-	-	4,528
Increase (decrease) in customer deposits	10,980	-	-	10,980	-
Increase (decrease) in compensated absences payable	159,671	(5,301)	(7,206)	147,164	23,653
Increase (decrease) in capital lease payable	-	-	(50,732)	(50,732)	-
Increase (decrease) in post employment benefits liability	(2,055,959)	(823,112)	(106,281)	(2,985,352)	(495,277)
Increase (decrease) in deferred inflows related to pensions	1,933,139	767,962	99,461	2,800,562	471,434
Increase (decrease) in deferred inflows related to OPEB	1,594,964	638,511	82,445	2,315,920	207,617
Increase (decrease) in net pension obligation	(3,097,074)	(1,241,350)	(160,770)	(4,499,194)	(762,140)
Total adjustments	9,979,979	451,227	2,066,542	12,497,748	4,211,346
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 19,595,336	$ 480,203	$ (1,419,236)	$ 18,656,303	$ 5,211,616

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

EXHIBIT 11

CITY OF TYLER, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020

	EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	TOTAL
ASSETS			
Equity in pooled cash	$ 2,572,310	$ 2,837,242	$ 5,409,552
Investments, at fair value			
Equities	6,026,623	89,440	6,116,063
Mutual funds	78,021,138	-	78,021,138
Total investments	84,047,761	89,440	84,137,201
Receivables			
Contributions receivable	123,849	-	123,849
Interest receivable	14,627	2,200	16,827
Total receivables	138,476	2,200	140,676
Total assets	86,758,547	2,928,882	$89,687,429
LIABILITIES			
Accounts payable	844,619	-	844,619
Total liabilities	844,619	-	844,619
NET POSITION			
Restricted for OPEB	13,032,059	-	13,032,059
Restricted for pensions	72,675,517	-	72,675,517
Held in trust for other purposes	206,352	2,928,882	3,135,234
Total net position restricted for pension/OPEB benefits and other purposes	$ 85,913,928	$ 2,928,882	$88,842,810

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

EXHIBIT 12

CITY OF TYLER, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	TOTAL
ADDITIONS			
Contributions:			
Employees	$ 1,952,694	$ -	$ 1,952,694
Employer	5,991,515	-	5,991,515
Other	-	33,000	33,000
Total contributions	7,944,209	33,000	7,977,209
Investment income:			
Interest and dividend income	2,506,562	55,453	2,562,015
Net appreciation (depreciation) in fair value of investments	3,448,920	4,487	3,453,407
Less investment expense	(234,464)	(3,488)	(237,952)
Total investment income	5,721,018	56,452	5,777,470
Other income	35,654	-	35,654
Total additions	13,700,881	89,452	13,790,333
DEDUCTIONS			
Reimbursement for benefit claims	1,595,263	-	1,595,263
Benefits	7,906,144	-	7,906,144
Total deductions	9,501,407	-	9,501,407
Change in net position	4,199,474	89,452	4,288,926
Net position - beginning of year	81,714,454	2,839,430	84,553,884
Net position - end of year	$ 85,913,928	$ 2,928,882	$ 88,842,810

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

CITY OF
TYLER
A Natural Beauty

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Tyler, Texas (City) was incorporated January 29, 1850. The City Charter was adopted February 9, 1937. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting practices generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

B. Blended Component Unit

The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue in their own name)
- the City holds the corporate powers of the organization.
- the City appoints a voting majority of the organization's board.
- the City can impose its will on the organization.
- the organization has the potential to impose a financial benefit/burden on the City.
- there is fiscal dependency by the organization on the City.

Based upon the aforementioned criteria, the City has two component units.

The Tyler One-Half Cent Sales Tax Corporation, Inc.
The Tyler One-Half Cent Sales Tax Corporation, Inc. was formed in 1996, and is governed by a seven-member board of directors. Each member of the City Council and the Mayor may nominate one member. Directors are appointed for a two-year term and are removable by the City Council at any time without cause. For financial reporting purposes, the Tyler One-Half Cent Sales Tax Corporation, Inc. has been presented as a blended component unit of the City. It is reported as a Capital Projects Fund, because its purpose is to account for construction activities funded by the revenues generated by the one-half cent sales tax. The Tyler One-Half Cent Sales Tax Corporation, Inc. does not issue separate financial statements. The City uses the proceeds of the one-half cent sales tax to pay for infrastructure, thereby removing the need for debt financing of such improvements, which has resulted in the elimination of general obligation indebtedness and has enabled the City to reduce its property tax rate.

Tyler Fire Department Relief and Retirement Fund
The City's fire department employees participate in the Tyler Fire Department Relief and Retirement Fund (TFDRRF). TFDRRF functions for the benefit of these employees and is governed by a pension board. The City and TFDRRF participants are obligated to fund all TFDRRF costs based upon actuarial valuations. The City is authorized to approve the actuarial assumptions used in the determination of contribution levels. For financial reporting purposes, TFDRRF is reported if it were a part of the City's operations as a fiduciary fund, and therefore is not included in the government wide financial statements. TFDRRF's fiscal year-end is December 31 but the information reported corresponds with the City's September 30, 2020 reporting period. Financial statements of TFDRRF can be obtained directly from the FIRE Pension Board, 1718 West Houston St., Tyler, Texas 75702.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. Governmental activities, which normally 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 support.

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. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate 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.

D. 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they 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. Revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues, except grants and similar items, to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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, 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. Only the portion of special assessments receivable due within the current fiscal period is susceptible to accrual as revenue of the current period. All other revenue items are measurable when earned.

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 One-Half Cent Sales Tax Fund accounts for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

The government reports the following major proprietary funds:

The Utilities Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers and to surrounding communities.

The Sanitation Fund accounts for residential and commercial solid waste collection, disposal services, and recycling operations of the City.

The Airport Fund is used to account for operations of the Tyler Pounds Regional Airport.

Additionally, the government reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The City of Tyler reports the following Internal Service Funds:

1. Productivity Improvement Fund – to track performance pay of City employees. This fund accounts for City University, Lean Six Sigma, and the Internal Audit functions.
2. Fleet Maintenance and Replacement Fund – performs maintenance and repair work on vehicles of all City departments. The fund also acquires vehicles and equipment for use by all City departments.
3. Property and Liability Insurance Funds – accounts for the City's property, casualty, liability, disability, and workers' compensation insurance programs.
4. Employee Benefits Fund – accounts for the City's self-insurance program for health and dental insurance as well as life insurance for current employees.
5. Retiree Benefits Fund – accounts for the City's self-insurance program for health and dental insurance as well as life insurance for retired employees.
6. Property and Facility Management Fund – accounts for maintenance on City's facilities including roof and HVAC repairs and replacement.
7. Technology Fund – accounts for the City's investment and maintenance of technology and office automation.

The City of Tyler reports the following Fiduciary Funds:

The Employee Benefit Trust (Section 125 Plan) Fund is used to account for the resources accumulated and payments made on behalf of the City employees enrolled in the City's cafeteria plan administered by Health First.

The OPEB Trust Fund is used to account for the resources accumulated to meet ARC (annual required contributions) and long-term liability requirements associated with administering post-employment health, dental and life benefits for retired employees in accordance with GASB 43 and 45.

The Tyler Fire Department Relief and Retirement Fund is used to account for the resources accumulated to be used for the retirement benefits payments to the members of the fund.

The Greenwood Landfill Private-Purpose Trust Fund is used to accumulate resources held in trust for Allied Waste Management and is used for closure and post-closure expenses of the Greenwood Landfill.

The Lindsey Trust Fund is used to account for the endowment fund created for the charitable purpose of making awards to police officers and firefighters employed by the City of Tyler for outstanding service and providing aid to those injured in the line of duty.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between the government's water utilities function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 funds and of the internal service funds 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 enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When more than one classification of fund balance is available for use, it is the government's policy to use the most restricted resources first.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Equity in Pooled Cash and Investments

The City classifies certain cash, investments, due to, and due from accounts into "equity in pooled cash and investments." Each fund participates on a daily transaction basis and income for all assets included in "pooled cash and investments" is allocated to individual funds based on their respective balance in "equity in pooled cash and investments."

For the statements of cash flows for the Proprietary and Internal Service Funds, the City considers all assets included in "equity in pooled cash and investments" to be "cash and cash equivalents."

2. Investments

Accounting pronouncement Governmental Accounting Standards Board Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, is applied to investments in external investment pools, investments purchased with maturities greater than one-year, mutual funds, and certain investment agreements. Generally, governmental entities are required to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statement. Investments with maturities less than one year at the time of purchase are stated at cost or amortized cost. The fair value of the City's position in these investment pools is the same as the value of the pool shares.

Methods and Assumptions used to Estimate Fair Value

The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis. This information is provided by the City's investment custodian. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered "fair value".

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued

Consistent with Governmental Accounting Standards Board Statement 42, *Fair Value Measurement and Application*, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City is disclosed in Note 4 to the financial statements.

Investment Pools

The City holds investments in an external investment pool, TexPool.

Texas Local Government Investment Pool (TexPool) was created by the Texas Treasury Safekeeping Trust Company, which was authorized by the Texas Legislature in 1986. Only local governments having contracted to participate in TexPool have an undivided beneficial interest in its pool of assets. TexPool does not place any restrictions such as notice periods or maximum transaction amounts. TexPool is not registered with the Securities and Exchange Commission as an investment company but is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available by request at www.texpool.com.

The investment pool carries investments at amortized cost as the pool meets the requirements of Governmental Accounting Standards Board Statement 79, *Certain External Investment Pools and Pool Participants*. The investment pool is priced daily and compared to carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than .995 or greater than 1.005, the investment pool will sell investment securities, as required, to maintain the ratio at a point between .995 and 1.005.

Other

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. The City is authorized by its governing board to invest in the obligations of the United States government, bonds guaranteed by the United States government, certificates of deposit at financial institutions, local government investment pools, direct obligations of the State of Texas, no load government money market mutual funds, and repurchase agreements. Investments are stated at cost or amortized cost.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account, as determined by experience. All receivables are shown net of this allowance. A detailed schedule of receivables can be found at Note 4B.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as unavailable revenue on October 1. The unavailable revenue from taxes is then recognized as revenue during the year as the taxes are received. All delinquent property taxes receivables are assets of the General Fund.

The City Charter limits the City's ad valorem tax rate to $1.75 per $100 of assessed valuation. The tax rate for the year ended September 30, 2020, was $.25990 per $100, which means that the City has a tax margin of $1.4901 per $100 and could raise up to $135,041,324 additional taxes a year from the present valuation of $9,062,567,868 before the limit is reached.

4. Inventories and Prepaid Items

Inventories of materials and supplies are accounted for using the consumption method. Under the consumption method, inventories are recorded as expenditures when they are used with significant amounts on hand reported on the balance sheet at average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements. Prepaid items are accounted for using the consumption method.

In Governmental Funds, reported inventories and prepaid items do not represent available spendable resources and are, therefore, equally offset by a non-spendable fund balance account.

5. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources."

6. 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 $3,000 (amount not rounded) and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at acquisition value. Infrastructure assets are reported retroactively based on estimated historical cost.

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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued

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

Assets	Years
Buildings	50
Building improvements	10 to 20
Improvements other than buildings	10 to 50
Public domain infrastructure	15 to 50
Heavy equipment	7 to 10
Small equipment	3 to 7
Vehicles	3 to 5
Computer and other electronic equipment	3 to 5
Office equipment	3

7. Construction-in-Progress

Expenditures on incomplete capital projects have been capitalized as construction-in-progress. The assets resulting from these projects will be transferred from the construction-in-progress accounts to the appropriate asset account as the projects are completed.

8. 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. The Utilities Fund is used to report those proceeds of revenue bond issuances that are restricted for use in water and sewer projects. The Utilities Fund is also used to segregate resources accumulated for debt service payments over the life of the bonds. The City also classifies other cash and cash equivalents as restricted because of the restrictions due to enabling legislation and trust agreements established to govern the spending of funds for the permanent care of the City's cemeteries.

9. Compensated Absences

Non-Civil Service Employees

Full-time, permanent, non-civil service employees earn paid time off (PTO), which may be used as vacation, sick time or personal time. The PTO is accrued in hourly increments at the end of each pay period. The total amounts accrued annually depend on the number of years of service with the City. Maximums are from 18 to 24 days. All existing non-civil service employees at January 1, 1999, with accumulated vacation and sick time, were allowed to carryover accrued vacation into the PTO program at a maximum of 240 hours. The employees with accrued sick time could carryover up to 720 hours, only to be paid after 10 years of service. The employees eligible to receive accrued sick leave balance upon termination would be paid at the pay rate applicable when the PTO program was implemented.

Any non-civil service employees hired after January 1, 1999 were enrolled into the PTO program and may only carryover 30 days of PTO per year. Any amount accrued above the 30 days carryover is lost as of December 31 of that year. Unused PTO up to 30 days will be paid to the employee upon termination at employee's current pay rate.

Civil Service Employees

Civil service employees are granted vacation and sick time benefits in varying amounts to specified maximums depending on tenure with the City. Civil service employees are 100% vested in both sick time and vacation time at the start of their employment.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued

Civil and Non-Civil Service Employees

Vested or accumulated vacation leave is recorded as an expense and a liability, as the benefits accrue to employees, in the government-wide, proprietary, and fiduciary fund financial statements. In accordance with the provisions of Governmental Accounting Standards Board Statement No.16, "*Accounting For Compensated Absences*," no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of cumulative sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

10. Long-Term Obligations

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

11. Bond Premiums, Discounts, and Issuance Costs

Bond premiums in enterprise funds are amortized over the term of the bonds using the effective interest amortization method. Gains or losses on enterprise fund refundings are reported as deferred inflows or outflows and are amortized over the term of the lessor of the new bonds or the refunded bonds using the effective interest method. Debt issuance costs are recognized as expenditures/expenses when incurred.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City's deferred charge on refunding reported in the government-wide statement of net position and the proprietary funds statement of net position qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows related to pension and other postemployment benefit activities that are reported in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, fines, and permits. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows related to pension and other postemployment benefit activities that are reported in this category.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued

13. Fund Equity

In the fund financial statements, governmental funds report fund balance categorized as non-spendable, restricted, committed, assigned or unassigned.

Non-spendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as notes receivables or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by an ordinance of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts.

Assigned fund balance – represents amounts the City intends to use for the specific purpose as expressed by the City Council. The City Council may also assign fund balance when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. The amount reflected in the financial statements has been assigned for the purpose intended by the City Council.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

The City's minimum fund balance policy requires that fund balance shall be maintained at a level of 15 percent of estimated annual operating expenditures for the General Fund and at 15 percent of estimated annual operating expenses in the Utility Fund and Solid Waste Fund.

When an expenditure is incurred for a purpose for which more than one fund balance classification could be used, the City considers the expenditure to be made from the most restrictive classification first.

14. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net invested in capital assets consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets less unspent cash acquired through debt at year-end. Net position reported as restricted are those amounts which have limitations imposed by creditors, grantors or other laws and regulations. The government-wide statement of net position reports $63,649,866 of restricted net position, of which $13,476,826 is restricted by enabling legislation.

15. Tax Abatements

The City has evaluated the total tax abatements issued for the year and has determined that the amount is not material to the financial statements.

16. Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the City's retirement and OPEB plan and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued

For the fiscal year ending September 30, 2020, the City recognized total pension expense of $11,710,097, $7,088,288 of which was for the TMRS Plan and $4,621,809 for the TFDRRF Plan. For the fiscal year ending September 30, 2020, the City recognized total OPEB expense of $702,855, $456,171 of which was for the Health Plan and $246,684 for the TMRS Supplemental Death Benefit Plan.

17. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

18. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed in Governmental Funds. However, encumbrances in the Governmental Funds lapse at the end of each year and are re-budgeted during the next fiscal year.

Encumbrance accounting is also employed by Proprietary Funds for management control purposes. Encumbrances outstanding at year-end are not reported as restrictions of net position nor have they been included as expenses or liabilities of Proprietary Funds.

19. Future Implementation of New Standards

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. This statement is effective for reporting periods beginning after December 15, 2019. The City is evaluating the impact of this statement on the City's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement is effective for reporting periods beginning after June 15, 2021. The City is evaluating the impact of this statement on the City's financial statements.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* which will (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period by requiring that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the cost of a capital asset reported in a business-type activity or enterprise fund. This statement is effective for reporting periods beginning after December 15, 2020. The City is evaluating the impact of this statement on its financial statements.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued

In August 2018, GASB issued Statement No. 90 *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61* which will improve the consistency and comparability of reporting the government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The City is evaluating the impact of this statement on its financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which will (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which the potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan for benefits provided through those plans. This statement is effective for reporting periods beginning after June 15, 2021. The City is evaluating the impact of this statement on its financial statements.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation states that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this $12,947,776 difference are as follows:

Unavailable property tax revenues	$	607,738
Unavailable fines		12,299,925
Unavailable permits		40,113
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	12,947,776

Another element of that reconciliation explains "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $(12,346,017) difference are as follows:

Claims and judgements	$	(100,000)
Capital leases		(532,936)
Compensated absences		(11,713,081)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$	(12,346,017)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 and reported as depreciation expense. The details of this $6,258,299 difference are as follows:

Capital outlay	$ 19,373,019
Depreciation expense	(13,114,720)
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in position - governmental activities	$ 6,258,299

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY

A. Budgetary Information

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

1. After August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted in Council chambers at City Hall to obtain taxpayer comments.

3. Prior to October 1, the budget is legally enacted through passage of an ordinance.

4. Budgetary control is established at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years for each fund.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds (Police Forfeiture Fund, Court Special Fee Fund, Hotel-Motel Occupancy Tax Fund, PEG Fee Fund, Homeownership and Housing Fund, CDBG Fund, Home Grant Fund, Housing Assistance Payment Fund, Transit System Fund, TIF/TIRZ #3 Fund, Economic Development Fund, TIF/TIRZ #4 Fund, Tourism & Convention Fund, Airport Passenger Facility Fund, Rainy Day Fund, Fair Plaza Fund, Grant Fund), Capital Projects Fund, all Enterprise Funds, all Internal Service Funds and Permanent Funds.
   Budgets for the General Fund, certain Special Revenue Funds (Police Forfeiture Fund, Court Special Fee Fund, Hotel-Motel Occupancy Tax Fund, PEG Fee Fund, Homeownership and Housing Fund, CDBG Fund, Home Grant Fund, Housing Assistance Payment Fund, Transit System Fund, TIF/TIRZ #3 Fund, Economic Development Fund, TIF/TIRZ #4 Fund, Tourism & Convention Fund, Airport Passenger Facility Fund, Rainy Day Fund, Fair Plaza Fund, Grant Fund), Capital Projects Fund and Permanent Funds are adopted by the Council and presented in this report on a basis consistent with generally accepted accounting principles (GAAP).
   Budgeted expenditures for the General Fund's current fiscal year as adopted in the original budget and amendments thereto were $73,357,432. Appropriations, which are not expended or encumbered at year-end, must be re-budgeted in the succeeding year.

A. Budgetary Information – continued

6. Budgets for Proprietary Funds are adopted on a basis consistent with GAAP (accrual basis) except that for budgetary comparisons capital outlay items are expensed, accrual for compensated absences is excluded, and principal payments on debt are treated as expenses. The budgetary comparisons for Proprietary Funds are on this non-GAAP budgetary basis.

B. Expenditures Over Appropriations

For the year ended September 30, 2020, neither the general fund nor any major special revenue fund had expenditures in excess of appropriations.

C. Deficit Fund Equity

As of September 30, 2020, no funds had a deficit in net position.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal bonds, and managed public funds investment pools. The City's cash and investments for the year ended September 30, 2020, are as follows:

Statement of net position:		
Primary Government		
Cash and cash equivalents	$	58,476,791
Temporarily restricted cash and cash equivalents		24,641,821
Permanently restricted cash and cash equivalents		28,447,837
Fiduciary Funds		
Cash and cash equivalents		5,409,552
Investments		84,137,201
Total Cash and Investments	$	201,113,202
Cash on hand	$	13,032
Savings and checking accounts		40,282,381
Cash and cash equivalents held in investment accounts		1,547,968
Investments		159,269,821
Total Cash and Investments	$	201,113,202

Custodial Credit Risk – Deposits – At September 30, 2020, the City held several bank accounts, including a NOW interest bearing account, at one financial institution. The City's account balances, less outstanding checks and deposits totaled $40,282,381 and the bank balances totaled $40,599,528. All bank balances not covered by federal depository insurance, were covered by collateral held in the pledging financial institutions' trust department in the City's name. In accordance with the City's deposit and investment policy, all deposits placed at a financial institution shall be insured or collateralized in compliance with applicable State law. The City requires fair value of pledged securities in excess of 102% of all uninsured deposits.

A. Deposits and Investments – continued

Investments are stated at fair value or amortized costs, which approximates fair value. As of September 30, 2020, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Credit Risk
Primary Government			
Certificates of deposit	$ 74,916,665	0.97	N/A
Texpool	215,955	0.10	AAAm
Total Primary Government	75,132,620		
Fiduciary Funds			
Equities	6,116,063	N/A	N/A
Mutual Funds	78,021,138	N/A	N/A
Total Fiduciary Funds	84,137,201		
Total Reporting Entity	$ 159,269,821		
Portfolio weighted average maturity (years)		0.96	

Interest Risk Rate – This is the risk that changes in market risk rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods of time are more likely to be subject to increased variability in their fair values due to changes in the market interest rates. The City, in compliance with its investment policy adopted by the City Council, invests in shorter-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than two years from the date of purchase.

Credit Risk – This is the risk that an issuer or other counterparty of a debt type investment will not fulfill its obligation to the holder of the investment. The City's investment policy requires the City to invest in U.S. Treasury and Agency securities along with Texas Local Government Pool (TexPool) investments. In addition, the City's investment policy requires approved broker/dealer meeting strict qualification.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's attempts to avoid over-investment in local government pools and matches a portion of its investments with anticipated cash flow requirements.

Custodial Credit Risk – This custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As noted previously, the City requires fair value of pledged securities in excess of 102% of all uninsured deposits.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

A. Deposits and Investments – continued

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are significant other observable inputs, and level 3 inputs are significant unobservable inputs.

A summary of the City's investments under the requirements of the fair value hierarchy as of September 30, 2020 are as follows:

	Assets at Fair Value as of September 30, 2020			
	Level 1	Level 2	Level 3	Total
Primary Government:				
Certificates of Deposit	$ -	$ 74,916,665	$ -	$ 74,916,665
Texas Government Investment Pool	-	215,955	-	215,955
Total Primary Government	-	75,132,620	-	75,132,620
Fiduciary Funds:				
Equities	6,116,063	-	-	6,116,063
Mutual Funds	78,021,138	-	-	78,021,138
Total Fiduciary Funds	84,137,201	-	-	84,137,201
Total Reporting Entity	$ 84,137,201	$ 75,132,620	$ -	$ 159,269,821

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	General Fund	One-Half Cent Sales Tax Fund	Utilities Fund	Sanitation Fund	Airport Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Accounts	$ 19,834,881	$ -	$ 6,170,975	$ 2,448,280	$ 240,594	$ 390,204	$ 321,345	$ 29,406,279
Grants	4,738,572	-	-	-	-	1,619,878	-	6,358,450
Taxes	8,362,126	2,672,157	-	-	-	-	-	11,034,283
Miscellaneous	15,889	15,526	-	-	-	-	-	31,415
Gross receivables	32,951,468	2,687,683	6,170,975	2,448,280	240,594	2,010,082	321,345	46,830,427
Less: Allowance for uncollectibles	(7,281,492)	-	(198,805)	(62,251)	-	-	-	(7,542,548)
Net total receivables	$ 25,669,976	$ 2,687,683	$ 5,972,170	$ 2,386,029	$ 240,594	$ 2,010,082	$ 321,345	$ 39,287,879

C. Lindsey Trust Fund

The S.A. Lindsey Police and Firemen's Trust was created by Louise Lindsey Merrick on July 20, 1971 for the charitable purpose of making awards to police officers and firefighters employed by the City of Tyler for outstanding service and to aid those and their families injured in the line of duty. The S.A. Lindsey Police and Fireman's Trust was terminated by court order on September 24, 2007, on the petition of the Trustee, Bank of America, due to new legislation making continuation of the trust economically infeasible.

C. Lindsey Trust Fund – continued

As a result, the Lindsey Police and Firemen's Board contracted with the East Texas Communities Foundation to receive and manage the assets distributed from the termination of the S.A. Lindsey Police and Firemen's Trust, to create an Endowment Fund, to be known as the Lindsey Police and Firemen's Endowment Fund (Fund), designed to meet the primary purposes outlined in the originating trust document. The Lindsey Trust Fund was created to account for this Fund, as reflected in the Private-Purpose Trust Funds Combining Statement of Net Position and Combining Statement of Changes in Net Position, schedules E-3 and E-4 in the additional supplemental information.

The Fund is defined as a Permanent Endowment. The permanent portion or corpus of the Fund is $25,000, with the remaining amount of the Fund considered net appreciation. Under the terms of the endowment, and consistent with State statutes, distributions from the Fund are to be made from the net appreciation so that the corpus of the fund will not be exhausted or depleted. Distributions may only be made to the City of Tyler, Texas. Ordinary distributions to the City of Tyler shall be made from the Fund once per calendar year in the amount requested by the City of Tyler up to a cumulative limit of five percent (5%) of the value of the Fund determined as of the preceding December 31. Any portion of the net appreciation available for distribution which is not withdrawn by the City of Tyler in one year may be withdrawn in a subsequent year. No additional distributions shall be made from the Fund. To the extent possible, the Donor intends to preserve the permanent portion or corpus of the Fund by limiting distributions to 5% per year. At September 30, 2020, the net appreciation on investments of the Fund was $4,486.

Because the Lindsey Police and Firefighters' Endowment Fund is separately organized and managed by contract with an investment company as directed by the Lindsey Police and Firefighters' Fund Board, it is excluded from the City of Tyler's Investment Fund policy.

D. Capital Assets

Governmental and business-type capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 18,243,886	$ 37,675	$ (597,177)	$ 17,684,384
Construction in progress	17,083,944	11,494,290	(8,131,054)	20,447,180
Total capital assets, not being depreciated	35,327,830	11,531,965	(8,728,231)	38,131,564
Capital assets, being depreciated:				
Buildings	59,886,095	594,539	-	60,480,634
Improvements other than buildings	111,113,749	14,320,577	-	125,434,326
Machinery and equipment	74,780,967	6,537,372	(4,855,514)	76,462,825
Infrastructure	355,640,133	30,860	-	355,670,993
Total capital assets being depreciated	601,420,944	21,483,348	(4,855,514)	618,048,778
Less accumulated depreciation for:				
Buildings	(23,904,879)	(1,898,905)	-	(25,803,784)
Improvements other than buildings	(78,061,236)	(2,030,524)	-	(80,091,760)
Machinery and equipment	(55,089,067)	(5,295,368)	4,359,109	(56,025,326)
Infrastructure	(220,395,824)	(8,074,969)	-	(228,470,793)
Total accumulated depreciation	(377,451,006)	(17,299,766)	4,359,109	(390,391,663)
Total capital assets, being depreciated, net	223,969,938	4,183,582	(496,405)	227,657,115
Governmental activities capital assets, net	$ 259,297,768	$ 15,715,547	$ (9,224,636)	$ 265,788,679

D. Capital Assets – continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 11,412,159	$ 380,750	$ -	$ 11,792,909
Water rights	12,526,700	-	-	12,526,700
Construction in progress	26,846,559	7,107,791	(6,792,121)	27,162,229
Total capital assets, not being depreciated	50,785,418	7,488,541	(6,792,121)	51,481,838
Capital assets, being depreciated:				
Buildings	63,471,224	61,019	(32,024)	63,500,219
Improvements other than buildings	305,671,641	24,703,274	(161,017)	330,213,898
Machinery and equipment	14,916,459	1,881,977	(935,678)	15,862,758
Infrastructure	20,751,447	-	-	20,751,447
Total capital assets being depreciated	404,810,771	26,646,270	(1,128,719)	430,328,322
Less accumulated depreciation for:				
Buildings	(34,389,211)	(1,493,159)	32,025	(35,850,345)
Improvements other than buildings	(126,881,030)	(7,460,977)	161,016	(134,180,991)
Machinery and equipment	(9,332,520)	(1,264,094)	548,904	(10,047,710)
Infrastructure	(3,380,199)	(488,626)	-	(3,868,825)
Total accumulated depreciation	(173,982,960)	(10,706,856)	741,945	(183,947,871)
Total capital assets, being depreciated, net	230,827,811	15,939,414	(386,774)	246,380,451
Business-type activities capital assets, net	$ 281,613,229	$ 23,427,955	$ (7,178,895)	$ 297,862,289

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

Governmental activities:	
General Government	$ 760,456
Public Safety	2,120,285
Highways and streets, including depreciation of general infrastructure assets	8,546,859
Public Services	697,421
Culture and recreation	989,700
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	4,185,045
Total depreciation expense - governmental activities	$ 17,299,766
Business-type activities:	
Utilities	$ 7,715,415
Sanitation	650,784
Airport	2,340,657
Total depreciation expense - business-type activities	$ 10,706,856

Water Rights

In 1965, the City purchased the right to 40% of the perpetual annual water yield of Lake Palestine from the Upper Neches River Municipal Water Authority for $12,524,200. At September 30, 2020, total water rights were $12,526,700. Management believes there is no impairment in the value of the water rights at September 30, 2020.

D. Capital Assets – continued

Construction Commitments

As of September 30, 2020, the City has active construction projects. The projects include street construction, a parking garage, CDBG projects, and sanitation and waterline additions. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Estimated Remaining Commitment
Hidden Palace Construction	$ 328,954	$ 106,521
Woldert Park ADA Renovation	284,811	152,363
Fun Forest ADA Renovation	447,230	49,920
Brynmar Court Drainage Improvements	400,211	27,055
Robert E Lee Drive Drainage Improvements	399,000	603,871
Martin Luther King, Jr Blvd Improvements	110,722	1,417,774
2020 Asphalt Enhancement (Overlay)	124,939	2,969,251

The above projects are funded by resources held in the One-Half Cent Sales Tax Fund, water and sewer revenue bonds, and grant funding.

E. Interfund Receivables, Payables, and Transfers

The interfund balance in the General Fund resulted from overdrafts in the City's pooled cash accounts that were funded by the Utility Fund.

The composition of interfund balances as of September 30, 2020, is as follows:

Receivable Fund	Payable Fund	Amount
Utilities Fund	General Fund	$ 2,719,682

Interfund transfers are made in accordance with the City's adopted budget or through approvals to meet unexpected operating needs.

The composition of interfund transfers as of September 30, 2020, is as follows:

	Transfer In					
	General Fund	Nonmajor Governmental Funds	Airport Enterprise Funds	Sanitation Enterprise Funds	Internal Service Funds	Total
Transfers Out:						
General Fund	$ -	$ 1,873,102	$ -	$ -	$ 1,305,006	$ 3,178,108
One-Half Cent Sales Tax Fund	-	-	654,215	-	-	654,215
Nonmajor Governmental Funds	1,833,500	-	113,667	-	27,637	1,974,804
Utilities Enterprise Funds	-	220,680	-	-	307,299	527,979
Airport Enterprise Funds	-	-	-	-	5,349	5,349
Sanitation Enterprise Funds	-	612,239	-	-	84,961	697,200
Interal Service Funds	-	-	-	137,965	-	137,965
Totals	$ 1,833,500	$ 2,706,021	$ 767,882	$ 137,965	$ 1,730,252	$ 7,175,620

F. Leases

Operating Leases

The City leases various types of equipment under annual cancelable (termination clause) operating leases. The combined annual expenditures for operating leases during the fiscal year ended September 30, 2020 were approximately $614,196.

Capital Leases

The City has entered into various lease agreements as the lessee for financing the acquisition of a telephone system, fire trucks, radio equipment and multiple computer and copier purchases. The lease agreements qualify as capital leases for accounting purposes, the assets acquired through the capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$ 15,463,872
Less: Accumulated depreciation	(15,433,509)
	$ 30,363

The future minimum lease obligations as of September 30, 2020, were as follows:

Year ending September 30	Governmental Activities
2021	$ 752,316
2022	336,580
2023	249,048
2024	157,995
2025	62,254
Thereafter	-
Total amount of minimum lease payments	1,558,193
Less: amount representing interest	(74,692)
Present value of minimum lease payments	$ 1,483,501

G. Long-term debt

Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds issued by the City in prior years were to fund construction projects to improve or expand the water system and to refund prior issuances. The original amount of the outstanding revenue bonds was $95,505,000 with maturities ranging from 2027 to 2040.

G. Long-term debt – continued

Revenue bonds currently outstanding are as follows:

Issue	Purpose	Interest Rates	Amount
Series 2012	Water and sewer refunding	1.50 to 2.625%	910,000
Series 2013	Customer facilty use	3.76%	710,000
Series 2015A	Water refunding and improvements	2.00 to 4.00%	7,075,000
Series 2015B	Water and sewer refunding	2.00 to 5.00%	13,660,000
Series 2017A	Water and sewer refunding	3.00 to 4.00%	3,450,000
Series 2017B	Water and sewer refunding	2.00 to 3.50%	7,950,000
Series 2018A	Water and sewer revenue	3.00 to 4.00%	7,910,000
Series 2018B	Water and sewer revenue	3.00%	7,440,000
Series 2019	Water and sewer revenue	2.00 to 5.00%	19,485,000
Series 2020	Water and sewer revenue	2.00 to 3.00%	5,055,000
Total outstanding bonds			$ 73,645,000

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending September 30	Principal	Interest	Total
2021	$ 3,580,000	$ 2,578,476	$ 6,158,476
2022	4,335,000	2,463,087	6,798,087
2023	4,525,000	2,318,079	6,843,079
2024	4,665,000	2,166,933	6,831,933
2025	4,830,000	2,009,247	6,839,247
2026-2030	25,145,000	7,100,986	32,245,986
2031-2035	13,505,000	3,219,894	16,724,894
2036-2040	5,225,000	1,577,769	6,802,769
Thereafter	7,835,000	1,205,175	9,040,175
	$ 73,645,000	$ 24,639,646	$ 98,284,646

Cash in the amount of $1,893,093 is restricted at September 30, 2020 in order to fund the City’s annual debt service requirements, to meet the debt service reserve fund requirements of bond covenants and for construction costs in connection with the 2013 Customer Facility Charge Bonds. Revenue bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest tax regulations under these provisions.

G. Long-term debt – continued

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance 10/1/2019	Additions	Reductions	Ending Balance 9/30/2020	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Claims and judgements	$ 100,000	$ -	$ -	$ 100,000	$ 100,000	$ -
Capital leases	1,733,492	451,473	563,464	1,621,501	770,119	851,382
Net pension liability	80,586,815	-	16,223,161	64,363,654	-	64,363,654
Net OPEB liability	20,754,950	-	789,766	19,965,184	-	19,965,184
Compensated absences	11,325,642	578,905	-	11,904,547	508,245	11,396,302
Governmental activities Long-term liabilities	$ 114,500,899	$ 1,030,378	$ 17,576,391	$ 97,954,886	$ 1,378,364	$ 96,576,522
Business-Type Activities:						
Revenue bonds payable	$ 58,230,000	$ 19,565,000	$ 4,150,000	$ 73,645,000	$ 3,580,000	$ 70,065,000
Capital leases	102,423	-	50,732	51,691	51,691	-
Bond premium/(discount)	3,476,243	1,549,102	294,692	4,730,653	-	4,730,653
Net pension liability	14,364,332	-	4,497,374	9,866,958	-	9,866,958
Net OPEB liability	7,532,517	-	2,984,975	4,547,542	-	4,547,542
Compensated absences	682,705	186,212	-	868,917	63,837	805,080
Business-Type Activities Long-Term Liabilities	$ 84,388,220	$ 21,300,314	$ 11,977,773	$ 93,710,761	$ 3,695,528	$ 90,015,233

The liabilities listed above for claims and judgments, net pension obligation, compensated absences, and contracts payable will be liquidated by the City's General and Proprietary Funds. The liability for capital leases will be liquidated by the General and Technology Funds.

The City has defeased certain bonds by placing the proceeds of new bond issues in an irrevocable trust for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The 2017A Series bonds were issued to refund the remaining portion of the 2008 Series bonds and resulted in a $80,000 reduction in the City's debt service fund. The 2017B Series bonds were issued to retire the 2009 Series bonds and this issue resulted in an economic gain $286,681 to the City and the debt service fund was reduced by $273,921 as a result of the issuance of these bonds. The 2020A Series bonds were issued to retire the 2011 Series bond, which resulted in the City's debt service fund being reduced by $395,000. At September 30, 2020, $23,895,000 of bonds outstanding are considered defeased. The issues and amounts of outstanding defeased bonds are as follows:

Bond Issue	Year Refunded	Outstanding
Series 2017A Water and Sewer System Refunding Bonds	2008	$ 3,450,000
Series 2017B Water and Sewer System Refunding Bonds	2009	7,950,000
Series 2018B Water and Sewer System Refunding Bonds	2009	7,440,000
Series 2020A Water and Sewer System Refunding Bonds	2011	5,055,000
Total Bonds Defeased		$ 23,895,000

NOTE 5: OTHER INFORMATION

A. Risk management

Property and Casualty Insurance Plans

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. A comprehensive insurance plan for property and casualty coverage has been established. Third-party administrators handle property and casualty claims review and processing. Deductibles and self-insured retentions for building and contents are $5,000 per occurrence; $100,000 for claims involving flood and earthquake; $50,000 for claims involving wind/hail damage, automobile liability, general liability, employment practices liability, law enforcement liability, and management liability; and $0 for airport liability. The amount of settlements has not exceeded insurance coverage for the last three fiscal years.

Worker's Compensation Plan

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City has established and maintains a comprehensive self-insurance worker's compensation plan. Third party administrators handle claims review and processing. An insurance company provides excess workers compensation insurance for losses over $450,000 self-insured retention with an aggregate retention of $2,000,000.

Health, Dental, and Life Plans

HEALTH - Employee/Dependents and Non-Medicare Eligible Retirees/Dependents

The City implemented a partially self-insured health plan for employees, their dependents, and retirees/dependents, who are non-Medicare eligible. Non-Medicare Retirees and/or their dependents that have been continuously covered under the City's health plan may elect to continue their coverage at retirement. Active employees pay a portion of current premiums with the City paying the remainder. To reduce long term liabilities, the City elected to eliminate the subsidy for non-Medicare Retiree premiums for those employees hired after January 1, 1997. For those employees hired before January 1, 1997, the same apportionment of premiums continues at retirement. For those employees hired after January 1, 1997, the employee is responsible for the full cost of current premiums.

The city has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of $375,000 per illness. A third-party administrator administers health claims and payments.

Medicare Eligible Retirees/Dependents

Retirees and/or their spouses who become eligible for Medicare and have been continuously covered under the City's health insurance plan may elect to participate in the City's self-funded prescription drug card plan and the Medicare Supplement Insurance Program. The retiree hired before January 1, 1997 pay 40% and their dependent pays 70% of the current premiums. The City pays the remainder. Retirees hired after January 1, 1997 pay the full cost of the prescription card program and Medicare supplement. The insurance provider for the Medicare Supplement Plan processes and pays health claims. A third-party administrator administers prescription claims and payments.

DENTAL - Employees/Retirees

The City offers fully self-funded dental and orthodontic benefits to eligible employees/dependents and retirees/dependents. Employees and retirees hired after January 1, 1997 pay a portion of the premiums and the City pays the remainder. Employees and retirees hired after January 1, 1997 pay the full cost of the current premium. A third-party administrator administers dental claims and payments.

A. Risk management – continued

LIFE INSURANCE - Employees/Retirees

The City provides a $10,000 basic life and AD&D insurance for all full-time active employees. Additionally, the City provides a $5,000 basic life and AD&D insurance policy for eligible retirees. For active employees, supplemental life insurance is available for purchase by the employee without evidence of insurability if purchased during initial election period in the amount of three times their annual salary up to a maximum of $130,000, whichever is less. Additional coverage is available up to $30,000 not to exceed 50% of the employee's covered amount once the employee has purchased a minimum of $40,000 in personal supplemental insurance. Dependent children's coverage is also available for purchase by the employee in the amounts of $5,000 or $10,000 once the employee has purchased $40,000 in personal supplemental insurance.

For employees actively at work, benefit amounts reduce to 65% of original coverage at age 65, 50% of original coverage at age 70, and to 30% of original coverage at age 75 for both personal and spouse life coverage. Supplemental life coverage is eligible for portability. The insurance provider processes and pays life insurance claims.

Other Self-Insurance Plans

In addition, the City meets the self-insurance requirements as promulgated by the Environmental Protection Agency, through the Texas Water Commission, for potential third-party claims.

Estimated liabilities for claims incurred but not reported at year-end have been recorded in the Self-Insurance Funds and a reconciliation of changes in claims liabilities is included in the note on contingent liabilities.

B. Contingent liabilities

Amounts received or receivable from grantor 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 which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and collective legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City. City management and the collective legal counsel have determined the estimated liability for outstanding lawsuit contingencies at September 30, 2020, was $100,000. See Note 4G for a reconciliation of changes in claims and judgments.

The City's self-insurance program is described in Note 5A. The following is a reconciliation of the changes in the estimated liabilities for claims payable within 90 days for the years ended September 30, 2020 and 2019:

Fund	Insurance Claims Payable At Beginning of Year	Current Year Claims and Changes In Estimates	Actual Claim Payments	Insurance Claims Payable At End of Year
Employee Benefits Fund				
FYE 2019	$ 359,617	$ 8,418,592	$ 8,535,334	$ 242,875
FYE 2020	242,875	9,779,016	9,401,754	620,137
Retiree Benefits Fund				
FYE 2019	$ 114,168	$ 1,672,306	$ 1,570,206	$ 216,268
FYE 2020	216,268	1,366,905	1,530,373	52,800

C. Joint Venture

The Northeast Public Health District ("District") was established by a cooperative agreement between the City and Smith County, Texas pursuant to authority granted by the Texas Health & Safety Code for the purpose of providing public health services previously provided by the participating entities. The District is considered a joint venture between the City and County with each retaining an equity interest based upon the percentage each contributed to the budget.

For the year ended September 30, 2020, the City budgeted funding of $200,000 for the District. The City's equity interest in the District at September 30, 2020 is $2,882,199. The Health District's total fund balance at September 30, 2020 was approximately $4.1 million. Financial statements for the Health District may be obtained at the entity's administrative offices.

D. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement death, or an unforeseeable emergency. The plan assets are not part of the City's financial statements because a third-party administrator holds these plan assets in trust.

The fair value and carrying value of deferred compensation plan assets is $26,948,098 for September 30, 2020.

E. Pension Plans

1. Texas Municipal Retirement System Plan

TMRS Plan Description

The City of Tyler participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code.

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

Firefighters are covered by a separate pension plan (see Note 5 E: 2); therefore, they are not included in the Texas Municipal Retirement System Plan. 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 the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at *www.tmrs.com*.

Benefits Provided

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

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

E. Pension Plans - continued

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

	Plan Year 2019	Plan Year 2018
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Year required for vesting	5	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2019	12/31/2018
Inactive employees or beneficiaries currently receiving benefits	584	573
Inactive emplyees entitled to but not yet receiving benefits	300	301
Active employees	684	665
	1,568	1,539

Contributions

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

Employees for the City of Tyler were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Tyler were 21.12% and 21.23% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were $7,930,591, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:
The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

- Inflation at 2.50% per year
- Overall payroll growth between 3.50% to 11.50%, including inflation.
- Investment Rate of Return at 6.75%, net of pension plan investment expense, including inflation.

E. Pension Plans - continued

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with both male and female rates multiplied by 107.5% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	8.75%
Core Fixed Income	10.00%	4.34%
Non-Core Fixed Income	20.00%	6.13%
Real Return	10.00%	6.38%
Real Estate	10.00%	9.92%
Absolute Return	10.00%	6.45%
Private Equity	5.00%	23.25%
Total	100.00%	

Discount Rate

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

E. Pension Plans - continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2018	$ 250,622,298	$ 186,770,685	$ 63,851,613
Changes for the year:			
Service cost	5,888,461	-	5,888,461
Interest	16,704,156	-	16,704,156
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,141,178)	-	(1,141,178)
Changes of assumptions	347,014	-	347,014
Contributions - employer	-	7,579,707	(7,579,707)
Contributions - employee	-	2,539,876	(2,539,876)
Net investment income	-	28,874,055	(28,874,055)
Benefit payments, including refunds of employee contributions	(12,195,107)	(12,195,107)	-
Administrative expense	-	(163,154)	163,154
Other changes	-	(4,901)	4,901
Net changes	9,603,346	26,630,476	(17,027,130)
Balance at 12/31/2019	$ 260,225,644	$ 213,401,161	$ 46,824,483

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 82,978,402	$ 46,824,483	$ 17,101,437

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com*.

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

For the year ended September 30, 2020, the City recognized pension expense of $7,088,288.

At September 30, 2020, the City reported deferred outflows of resource and deferred inflows of resources related to pensions from the following sources:

E. Pension Plans - continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 825,935
Changes in actuarial assumptions	251,154	-
Difference between projected and actual investment earnings	-	13,013,627
Contributions subsequent to the measurement date	6,127,199	-
Total	$ 6,378,353	$ 13,839,562

$6,127,199 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2020	$ (2,622,235)
2021	(2,481,135)
2022	395,370
2023	(3,253,406)
2024	-
Thereafter	-
	$ (7,961,406)

2. Tyler Firefighter's Relief and Retirement Fund

Plan Description

The City contributes to the retirement plan for firefighters in the Tyler Fire Department known as the Tyler Firefighters' Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Tyler Firefighters' Relief and Retirement Fund. The City does not have access to, nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Tyler Firefighters' Relief and Retirement Fund at 1718 West Houston, Tyler, Texas 75702.

The Tyler Firefighter's Relief and Retirement Fund is considered part of the City's financial reporting entity and is included in the City's financial reports as a Pension Trust Fund.

Benefits Provided

Firefighters in the Tyler Fire Department are covered by the Tyler Firefighters' Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters become eligible for normal service retirement at age 50 with 25 years of service or at age 55 with 20 years of service. If a terminated firefighter has a vested benefit but is not eligible for normal retirement, he may elect an actuarially equivalent early retirement benefit or he may wait to retire starting on the date he would have first satisfied both age and service requirements for normal retirement if he had remained a Tyler firefighter. The present plan effective July 1, 2011 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity (except those who had 20 or more years of service as of January 1, 2005 have a normal form of a Joint and 100% to Spouse form), equal to 71.5% of Highest 60-Month Average Salary plus $113 for each year of service in excess of 20. A $1,000 minimum monthly benefit was added in 2018.

E. Pension Plans – continued

A retiring firefighter eligible for normal service retirement with certain minimum combinations of years of service and age has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 60-Month Average Salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date he meets the RETRO DROP eligibility requirements and the date preceding the date he retires by the maximum lump sum accumulation period (36 or 60 months, depending upon age and service). Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

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

Members Covered by the Fund

In the December 31, 2019 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	114
Inactive employees entitled to but not yet receiving benefits	-
Active employees	159
	273

Contribution Policy

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

The contribution policy of the Tyler Firefighters' Relief and Retirement Fund requires contributions equal to 13.5% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The city currently contributes according to an agreement between the city and the Fund's board of trustees. The city's contribution rate to the Fund is the same percentage of payroll that the city contributes to the Texas Municipal Retirement System for other employees each calendar year. The actual city contribution rate was 20.92% in 2018 and 21.12% in 2019. In late 2020, the city agreed in principle to a new contribution policy which will gradually phase in from a 21.23% contribution rate in 2020 to the ultimate rate of 23% beginning in 2025. The December 31, 2019 actuarial valuation includes the assumption that the city contribution rate will be according to this new policy and continue to be the ultimate 23% over the remainder of the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the contribution policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant. For the year ending December 31, 2019, the money-weighted rate of return on pension plan investments was 19.08%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

E. Pension Plans - continued

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

Net Pension Liability

The City of Tyler's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2019.

Total pension liability	$ 101,976,879
Plan fiduciary net position	74,572,570
City's net pension liability	$ 27,404,309
Plan fiduciary net position as a percentage of the total pension liability	73.1%

Actuarial Method and Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.0%, plus promotion, step and longevity increases that vary by service
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables for employees and retirees (sex distinct), projected generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building- block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.28%) and by adding expected inflation (3.0%). In addition, the final 7.25% assumption was selected by rounding down. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

E. Pension Plans - continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities		
Large cap domestic	29.00%	5.80%
Mid cap domestic	9.00%	5.90%
Small cap domestic	6.00%	5.97%
International developed	7.00%	6.50%
International developing	5.00%	7.25%
Alternatives		
Real estate	5.00%	3.80%
Commodities	5.50%	1.10%
Fixed income		
Domestic core	19.30%	1.85%
Domestic high yield	4.00%	2.73%
Domestic bank loan	3.70%	2.24%
Global	5.00%	1.66%
Cash	1.50%	0.25%
Total	100.00%	
Weighted Average		4.28%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. No projection of cash flows was used to determine the discount rate because the December 31, 2019 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 29 years. Because of the 29-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.25% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

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

The following presents the net pension liability of the City of Tyler, calculated using the discount rate of 7.25%, compared to what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
City's net pension liability	$ 39,182,440	$ 27,404,309	$ 17,493,565

Plan Fiduciary Net Position

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

E. Pension Plans - continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2018	$ 95,698,629	$ 64,599,095	$ 31,099,534
Changes for the year:			
Service cost	2,382,032	-	2,382,032
Interest	7,121,777	-	7,121,777
Difference between expected and actual experience	(1,839,950)	-	(1,839,950)
Contributions by the City	-	2,511,677	(2,511,677)
Firefighter contributions	-	1,605,481	(1,605,481)
Net investment income	-	12,119,485	(12,119,485)
Benefit payments	(6,247,265)	(6,247,265)	-
Administrative expenses	-	(15,903)	15,903
Assumption changes	4,861,656	-	4,861,656
Other changes	-	-	-
Net changes	6,278,250	9,973,475	(3,695,225)
Balance at 12/31/2019	$ 101,976,879	$ 74,572,570	$ 27,404,309

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

For the year ended September 30, 2020, the city's GASB 68 pension expense was $4,621,809. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

Components of Pension Expense for the Fiscal Year Ended September 30, 2019

Components of Pension Expense	
Service cost	$ 2,382,032
Interest	7,121,777
Firefighter contributions	(1,605,481)
Projected earnings on pension plan investments	(4,764,457)
Amortization of differences between projected and actual earnings on plan investments	977,240
Amortization of changes of assumptions	807,851
Amortization of differences between expected and actual experience	(313,056)
Pension plan administrative expenses	15,903
Changes in benefit provisions	-
Total pension expense	$ 4,621,809

E. Pension Plans - continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 2,037,776
Changes in actuarial assumptions	5,417,262	-
Difference between projected and actual investment earnings	81,735	2,303,369
Contributions subsequent to the measurement date	1,982,075	-
Total	$ 7,481,072	$ 4,341,145

$1,982,075 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	
2021	$ (92,158)
2022	28,037
2023	981,736
2024	(1,034,155)
2025	376,540
Thereafter	897,852
Total	$ 1,157,852

F. Post-Employment Benefits Other Than Pensions

1. <u>Health Plan</u>

Plan Description

In addition to the pension benefits previously described, the City makes available health care benefits to eligible employees, and their spouses and children, who retire from the City and who are receiving benefits from a City sponsored retirement program (Texas Municipal Retirement System or Tyler Firefighters' Relief and Retirement Fund) through a single employer defined benefit healthcare plan.

The plan does not issue a stand-alone report.

Benefits Provided

In addition to providing pension benefits, the City may provide group medical, dental, life and other benefits to eligible employees and their dependents. Detailed and summary information concerning eligibility, coverage and costs will be provided annually by Finance Department and any outside service or insurance providers. The nature and extent of such benefits are subject to change without prior notice.

Employees who are working for City at the time of their retirement are eligible to continue to participate in City group health, dental, and life insurance plan. If such retiree's dependents were enrolled for coverage at the time of the retiree's retirement, then retiree may continue to have retiree's dependents covered.

F. Post-Employment Benefits Other Than Pensions – continued

Retirees who elect to remain in the insurance plan must continue to pay their portion of premiums and abide by the other conditions of the plan to have coverage. A retiree seeking continued coverage must inform Finance Department no later than the date of retirement that the person elects to continue coverage for the retiree and/or dependents. Employees hired after January 1, 1997 must pay full cost of premiums to continue coverage upon retirement. City may substitute Medicare supplement health benefits coverage as the coverage provided for a retiree who receives health benefits coverage under this policy, including a dependent, after the date that the retiree becomes eligible for Federal Medicare benefits. The City may refuse health benefits coverage to a retiree and/or the retiree's dependent covered under this policy if the retiree and/or retiree's dependent is eligible for group health benefits coverage through another employer; or if premiums are not paid; or if they do not provide required certificate of insurance from insurance company. Non-Medicare Retirees, Medicare Retirees, and their dependents, who elect to opt out of the health and/or dental plan(s), may do so by submitting a written notice to Finance Department. This written notice must include which plan(s) (health, dental and/or both) and the effective date (first day no longer covered). Retirees terminated for non-payment or who opted out and had not served 20 years with the City of Tyler will not be eligible to opt back into the health and/or dental plan(s) at a later date.

Retirees terminated due to alternative coverage may be able to opt back into the City's coverage if the retiree:

1. No longer qualifies for coverage,
2. Served 20 years with the City of Tyler, and
3. Had selected the coverage at the time of retirement.

Only the coverage selected at the time of retirement will be considered for the 20-year opt-in provision.

Additionally, the City provides eligible retirees with $5,000 in basic life insurance coverage at no cost to the retirees.

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	486
Inactive emplyees entitled to but not yet receiving benefits	-
Active employees	823
	1,309

Contributions

City contributions consists of monthly premium contributions to the Public Agency Retirement Services (PARS) Post-Retirement Health Funding Plan Trust, which is a multi-employer irrevocable trust that has a private letter ruling confirming it is in full compliance with the requirements of Section 115 of the Internal Revenue Code.

Medicare eligible retirees are provided a Medicare insurance supplement program. For retirees hired before January 1, 1997, the City contributions are fixed at the 2013 subsidy level for age-band as of December 31, 2019. For retirees hired on and after January 1, 1997, there is no City contribution. See the table below for the monthly rates for employees:

			Vision Plan	
	Medical Plan	Dental Plan	Gold 100	Gold 150
Employee only	$ 60.83	$ 9.82	$ 5.50	$ 6.15
Employee + Spouse	320.56	36.10	9.30	10.50
Employee + Child(ren)	249.08	34.96	9.90	11.15
Employee + Family	434.35	54.34	14.80	16.70

F. Post-Employment Benefits Other Than Pensions – continued

Consistent with the requirements of GASB Statement No. 74, the employer contributions include amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets.

Net OPEB Liability

The City's Net OPEB Liability was measured as of December 31, 2019, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:
The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	TMRS: 3.50% to 11.50%, including inflation FIRE: 3.50% to 9.71%, including inflation
Healthcare cost trend rates	Initial rates of 7.00% declining to ultimate rates of 4.15% after 15 years

Salary increases were based on a service-related table obtained from either TMRS or TFDRRF. Per TMRS, mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females.

In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements and are applied before the 3.5% and 3% minimum mortality floors are applied. Per TFDRRF, mortality rates for active members, retirees, and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected to 2024 using Scale AA for males and females.

The demographic assumptions for TMRS members are based on the assumptions that were developed for the defined benefit plan in which the City participates. The assumptions are based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement Plan (TMRS). The assumptions for firefighters are based on the pension valuation report provided by the City as of December 31, 2017.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 6.50%. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.50%; the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 6.50%.

The City is expected to consistently fund the actuarially determined employer contribution, which uses a closed amortization period. As a result, the plan's fiduciary net position is expected to be sufficient to pay all future benefits.

F. Post-Employment Benefits Other Than Pensions - continued

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances as of December 31, 2018	$ 36,562,163	$ 10,824,428	$ 25,737,735
Changes for the year:			
Service cost	660,205	-	660,205
Interest on the total OPEB liability	2,329,351	-	2,329,351
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(9,134,915)	-	(9,134,915)
Changes in assumptions	(477,666)	-	(477,666)
Employer contributions	-	3,188,005	(3,188,005)
Net investment income	-	2,019,451	(2,019,451)
Benefit payments	(2,112,205)	(2,112,205)	-
Administrative expenses	-	(37,313)	37,313
Other	-	-	-
Net Changes	(8,735,230)	3,057,938	(11,793,168)
Balances as of December 31, 2019	$ 27,826,933	$ 13,882,366	$ 13,944,567

Sensitivity Analysis

The following presents the Net OPEB Liability of the City, calculated using the discount rate of 6.50%, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease in Discount Rate (5.50%)	Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Net OPEB Liability	$ 16,094,533	$ 13,944,567	$ 12,003,834

The following presents the Net OPEB Liability of the City, calculated using the assumed trend rates (6.50% declining to the ultimate rate of 4.25% after 15 years), as well as what the City's Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower (5.50% declining to the ultimate rate of 3.25% after 15 years) or 1-percentage-point higher (7.50% declining to the ultimate rate of 5.25% after 15 years) than the current rate:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	$ 12,107,165	$ 13,944,567	$ 16,037,980

OPEB Expense

For the year ended September 30, 2020, the City recognized OPEB expense of $456,171.

F. Post-Employment Benefits Other Than Pensions - continued

Components of OPEB Expense		
Service cost	$	660,205
Interest on total OPEB liability		2,329,351
Current-period benefit changes		-
Employee contributions		-
Projected earnings on OPEB plan investments		(737,339)
OPEB plan administrative expenses		37,313
Other changes in plan fiduciary net position		-
Recognition of current year outflow/(inflow) due to liabilities		(1,606,488)
Recognition of current year outflow/(inflow) due to assets		(256,422)
Amortization of prior year outflow/(inflow) due to liabilities		(118,208)
Amortization of prior year outflow/(inflow) due to assets		147,759
Total OPEB expense	$	456,171

Deferred Outflows of Resources and Deferred Inflows of Resources to be Recognized in OPEB expense in Future Years

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	-	$	8,107,899
Changes in actuarial assumptions		-		397,837
Difference between projected and actual investment earnings		-		479,938
Contributions subsequent to the measurement date		(897,432)		-
Total	$	(897,432)	$	8,985,674

The City had $(897,432) reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction/(addition) of the total OPEB liability for the year ending September 30, 2020. The employer contributions include trust contributions of $3,414,159 plus the benefit payments paid by the City of $2,112,205 minus the trust reimbursements of $2,338,359. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31		
2020	$	(1,833,359)
2021		(1,833,358)
2022		(1,730,885)
2023		(1,981,120)
2024		(1,606,952)
Thereafter		-
	$	(8,985,674)

F. Post-Employment Benefits Other Than Pensions - continued

2. Supplemental Death Benefits Plan

Plan Description

The City also participates in a single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). Like the Defined Benefit Pension Plan, the OPEB Plan is under the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

Benefits Provided

Payments from this fund are similar to group term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of $7,500.

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2019	12/31/2018
Inactive employees currently receiving benefits	461	451
Inactive emplyees entitled to but not yet receiving benefits	70	72
Active employees	684	665
	1,215	1,188

Contributions

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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 life insurance during employee's entire careers.

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

F. Post-Employment Benefits Other Than Pensions - continued

For calendar year 2019, the total SDB contributions rate for the City was 0.23%, while the retiree portion of the SDB contribution was 0.08%. The City's contributions for the year ended September 30, 2020, were $30,259 for the retiree portion, and $86,995 for the total SDB rate. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.50% to 11.50% including inflation
Discount rate *	2.75%
Retiree's share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generaional basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a three year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The actuarial cost method being used is known as the Entry Age Normal Method. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation through their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

F. Post-Employment Benefits Other Than Pensions - continued

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/2018	$ 2,547,997
Changes for the year:	
Service cost	79,819
Interest	95,473
Change of benefit terms	-
Difference between expected and actual experience	(111,448)
Changes of assumptions or other inputs	451,855
Benefit payments	(29,025)
Net changes	486,674
Balance at 12/31/2019	$ 3,034,671

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, would be if it were calculated using a discount rate that is 1-percentage-point lowers (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ 3,621,782	$ 3,034,671	$ 2,571,388

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of $246,684.

Components of OPEB Expense	
Service cost	$ 79,819
Interest on total OPEB liability	95,473
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(29,444)
Changes in assumptions or other inputs	100,836
Total OPEB expense	$ 246,684

F. Post-Employment Benefits Other Than Pensions - continued

Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in OPEB Expense in Future Years

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ (103,934)	$ -
Changes in actuarial assumptions	-	329,208
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	23,353	-
Total	$ (80,581)	$ 329,208

The City had $23,353 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	
2020	$ 71,392
2021	65,912
2022	37,887
2023	50,083
2024	-
Thereafter	-
	$ 225,274

G. Commitments

Effective April 10, 2017, the City entered into a ten-year agreement, known as a consent decree, with the U.S. Environmental Protection Agency ("EPA") to make wastewater collection system upgrades and to enhance the City's existing programs for inspections, maintenance, and cleaning of the wastewater system. The City is required to submit periodic reports to the EPA and Texas Commission on Environmental Quality to ensure that compliance with the terms of the consent decree is maintained. The City is in compliance with the terms of the consent decree at September 30, 2020.

The City invested in other projects and contracts with outside parties. The more significant of these at September 30, 2020, are as follows:

<u>Greenwood Landfill TX, L.P.</u> – The City established a trust fund in January 2001 to ensure the eventual closure and post-closure expenditure requirements. The trust fund will be 100% funded by Greenwood Landfill TX, L.P. (Greenwood). The initial agreement was that Greenwood would fund the trust at the annual rate of $400,000 per year for 5 years. In January 2005, the agreement was amended to reduce the annual funding rate to $36,000 per year beginning October 1, 2004 to allow Greenwood to actively pursue authorization to expand the Landfill from the appropriate regulatory agencies. The funding will be re-evaluated periodically to determine future needs. The trust is set up as an expendable trust with expenditures restricted to closure and post-closure costs. Liability for closure and post-closure costs are the responsibility of Greenwood and will be calculated annually under requirements established by the Texas Commission on Environmental Quality.

G. Commitments - continued

Water Sales Contracts – The City has an agreement with surrounding cities and water supply corporations to provide a supplemental source of water. The amount to be provided is estimated to be 50% of the annual supply. The parties have established a minimum annual and monthly take or pay volume and a surcharge to water taken above maximum day volume.

Reinvestment Zone agreement – The City has an agreement in which the City will reimburse Tyler Economic Development Council (TEDC) for the construction of Bennett Avenue, a public roadway in the City of Tyler Reinvestment Zone No. 1 (ZONE). After receiving the City's payments, TEDC will match the amount and contribute it to the ZONE for the purpose of paying for site work and construction costs for the addition to the Tyler Junior College Skills Training Center. The agreement provides that the City make contributions during each of the fiscal years in the amount of $275,000.

H. Landfill Closure and Post-closure Costs

Greenwood Landfill – The City has contracted with a private enterprise to operate the Greenwood Landfill. The private enterprise bears the full financial responsibility of operating the landfill including all closure and post-closure costs. The operator is funding a landfill trust, which is administered by the City of Tyler and established for the future closure and post-closure costs of the Greenwood Landfill.

I. COVID-19

The outbreak of the coronavirus disease ("COVID-19") was declared a pandemic by the World Health Organization. Additionally, the Governor declared a state of disaster for the State of Texas on March 13, 2020. On global, national, state, and local levels, economic disruptions have occurred due to the pandemic.

The COVID-19 pandemic and economic disruptions resulting from measures to contain spread have resulted in reductions in actual and projected revenues is certain areas including sales tax collections and rents resulting from the use of congregating spaces, such as Harvey Convention Center. The reductions have been offset by increases in other certain revenue areas and additional government assistance. While the ultimate impact of the COVID-19 pandemic on the amount and timing of collections of City revenues cannot be determined with certainty, the net effect of the pandemic on the City's position as of September 30, 2020 is not considered to be significant.

As of September 30, 2020, The City had received and expended approximately $5.9 million in funding from the Coronavirus Relief Fund and $2.5 million in CARES Act funding for Airport, Transit, and Housing. These funds were primarily expended, as allowed, to pay the salaries and benefits of first responders employed by the City.

The City also adopted the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in consideration of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This pronouncement did not impact the preparation of these financial statements.

J. Subsequent Events

Subsequent events were evaluated through March 10, 2021, the date on which the financial statements were available to be issued.

APPENDIX C

FORM OF BOND COUNSEL’S OPINION

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[*closing date*]

Norton Rose Fulbright US LLP
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IN REGARD to the authorization and issuance of the "City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2022," dated January 15, 2022, in the principal amount of $41,360,000 (the "Bonds"), we have examined into their issuance by the City of Tyler, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on September 1 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and, together with the outstanding and unpaid "Previously Issued Bonds" (identified and defined in the Ordinance), are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues (as defined in the Ordinance) of the City's combined water and sewer system, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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FINANCIAL ADVISORY SERVICES