

## OFFICIAL STATEMENT

January 17, 2023

*In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Bonds and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)*

\$41,575,000

CITY OF KYLE, TEXAS

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

GENERAL OBLIGATION BONDS, SERIES 2023

Dated Date: February 1, 2023

Due: August 15, as shown on page 2

The \$41,575,000 City of Kyle, Texas General Obligation Bonds, Series 2023 (the "Bonds") are being issued by the City of Kyle, Texas (the "Issuer" or the "City") in accordance with the Constitution and the general laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, the City's Home Rule Charter, bond elections held on November 3, 2020 and November 8, 2022, and an ordinance (the "Ordinance") adopted by the City Council on January 17, 2023. (See "THE BONDS – Authority for Issuance" herein.)

The Bonds are direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS – Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Bonds will accrue from February 1, 2023 (the "Dated Date") will be payable on February 15 and August 15 of each year, commencing February 15, 2024 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by Wilmington Trust, N.A., Dallas, Texas, as initial Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purposes of: (1) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith, and installing related public art, (2) planning, designing, constructing, improving and equipping of, and acquisition of real property for parks in the City, and (3) paying costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM") (See "BOND INSURANCE" herein).

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SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS,  
INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

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*The Bonds are offered for delivery, when, as and if issued and received by the initial purchasers named below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel Orrick, Herrington & Sutcliffe LLP, Austin, Texas. (See "LEGAL MATTERS – Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.) It is expected that the Bonds will be available for delivery through DTC on or about February 15, 2023.*

RBC Capital Markets

Piper Sandler &amp; Co.

Frost Bank

**\$41,575,000**  
**CITY OF KYLE, TEXAS**  
**(A political subdivision of the State of Texas located in Hays County)**  
**GENERAL OBLIGATION BONDS, SERIES 2023**

**STATED MATURITY SCHEDULE**

**CUSIP No. Prefix <sup>(1)</sup> 501552**

<b>Stated</b>				<b>CUSIP</b>	<b>Stated</b>				<b>CUSIP</b>
<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>No.</b>	<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>No.</b>
<b><u>8/15</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Suffix</u> <sup>(1)</sup></b>	<b><u>8/15</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Suffix</u> <sup>(1)</sup></b>
2024	\$ 1,400,000	5.000%	2.490%	ND1	2034	\$ 2,040,000	5.000%	2.720% <sup>(2)</sup>	NP4
2025	1,315,000	5.000%	2.380%	NE9	2035	2,145,000	5.000%	2.880% <sup>(2)</sup>	NQ2
2026	1,380,000	5.000%	2.360%	NF6	2036	2,250,000	5.000%	3.080% <sup>(2)</sup>	NR0
2027	1,450,000	5.000%	2.350%	NG4	2037	2,360,000	5.000%	3.150% <sup>(2)</sup>	NS8
2028	1,525,000	5.000%	2.350%	NH2	2038	2,480,000	5.000%	3.230% <sup>(2)</sup>	NT6
2029	1,600,000	5.000%	2.400%	NJ8	2039	2,605,000	5.000%	3.330% <sup>(2)</sup>	NU3
2030	1,680,000	5.000%	2.430%	NK5	2040	2,735,000	5.000%	3.380% <sup>(2)</sup>	NV1
2031	1,765,000	5.000%	2.450%	NL3	2041	2,870,000	5.000%	3.420% <sup>(2)</sup>	NW9
2032	1,850,000	5.000%	2.510%	NM1	2042	3,015,000	5.000%	3.450% <sup>(2)</sup>	NX7
2033	1,945,000	5.000%	2.580% <sup>(2)</sup>	NN9	2043	3,165,000	5.000%	3.480% <sup>(2)</sup>	NY5

(Interest to accrue from the Dated Date)

The Bonds maturing on or after August 15, 2033 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. (See "THE BONDS - Redemption Provisions " herein.)

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix E - Specimen Municipal Bond Insurance Policy".

<sup>(1)</sup> CUSIP numbers are include solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by FactSet Research Systems Inc. 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. None of the City, the Financial Advisor, or the Underwriters is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> Yield calculated is based on the assumption that the Bonds denoted and sold at premium will be redeemed on August 15, 2032, the first optional call date for the Bonds, at a redemption of par plus accrued interest to the date of redemption.

**CITY OF KYLE TEXAS**  
**100 West Center Street**  
**Kyle, Texas 78640**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Years Served</u>	<u>Term Expires (November)</u>
Travis Mitchell, Mayor	6	2023
Bear Heiser, Councilmember, District 1	newly elected	2024
Yvonne Flores-Cale, Councilmember, District 2	2	2023
Dr. Miguel Zuniga, Councilmember, District 3	1	2024
Ashlee Bradshaw, Councilmember, District 4	2	2023
Daniela Parsley, Councilmember, District 5	1	2024
Michael Tobias, Councilmember, District 6	2	2024

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Length of Service (Years)</u>
Vacant	City Manager <sup>(1)</sup>	
Jerry Hendrix	Interim City Manager	15
Amber Lewis	Assistant City Manager	1
Perwez Moheet, CPA	Director of Finance	11
Jennifer Kirkland	City Secretary	7
Paige Saenz	City Attorney	4

<sup>(1)</sup> The City has retained the services of a national executive recruitment firm, Affion, to conduct search for a City Manager. The City expects to finalize the selection by February of 2023.

**CONSULTANTS AND ADVISORS**

<b>Bond Counsel</b> .....	Norton Rose Fulbright US LLP Austin, Texas
<b>Certified Public Accountants</b> .....	RSM US LLP Austin, Texas
<b>Financial Advisor</b> .....	SAMCO Capital Markets, Inc. San Antonio, Texas
<b>City Attorney</b> .....	The Knight Law Firm, LLP Austin, Texas

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**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

No dealer, broker, salesman, or other person has been authorized to give any 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 as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

The Financial Advisor has provided the following sentence for inclusion of this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer 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.

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

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 JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER'S MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the City, the Financial Advisors or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding either The Depository Trust Company ("DTC") or its Book-Entry-Only System as such information is provided by DTC or the bond insurer of its municipal bond insurance policy.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement or any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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## SELECTED DATA FROM THE OFFICIAL STATEMENT

*The selected data 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 page from this Official Statement or to otherwise use it without the entire Official Statement.*

<b>The Issuer</b>	The City of Kyle, Texas (the "Issuer" or the "City"), is located between the cities of Austin, Texas and San Marcos, Texas, on Interstate 35. The corporate limits are fully in Hays County and total approximately 31 square miles. The City is a political subdivision operating as a home-rule city under the laws of the State of Texas and the City's home-rule charter (the "Charter"), originally approved by the voters in 2000 and as amended in 2006, 2016, and 2018. The City operates under the Council/Manager form of government in which the Mayor and six councilmembers are elected for staggered three-year terms. The City Manager, appointed by the Mayor and the six-member elected City Council (the "City Council"), is the chief administrative officer of the City. (See "APPENDIX B –General Information Regarding the City of Kyle, Texas and Hays County, Texas" herein.)
<b>The Bonds</b>	The \$41,575,000 City of Kyle, Texas General Obligation Bonds, Series 2023 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, bond elections held in the City on November 3, 2020 and November 8, 2022, the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted by the City Council on January 17, 2023.
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Bonds is Wilmington Trust, N.A., Dallas, Texas.
<b>Security for the Bonds</b>	The Bonds constitute direct and general obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
<b>Redemption Provisions</b>	The Bonds maturing on or after August 15, 2033 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to the matters described under "Tax Matters" herein. (See "Tax MATTERS" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.)
<b>Use of Bond Proceeds</b>	Proceeds from the sale of the Bonds will be used for the purposes of (1) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, landscape, signage, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith, and installing related public art, (2) planning, designing, constructing, improving and equipping of, and acquisition of real property for parks in the City, and (3) paying costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)
<b>Rating</b>	The Bonds are rated "AA" (stable outlook) by S&P Global Ratings, a division of S&P Global ("S&P"), by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp ("AGM"). S&P has assigned an underlying, unenhanced rating of "AA-" to the Bonds without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P (See "OTHER PERTINENT INFORMATION - Rating" herein.)
<b>Bond Insurance</b>	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by AGM. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
<b>Book-Entry-Only System</b>	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
<b>Payment Record</b>	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
<b>Future Debt Issues</b>	The City anticipates the issuance of additional obligations, secured by revenue generated by Tax Increment Reinvestment Zone Number Two, City of Kyle, Texas, within the next twelve months. In addition, the City may issue a second series of general obligation bonds during the 2023 Fiscal Year.
<b>Delivery</b>	When issued, anticipated to occur on or about February 15, 2023.
<b>Legality</b>	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel.

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**OFFICIAL STATEMENT**

**Relating to**

**\$41,575,000**

**CITY OF KYLE, TEXAS**

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

**GENERAL OBLIGATION BONDS, SERIES 2023**

**INTRODUCTORY STATEMENT**

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the City of Kyle, Texas (the “City” or “Issuer”) of its \$41,575,000 General Obligation Bonds, Series 2023 (the “Bonds”) identified on page 2 hereof.

The Issuer is a political subdivision of the State of Texas and a home-rule municipal corporation organized and existing under the laws of the State of Texas. The Bonds are being issued by the Issuer, Texas in accordance with the Constitution and laws of the State of Texas (the “State”), including Chapters 1251 and 1331, as amended, Texas Government Code, the City’s Home Rule Charter, bond elections held on November 3, 2020 and November 8, 2022, and an ordinance (the “Ordinance”) adopted by the City Council on January 17, 2023.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

**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. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. The City has not experienced any decrease in property values or unusual tax delinquencies as a result of COVID-19; however, the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions. For a depiction of the impact of COVID-19 on the City’s financial condition and budget, see “APPENDIX A – Financial Information – City of Kyle, Texas”.

**THE BONDS**

**General Description**

The Bonds are dated February 1, 2023 (the “Dated Date”), will be issued in denominations of \$5,000 principal or any integral multiple thereof within a stated maturity, and will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. Interest on the Bonds will accrue from the Dated Date, with such interest payable on February 15 and August 15 of each year, commencing February 15, 2024, until stated maturity or prior redemption. Principal and interest on the Bonds are payable in the manner described herein under “BOOK-ENTRY-ONLY SYSTEM.” In the event the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by Wilmington Trust, N.A., Dallas, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein) by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at Stated Maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Bonds will be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

**Authority for Issuance**

The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, bond elections held on November 3, 2020 and November 8, 2022, the City’s Home Rule Charter and the Ordinance.

**Security for Payment**

The Bonds are direct obligations payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See “AD VALOREM PROPERTY TAXATION” herein.)

**Redemption Provisions**

The Issuer reserves the right to redeem Bonds stated to mature August 15, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on August 15, 2032 or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed will be selected by lot or by other customary random method by the Paying Agent/Registrar.

**Selection of Bonds for Redemption**

If less than all of the Bonds are to be redeemed, the City shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

**Notice of Redemption**

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate, and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than \$5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)



**Sources and Uses**

<u>Sources of Funds</u>	<u>The Bonds</u>
Par Amount	\$ 41,575,000.00
Accrued Interest	80,840.28
Reoffering Premium	<u>5,960,458.45</u>
<b>Total Sources of Funds</b>	<b>\$ <u>47,616,298.73</u></b>
<u>Uses of Funds</u>	
Deposit to Project Fund	\$ 47,000,000.00
Interest & Sinking Fund	83,767.48
Costs of Issuance	225,000.00
Underwriters' Discount (including bond insurance premium, if any)	<u>307,531.25</u>
<b>Total Uses of Funds</b>	<b>\$ <u>47,616,298.73</u></b>

**Payment Record**

The City has never defaulted on the payment of its ad valorem tax-backed indebtedness.

**Legality**

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas ("Bond Counsel"). The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

**Defeasance**

The Ordinance provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities 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. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (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 the purchase thereof, 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 on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance

securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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 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, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, 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.

### **Amendments**

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, 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 Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of 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 amendment, addition, or waiver.

### **Default and Remedies**

If the City defaults in the payment of principal, interest, or redemption price 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 Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and 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 bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court (the "Court") 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.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016), ("*Wasson*") the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* 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 at the time of conception of the contractual relationship.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The 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 or general principles of equity which permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is Wilmington Trust, N.A., Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or earlier redemption upon presentation to 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 Paying Agent/ Registrar is located are authorized to close, 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**

The record date ("Record Date") for determining the person entitled to the receipt of the interest payable on a Bond on any interest payment date means the last business 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 will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

### **Special Record Date for Interest Payment**

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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "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.

### **Future Registration**

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by

other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer 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 denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

#### **Limitation on Transfer of Bonds**

Neither the City nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business of any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

#### **Replacement Bonds**

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

### **BOND INSURANCE**

#### **BOND INSURANCE POLICY**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

#### **ASSURED GUARANTY MUNICIPAL CORP.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

#### *Capitalization of AGM*

At September 30, 2022:

- The policyholders' surplus of AGM was approximately \$2,660 million.
- The contingency reserve of AGM was approximately \$915 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,102 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 2022);  
and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (filed by AGL with the SEC on November 8, 2022).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

#### **BOND INSURANCE GENERAL RISKS**

##### **General**

The City has obtained a commitment from the Insurer to provide the Policy relating to the Bonds. The following are risk factors relating to the bond insurance. In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable from the ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City as further described under "THE BONDS – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds. If a Policy is acquired, the enhanced long-term rating on the Bonds will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. (See the disclosure described in "OTHER PERTINENT INFORMATION – Ratings" herein.) The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Underwriters, or the City's Financial Advisor have made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

##### **Claims-Paying Ability and Financial Strength of Municipal Bond Insurers**

Moody's Investor Services, Inc., S&P Global Ratings and Fitch Ratings, Inc. (the "Rating Agencies") have, in recent years, downgraded and/or placed on negative watch the claims-paying and financial strength of many providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the investment

#### **BOOK-ENTRY-ONLY SYSTEM**

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company, New York, New York ("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, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor, and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any 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 applicable series of Bonds), or any 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 United States Securities and Exchange Commission (the "SEC"), 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 certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest 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 certificated securities. 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"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://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 Bonds ("Beneficial Owner") is in turn to be recorded on the 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 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Neither DTC or 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 Issuer 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).

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

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 Issuer or the Paying Agent/Registrar, on the 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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 the Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Underwriters believe to be reliable, but the Issuer, the Financial Advisors and the Underwriters take 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.

## **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the 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 "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration".

## **INVESTMENT POLICIES**

The Issuer invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the Issuer. State law and the Issuer's investment policies are summarized below. For a complete description of the authorized investments consult the Public Funds Investment Act. Both State law and the Issuer's investment policies are subject to change.

### **Legal Investment**

Under Texas law and subject to certain limitations, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The Issuer may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the Issuer may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the Issuer may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the Issuer is not required to liquidate the investment unless it no longer carries a required rating, in which case the Issuer is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

### **Investment Policies**

Under State law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the Issuer's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared



and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) the investment strategy expressed in the Issuer's investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

The City's current investments are stated in Table 9 of "APPENDIX A- FINANCIAL INFORMATION OF THE CITY OF KYLE, TEXAS," attached hereto.

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## **AD VALOREM PROPERTY TAXATION**

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

### **Valuation of Taxable Property**

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The Hays Central Appraisal District (the "Appraisal District") is responsible for appraising property within the City generally as of January 1 of each year. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

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

### **State Mandated Homestead Exemptions**

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

### **Local Option Homestead Exemptions**

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

### **Local Option Freeze for the Elderly and Disabled**

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether

to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

### **Personal Property**

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

### **Freeport and Goods-In-Transit Exemptions**

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

### **Other Exempt Property**

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

### **Tax Increment Reinvestment Zones**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

### **Tax Abatement Agreements**

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. For a discussion of how the various exemptions described above are applied by the City, see “CITY’S APPLICATION OF PROPERTY TAX CODE” herein.

### **City and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

### **City’s Rights in the Event of Tax Delinquencies**

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

### **Public Hearing and Maintenance and Operations Tax Rate Limitations**

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

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

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

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

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

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

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

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

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

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

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

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

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

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

## **Debt Tax Rate Limitations**

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

## **The 88th Legislative Session**

The 88th Texas Legislature will convene on January 10, 2023 and will conclude on May 29, 2023 (“88th Regular Session”). When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor’s direction, each lasting no more than 30 days, and for which the Governor sets the agenda. During the legislative session, the Legislature will consider a general appropriations act and may consider legislation affecting ad valorem taxation procedures affecting cities. The City can make no representations or predictions regarding any actions the Legislature may take during the 88th Texas Legislative Session concerning the substance or the effect of any legislation that may be passed during this session or a future session of the Legislature.

## **CITY’S APPLICATION OF THE PROPERTY TAX CODE**

On June 25, 2022, the City Council approved a general residential homestead exemption of \$40,000 of the appraised value of all residential homesteads. The City Council approved an additional exemption of \$10,000 for citizens who are disabled, citizens who are 65 years of age or older, or for veterans. The exemptions cannot exceed 20% of an individual home’s assessed value.

Disabled veterans receive an exemption in accordance with the disability rating of the veteran, which rating can result in a 100% exemption from all property taxes.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City permits split payments; discounts are not allowed.

The City does not tax Freeport Property

The City does tax Goods-in-Transit.

The City collects the additional one-half-cent sales tax for the reduction of ad valorem taxes (See Table 8 in Appendix A).

The City does not collect the one-half cent sales tax for economic development.

The City has adopted a tax abatement policy.

Pursuant to this policy, the City has entered into 19 agreements pursuant to Chapter 380, as amended, Texas Local Government Code (collectively, the “Chapter 380 Agreements”). To date, the City has disbursed \$10,221,800 of the total \$31,691,262 awarded in development grant funds for the Chapter 380 Agreements. These agreements are funded through the City’s general operating budget. The City may enter into additional Chapter 380 Agreements in the future with business entities existing or to be constructed within the City. Any such Chapter 380 Agreements will provide benefits and impose requirements pursuant to the City’s Chapter 380 Agreement Policy.

The City agreed to create a Tax Increment Reinvestment Zone #1 (“TIRZ #1”), which encompasses approximately 66.33 acres of land (along the eastern frontage road of IH-35 in the northern portion of the City) in order to pay for certain public infrastructure within the zone through the issuance of bonds or use of the tax increment funds. The city created TIRZ #1 effective in 2004. As of July 25, 2022 the taxable assessed value of property in the zone was \$261,385,800. The base increment value of TRIZ #1 upon creation was \$289,420. TIRZ #1 is currently scheduled to terminate on December 31, 2035, unless the City changes the termination date.

The City agreed to create Tax Increment Reinvestment Zone Number Two, City of Kyle, Texas (“TIRZ #2”), which encompasses approximately 1,480 acres of land (located in the western part of the City along FM1626, FM 2770, and Kohlers Crossing) in order to pay for certain public infrastructure within the zone through the issuance of bonds or use of 50% of the tax increment funds. The City created TIRZ #2 on December 18, 2018. As of July 25, 2022, the taxable assessed value of property in the zone was \$513,132,877. The base increment value of TIRZ #2 upon creation was \$121,367,726. The City anticipates the issuance of bonds, secured by revenue generated by TIRZ #2, within the next twelve months. The TIRZ #2 is currently scheduled to terminate on December 31, 2037.

The City agreed to create Tax Increment Reinvestment Zone Number 3, City of Kyle, Texas (“TIRZ #3”), which encompasses 201.37 acres of land (located in the western part of the City generally west of Old Stagecoach Road and FM150) in order to pay for certain public infrastructure within the City through the issuance of bonds or use of 36.74% of the tax increment funds. The City created TIRZ 3# on April 19, 2022. As of July 25, 2022, the taxable assessed value of property in the zone was \$27,250. The base increment value of TIRZ #3 upon creation was \$26,434. The TIRZ #3 is currently scheduled to terminate on December 31, 2062.

The City may create additional TIRZ/TIF Zones in the future with business entities existing or to be constructed within the City. Any such zones will provide benefits and impose requirements in compliance with State and local laws.

## **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 the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), of the owners thereof 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 who are individuals. A form of Bond Counsel’s opinion 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 opinions, Bond Counsel will rely upon the representations and certifications of the City 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 or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the periodic calculation and payment to the United States Treasury of any arbitrage “profits” from the investment of 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.

Except as described above, Bond Counsel will express 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. 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 municipal 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.

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 Changes**

Existing law may change to reduce or eliminate the benefit to Bond holders 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 purchaser of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### **Ancillary Tax Consequences**

Prospective purchaser 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, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, 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 (“FASIT”), 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. Prospective purchaser should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year

period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

#### **Tax Accounting Treatment of Discount Bonds**

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). 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 Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. 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 his taxable 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 the 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 for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

#### **Tax Accounting Treatment of Premium on Certain Bonds**

The initial public offering price to be paid for certain Bonds (the "Premium Bonds") may be greater than the stated redemption price on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable certificate 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 which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable certificate 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 Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under these agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system through an internet website accessible at [www.emma.msrb.org](http://www.emma.msrb.org) as described below under "Availability of Information".

#### **Annual Reports**

Under State law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request to the City Secretary, 100 W. Center Street, Kyle, Texas 78640 and upon payment of charges prescribed by the general laws of the State of Texas.

The City will file certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general obligation type included in Tables 1, 2, 3, 4, 6, 7, 8 and 9 of APPENDIX A to this Official Statement and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2022. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March 31 in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB through EMMA.

#### **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, as the case may be; (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, which shall occur as described below; (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/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the City, 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 the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. 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." Neither the Bonds nor the Ordinance make provision for liquidity enhancement, or debt service reserves.

For these purposes, (a) 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, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

#### **Availability of Information**

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

#### **Limitations and Amendments**

The City has agreed to update information and to provide notices of certain 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 agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners 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 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 the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or 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 or beneficial owners of the Bonds. If the City amends its agreement, it must 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 information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision 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 any Underwriters from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

#### **Compliance with Prior Undertakings**

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

### **LEGAL MATTERS**

#### **Legal Opinions and No-Litigation Certificate**

The Issuer will furnish the Underwriters with 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 the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds will be exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions "THE BONDS" (except under the subcaptions, "Sources and Uses", "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS – Opinion and No-Litigation Certificate (except for the last two sentences of the first paragraph, as to which no opinion is expressed)", "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fees of Underwriters' counsel are contingent on the delivery of the Bonds.

The various 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 the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **Litigation**

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

#### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas.

With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER PERTINENT INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

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.

#### **FORWARD LOOKING STATEMENTS**

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and 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.

#### **OTHER PERTINENT INFORMATION**

##### **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; or have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer 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.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

##### **Rating**

S&P Global Ratings ("S&P") has assigned a rating of "AA" to the Bonds based solely upon the municipal bond insurance policy to be issued by the Bond Insurer on the date of initial delivery of the Bonds and an underlying rating of "AA-". (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.) An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflect only the views of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

##### **Authenticity of Financial Information**

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources that are believed to be reliable. All of the summaries of the statutes, documents, and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty,

warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

### **Financial Advisor**

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

The Financial Advisor 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 its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Underwriting**

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price of \$47,305,849.44 (representing the par amount of the Bonds of \$41,575,000, plus a reoffering premium of \$5,960,458.45, and less an Underwriters' discount of \$229,609.01), plus accrued interest on the Bonds in the amount of \$80,840.28.

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

RBC Capital Markets ("RBCCM") and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps).

RBCCM and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. RBCCM and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBCCM and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

Piper Sandler & Co., one of the underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

### **Certification of the Official Statement**

At the time of payment for and delivery of the Bonds, the Underwriters will be furnished a certificate, executed by proper officers of the City, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Bonds and the receipt of the bids 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, such 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 the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such 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.

**Authorization of the Official Statement**

The Official Statement was approved as to form and content and the use thereof in the offering of the Bonds was authorized, ratified and approved by the City Council, and the Underwriters will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer and authorized its further use in the reoffering of the Bonds by the Underwriters.

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF KYLE, TEXAS

ATTEST:

/s/ Travis Mitchell  
Mayor  
City of Kyle, Texas

/s/ Jennifer Kirkland  
City Secretary  
City of Kyle, Texas

**APPENDIX A**  
**FINANCIAL INFORMATION**  
**CITY OF KYLE, TEXAS**

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**FINANCIAL INFORMATION OF THE ISSUER**

**VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT**

**TABLE 1**

2022/23 Market Valuation Established by Hays Central Appraisal District (less totally exempt property)	\$ 6,951,975,528
Less Exemptions:/Reduction at 100% Market Value	<u>1,659,082,112</u>
2022/23 Taxable Assessed Valuation	<u>5,292,893,416</u>

Interest and Sinking Fund as of September 30, 2022 (Unaudited) \$ 2,529,577

**General Obligation Debt Principal Outstanding**

(As of January 1, 2023)	General Obligation Refunding Bonds, Series 2013	\$ 9,875,000
	General Obligation Bonds, Series 2013	3,650,000
	General Obligation Refunding Bonds, Series 2014	6,970,000
	General Obligation and Refunding Bonds, Series 2015	28,630,000
	General Obligation Refunding Bonds, Series 2016	6,275,000
	Combination Tax and Revenue Certificates of Obligation, Series 2020	27,485,000
	General Obligation Refunding Bonds, Series 2020	2,950,000
	General Obligation Bonds, Series 2022	35,570,000
	The Bonds	<u>41,575,000</u>
	Total Gross General Obligation Debt	<u>\$ 162,980,000</u>

**Less: Self-Supporting Debt\***

General Obligation Refunding Bonds, Series 2013 (89.97% TIRZ)	\$ 8,884,538
General Obligation Refunding Bonds, Series 2014 (18.38% UF)	1,281,086
General Obligation and Refunding Bonds, Series 2015 (3.41% UF)	976,283
General Obligation Refunding Bonds, Series 2016 (62.83% TIRZ)	3,942,583
General Obligation Refunding Bonds, Series 2016 (7.69% UF)	482,548
Combination Tax and Revenue Certificates of Obligation, Series 2020 (100% UF)	27,485,000
General Obligation Refunding Bonds, Series 2020 (9.80% TIRZ)	289,100
General Obligation Refunding Bonds, Series 2020 (.51% UF)	<u>15,045</u>
Total Self Supporting Debt	<u>\$ 43,356,183</u>

Total Net General Obligation Debt Outstanding \$ 119,623,818

2022/23 Taxable Assessed Valuation	5,292,893,416
Ratio of Total Gross General Obligation Debt to 2022/23 Taxable Assessed Valuation	3.08%
Ratio of Net General Obligation Debt to 2022/23 Taxable Assessed Valuation	2.26%

Population: 2010 - 28,016; 2020 - 45,697; est. 2023 - 55,600  
 Per Capita Taxable Assessed Valuation - \$95,196  
 Per Capita Gross General Obligation Debt - \$2,931  
 Per Capita Net General Obligation Debt - \$2,152

*\*Self-supporting debt is secured primarily by the City's ad valorem taxes, but has historically been paid from the revenue source indicated in the parenthetical following each series title in the table presentation. Although the City anticipates continuing this practice, no assurances can be given that the City will continue treating such debt as self-supporting or that ad valorem taxes will not be used to make debt service payments on such debt in the future.*

**CITY DEBT OBLIGATIONS - LEASE**

(As of September 30, 2021)

The City has entered into a contractual arrangement to lease new vehicles required for its operations including sedans, SUVs, vans, light and heavy duty trucks, police pursuit vehicles, and specialized vehicles such as for animal control and police evidence vehicles. This lease arrangement with Enterprise Fleet Management ("EFM") does not include heavy equipment such as dump trucks, tanker trucks, backhoes, tractor trucks, and other construction equipment. The City continues to purchase and own its heavy equipment and machinery.

For fiscal year ended September 30, 2021, the City of Kyle paid a total sum of \$639,116 in monthly lease payments to EFM.

Fiscal Year Ended 9/30	Business-Type	
	Governmental Activities	Activities
2022	\$ 453,408	197,344
2023	371,456	161,675
2024	249,566	108,623
2025	80,595	35,079
2026	2,300	1,001
	<u>\$ 1,157,325</u>	<u>\$ 503,722</u>

Source: The Issuer's Annual Comprehensive Financial Report for the Year Ended September 30, 2021.

**ALUATION AND GENERAL OBLIGATION DEBT HISTORY**

**TABLE 2**

FYE (9/30)	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	General Obligation Tax Debt <sup>(3)</sup>	Per Capita General Obligation Tax Debt	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2018	43,417	\$ 2,543,703,616	58,588	\$ 80,530,000	\$ 1,855	3.17%	99.63%
2019	47,500	3,015,137,223	63,477	75,295,000	1,585	2.50%	99.61%
2020	52,327	3,281,677,615	62,715	97,780,000	1,869	2.98%	99.66%
2021	56,500	3,547,534,113	62,788	91,830,000	1,625	2.59%	99.70%
<sup>(1)</sup> 2022	56,500	4,096,209,652	72,499	85,835,000	1,519	2.10%	100.26%
<sup>(2)</sup> 2023 <sup>(4)</sup>	55,600	5,292,893,416	95,196	162,980,000	2,931	3.08%	9.82%

Source: The City.

<sup>u</sup> Valuations shown are certified taxable assessed values reported by the Hays Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates its records.

<sup>3</sup> Includes the City's self-supporting debt and the Bonds.

<sup>4</sup> Collections through December 12, 2022.

**TAX RATE, LEVY, AND COLLECTION HISTORY**

**TABLE 3**

Tax Year	Total Tax Rate	M&O Tax Rate	I&S Tax Rate	Tax Levy	% Current Collections	% Total Collections	Fiscal Year Ended
2017	\$ 0.5416	0.2548	0.2868	\$ 14,654,646	99.52%	99.63%	9/30/18
2018	0.5416	0.2883	0.2533	16,250,639	99.45%	99.61%	9/30/19
2019	0.5416	0.3154	0.2262	18,235,398	99.01%	99.66%	9/30/20
2020	0.5201	0.3256	0.1945	19,268,914	99.54%	99.70%	9/30/21
2021	0.5082	0.3302	0.1780	21,591,789	99.38%	100.26%	9/30/22
<sup>(1)</sup> 2022 <sup>(1)</sup>	0.5082	0.2966	0.2116	27,755,759	9.80%	9.82%	9/30/23

<sup>(1)</sup> Collections through December 12, 2022.



**TEN LARGEST TAXPAYERS**

**TABLE 4**

Name of Taxpayer	Type of Business/Property	2022/23 Net Taxable	% of Total 2022/23
		Assessed Valuation	Assessed Valuation
Plum Creek Apartments LLC <sup>(2)</sup>	Apartments	\$ 55,043,966	1.04%
Cromwell APC I LLC (26.17%), Crowell APC II LLC (58.97%) & <sup>(2)</sup>	Apartments	47,307,964	0.89%
IVT Kyle Marketplace 1031 LLC <sup>(1)</sup>	Shopping Center	47,033,990	0.89%
Majestic Kyle LLC <sup>(2)</sup>	Real Estate	39,013,940	0.74%
Plum Creek Apartments LP <sup>(2)</sup>	Apartments	38,500,000	0.73%
Lauren Co Aidan SPE	Apartments	37,678,002	0.71%
Grey Forest Development LLC <sup>(2)</sup>	Apartments	37,637,959	0.71%
NP Austin Industrial 1 LLC <sup>(2)</sup>	Warehouse	37,530,126	0.71%
NP Austin Industrial 2 LLC <sup>(2)</sup>	Warehouse	34,953,405	0.66%
SPI Oaks 254 LLC <sup>(1)</sup>	Apartments	34,757,600	0.66%
		<u>\$ 409,456,952</u>	<u>7.74%</u>

Source: Hays Central Appraisal District and information from the Issuer.

<sup>(1)</sup> Located in TIRZ # 1.

<sup>(2)</sup> Located in TIRZ # 2.

**ESTIMATED OVERLAPPING DEBT**

**TABLE 5**

(As of January 1, 2023)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional debt of the amount of which cannot be determined. This table reflects the estimated share of overlapping funded debt of taxing bodies with territory in the City.

Taxing Body	Gross Debt (As of 1/1/23)	% Overlapping	Amount Overlapping
Austin Community College District	\$ 414,210,000	1.53%	\$ 6,337,413
Hays Consolidated Independent School District	668,310,000	36.11%	241,326,741
Hays County	522,262,455	14.03%	73,273,422
Total Gross Overlapping Debt	<u>\$ 1,604,782,455</u>		<u>\$ 320,937,576</u>

Kyle, City of \$ 162,980,000 <sup>(1)</sup>

Total Gross Direct and Overlapping Debt \$ 483,917,576

Ratio of Gross Direct Debt and Overlapping Debt 9.14%

Per Capita Gross Direct Debt and Overlapping Debt \$8,703.55

Note: The above figures show Gross General Obligation Debt for the City of Kyle, Texas. The Issuer's Net General Obligation Debt is \$119,623,818

<sup>(1)</sup> Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt \$ 440,561,394

Ratio of Net Direct and Overlapping Debt to 2022 Net Assessed Valuation 8.32%

Per Capita Net Direct and Overlapping Debt \$7,923.77

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

<sup>(1)</sup> Includes the Bonds.

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

Governmental Subdivision	2022 Net Assessed		2022 Tax Rate
	Valuation	% of Actual	
Austin Community College District	\$ 349,444,904,626	100%	\$ 0.0987
Hays Consolidated Independent School District	15,061,602,132	100%	1.3423
Hays County	37,635,251,669	100%	0.3125

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas and information from ACCD.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Austin Community College District	11/4/2014	Campus Improvements	\$ 161,166,950	\$ 161,165,000	\$ 1,950
	11/8/2022	Campus Improvements	\$ 770,000,000	\$ -	\$ 770,000,000
					\$ 770,001,950
Hays Consolidated Independent School District	None				
Hays County	5/12/2007	Park	\$ 30,000,000	\$ 29,955,000	\$ 45,000
	11/3/2020	Park	75,000,000	50,000,000	25,000,000
			\$ 105,000,000	\$ 79,955,000	\$ 25,045,000
Kyle, City of	11/03/2020	Park	\$ 10,000,000	\$ 3,000,000*	\$ 7,000,000
	11/08/2022	Road	294,000,000	45,000,000*	249,000,000
			\$ 304,000,000	\$ 48,000,000	\$ 256,000,000

\*The Bonds constitute \$2,000,000 (which includes certain premium allocations) of the \$10,000,000 authorized by voters at the bond election held of the \$294,000,000 authorized by voters at the bond election held November 8, 2022.

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

FYE (9/30)	Outstanding Debt Service <sup>(1)</sup>		The Bonds <sup>(2)</sup>		Total	Combined Debt Service	Less: Self-Supporting Debt	Total Net Debt Service	% of Principal Retired
	Principal	Interest	Principal	Interest					
2023	\$ 11,500,000	\$ 4,989,643	\$ 1,400,000	\$ 3,198,965	\$ 4,598,965	\$ 16,489,643	\$ 3,786,604	\$ 12,703,039	7.1%
2024	7,460,000	4,437,079	1,315,000	2,008,750	3,323,750	16,496,044	3,947,808	12,548,236	12.5%
2025	7,775,000	4,148,104	1,380,000	1,943,000	3,323,000	15,246,854	3,979,373	11,267,481	18.1%
2026	6,705,000	3,854,704	1,450,000	1,874,000	3,324,000	13,882,704	3,073,513	10,809,191	23.0%
2027	6,910,000	3,571,954	1,525,000	1,801,500	3,325,500	13,805,954	3,517,802	10,288,152	28.2%
2028	6,090,000	3,303,104	1,600,000	1,725,250	3,325,250	12,719,604	2,955,848	9,763,756	32.8%
2029	5,970,000	3,059,119	1,680,000	1,645,250	3,325,250	12,354,369	3,381,201	8,973,168	37.5%
2030	6,310,000	2,804,094	1,765,000	1,561,250	3,326,250	12,439,344	2,724,925	9,714,419	42.4%
2031	6,630,000	2,534,100	1,850,000	1,473,000	3,323,000	12,490,350	3,776,156	8,714,194	47.5%
2032	6,955,000	2,255,125	1,945,000	1,380,500	3,323,500	12,500,375	3,024,776	9,508,349	52.9%
2033	7,205,000	1,969,875	2,040,000	1,283,250	3,323,250	9,477,600	2,985,347	9,515,028	58.5%
2034	4,465,000	1,689,350	2,145,000	1,181,250	3,326,250	9,480,450	1,737,999	7,742,451	62.5%
2035	4,650,000	1,504,200	2,250,000	1,074,000	3,324,000	7,365,200	1,665,400	5,699,800	66.7%
2036	2,730,000	1,311,200	2,360,000	961,500	3,321,500	7,363,500	1,663,400	5,700,100	69.8%
2037	2,840,000	1,202,000	2,480,000	843,500	3,323,500	7,366,900	1,665,000	5,701,900	73.0%
2038	2,955,000	1,088,400	2,605,000	719,500	3,324,500	7,364,700	1,665,000	5,699,700	76.3%
2039	3,070,000	970,200	2,735,000	589,250	3,324,250	7,366,650	1,663,400	5,703,250	79.8%
2040	3,195,000	847,400	2,870,000	452,500	3,322,500	7,367,100	1,665,200	5,701,900	83.4%
2041	3,325,000	719,600	3,015,000	309,000	3,324,000	7,365,600	1,665,200	5,700,400	87.2%
2042	3,455,000	586,600	3,165,000	158,250	3,323,250	4,986,650	1,663,400	3,323,250	91.2%
2043	1,215,000	448,400	-	-	-	1,664,800	1,664,800	-	93.9%
2044	1,265,000	399,800	-	-	-	1,664,200	1,664,200	-	94.6%
2045	1,315,000	349,200	-	-	-	1,666,600	1,666,600	-	95.5%
2046	1,370,000	296,600	-	-	-	1,666,800	1,666,800	-	96.3%
2047	1,425,000	241,800	-	-	-	1,666,800	1,666,800	-	97.2%
2048	1,480,000	184,800	-	-	-	1,665,600	1,665,600	-	98.1%
2049	1,540,000	125,600	-	-	-	1,664,000	1,664,000	-	99.0%
2050	1,600,000	64,000	-	-	-	1,664,000	1,664,000	-	100.0%
<b>Total</b>	<b>\$ 121,405,000</b>	<b>\$ 48,956,050</b>	<b>\$ 170,361,050</b>	<b>\$ 26,183,465</b>	<b>\$ 67,758,465</b>	<b>\$ 238,119,515</b>	<b>\$ 65,601,315</b>	<b>\$ 172,518,200</b>	

<sup>(1)</sup> Includes self-supporting debt.

<sup>(2)</sup> See TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT for a detail of the City's self-supporting debt outstanding.

**TAX ADEQUACY (Includes Self-Supporting Debt)**

2022 Net Taxable Assessed Valuation	\$ 5,292,893,416
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024)	16,496,044
Indicated Required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service Requirements	0.3180

*Note: computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.*

**TAX ADEQUACY (Excludes Self-Supporting Debt)**

2022 Taxable Assessed Valuation	\$ 5,292,893,416
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)	12,703,039
Indicated Required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service Requirements	0.2449

*Note: Computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.*

**INTEREST AND SINKING FUND MANAGEMENT INDEX**

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2022 <sup>(1)</sup>	\$ 2,529,577
FY 2022-23 Interest and Sinking Fund Taxes Received	<u>11,199,762</u>
Total Available Funds for Debt Service	<u>\$ 13,729,339</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ended September 30, 2023	<u>(12,703,039)</u>
Estimated Interest and Sinking Fund Balance for Fiscal Year Ending September 30, 2023	<u>\$ 1,026,300</u>

<sup>(1)</sup> *Unaudited.*

*Source: Information provided by the Issuer.*

**GENERAL FUND REVENUES AND EXPENDITURES HISTORY**

**TABLE 7**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
<b>Revenues</b>					
Taxes					
Property Taxes	\$ 12,164,339	\$ 10,618,155	\$ 8,720,717	\$ 6,947,036	\$ 5,684,396
General Sales and Use Taxes	12,301,248	9,991,380	8,885,937	7,955,612	7,227,633
Franchise Tax	2,548,204	2,437,413	2,342,762	2,430,996	1,435,270
Other Taxes	76,847	83,108	92,439	68,252	65,899
Licenses and Permits	5,267,211	3,207,094	1,373,768	1,427,924	1,853,819
Intergovernmental	7,093	4,881	2,000	6,857	1,500
Charges for Services	5,942,783	5,122,598	4,450,059	5,043,148	4,324,114
Fines	441,715	547,411	661,736	569,876	473,892
Investment Earnings	250,505	914,383	2,165,430	1,082,584	131,796
Rents and Royalties	-	4,925	7,130	32,180	33,426
Contributions & Donations from Private Sources	35,050	35,000	40,000	69,400	72,400
Other	1,798,159	1,017,327	371,262	948,144	152,030
<b>Total Revenues</b>	<b>\$ 40,833,154</b>	<b>\$ 33,983,675</b>	<b>\$ 29,113,240</b>	<b>\$ 26,582,009</b>	<b>\$ 21,456,175</b>
<b>Expenditures</b>					
General Government	\$ 9,697,619	\$ 6,529,965	\$ 6,857,899	\$ 6,955,924	\$ 6,768,179
Public Safety	9,108,931	8,309,179	7,186,604	6,389,898	6,244,455
Public Works	5,285,141	4,932,406	3,959,939	4,217,587	3,484,563
Culture and Recreation	2,937,790	2,583,375	2,673,633	2,532,297	2,259,263
Capital Outlay	1,951,095	209,540	547,091	1,606,878	686,493
<b>Total Expenditures</b>	<b>\$ 28,980,576</b>	<b>\$ 22,564,465</b>	<b>\$ 21,225,166</b>	<b>\$ 21,702,584</b>	<b>\$ 19,442,953</b>
Excess (Deficiency) of Revenues Over Expenditures	11,852,578	11,419,210	7,888,074	4,879,425	2,013,222
Transfers In	4,464,571	1,621,949	986,506	2,233,609	2,067,552
Transfers Out	(16,649,518)	(7,220,690)	(12,774,950)	(1,504,815)	(777,051)
Net Increase (Decrease)	\$ (332,369)	\$ 5,820,469	\$ (3,900,370)	\$ 5,608,219	\$ 3,303,723
Beginning Fund Balance October 1	\$ 21,358,078*	15,537,545*	19,437,949	13,829,730	10,526,007
Ending Fund Balance September 30	\$ 21,025,709**	\$ 21,358,014	\$ 15,537,579	\$ 19,437,949	\$ 13,829,730

\* Restated

\*\* For fiscal year ending September 30, 2022, the unaudited General Fund balance was \$29,100,000.

Source: The Issuer's Annual Comprehensive Financial Reports and information provided by the Issuer.

**MUNICIPAL SALES TAX HISTORY**

**TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds of which are credited to the General Fund. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. Voters in the City have approved a 0.5% additional sales and use tax to reduce property taxes and such revenues may be used as the City would use property tax revenues. The figures below includes this additional 1/2 of 1% for reduction of property tax.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax	Equivalent of Ad	Per Capita
		Levy	Valorem Tax Rate	
2018	\$ 7,800,705	53.23%	\$ 0.3067	\$ 179.67
2019	8,690,545	53.48%	0.2882	182.96
2020	9,735,471	53.39%	0.2967	186.05
2021	11,818,057	61.27%	0.3331	209.17
2022	14,680,011	67.99%	0.3584	259.82
2023	5,248,305 *			

\* Through January 18, 2023.

Source: State Comptroller's Office of the State of Texas.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2013-2022**

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount	Percent
2013-14	\$1,500,475,651	\$ 67,408,718	4.70%
2014-15	1,640,298,665	139,823,014	9.32%
2015-16	1,946,981,435	306,682,770	18.70%
2016-17	2,283,013,455	336,032,020	17.26%
2017-18	2,990,580,487	707,567,032	30.99%
2018-19	3,365,623,763	375,043,276	12.54%
2019-20	3,677,686,078	312,062,315	9.27%
2020-21	3,728,942,448	51,256,370	1.39%
2021-22	4,096,209,652	367,267,204	9.85%
2022-23	5,292,893,416	1,196,683,764	29.21%

Source: Hays Central Appraisal District.

**CURRENT INVESTMENTS\***

**TABLE 9**

As of October 30, 2022, the following percentages of the City's investable funds were invested in the following categories of investments:

Description	Total Invested	% of Value
TexStar	\$ 126,089,963	67.48%
TexPool	33,940,125	18.16%
Wells Fargo - Banking	9,047,828	4.84%
Wells Fargo Securities	17,772,656	9.51%
Total	\$ 186,850,572	100.00%

\* Unaudited.

**EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS**

Information regarding the City's Pension Plan can be found within the City's 2021 Comprehensive Annual Financial Report under " V. OTHER INFORMATION - C. Benefit Plans".

**APPENDIX B**

**GENERAL INFORMATION  
REGARDING THE CITY OF KYLE, TEXAS AND HAYS COUNTY, TEXAS**

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**GENERAL INFORMATION**  
**REGARDING THE CITY OF KYLE, TEXAS AND HAYS COUNTY, TEXAS**

**The City of Kyle**

The City of Kyle, Texas (the “City”) is a political subdivision located in Hays County (the “County”); the City operates under the laws of the State of Texas (the “State” and the City’s Rule Charter, initially adopted by the voters in the year 2000, and as amended in 2006, 2016, and 2018.) The City is located 20 miles south of Austin, 60 miles north of San Antonio, and eight miles north of San Marcos on Interstate Highway 35. The City is the second largest city in Hays County and its location provides access to the Austin and San Antonio population and economic areas.

The City provides a full range of services including police, emergency medical services, and fire protection; water and sewer services; waste collection; code enforcement; comprehensive planning; street maintenance and recreational activities.

The location of the City provides its residents access to both the Austin-Round-Rock-San Marcos and San Antonio-New Braunfels designated areas by the U.S. Bureau of Labor Statistics.

<b>2021 Principal Employers</b>		
<u>Employer</u>	<u>Employees</u>	<u>% of Total City Employment</u>
Hays CISD	2,383	11.45%
Seton Medical Center Hays	610	2.93%
City of Kyle	251	6.09%
HEB Plus	208	1.00%
Legend Oaks Healthcare & Rehab.	116	0.56%
Lowe's	108	0.52%
Warm Springs Rehab Hospital	100	0.48%
Home Depot	100	0.48%
Austin Community College at Hays	80	0.38%
RSI, Inc.	58	0.28%
Construction Metal Products	40	0.19%
Southwestern Pneumatic	40	0.19%
Miscellaneous Steel Industries	30	0.14%
<b>Total</b>	<b>4,124</b>	<b>24.69%</b>

*Source: The Issuer's Annual Comprehensive Financial Report for FYE September 30, 2021.*

<b>Labor Force Statistics</b>				
	<b>2022<sup>(1)</sup></b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Civilian Labor Force	29,175	27,595	26,471	25,346
Total Employed	28,382	26,799	24,797	24,639
Total Unemployed	793	1176	1674	707
Kyle Unemployment Rate	2.70%	4.20%	6.30%	2.80%
Hays County Unemployment Rate	2.90%	4.10%	6.30%	2.80%
Texas Unemployment Rate	3.80%	5.70%	7.70%	3.50%

(1) Through October 2022

*Source: The Texas Workforce Commission*

## Hays County, Texas

Hays County (the “County”) was created in 1843 from Travis County. The County is traversed by Interstate Highway 35, U.S. 290, State Highways 21 and 123, and ten farm-to-market roads. One of the largest factory outlet malls in the nation is located in San Marcos and generates several million dollars in city, county, and state sales taxes. The County seat is located in San Marcos along with Texas State University, which had an estimated spring 2022 enrollment of 38,231. The 2020 census population of 241,607 reflects an increase of 53.4% since 2010. The primary industries are tourism, manufacturing, and education with wheat, sorghums being the chief agricultural products.

<b>2021 Principal Employers</b>		
<b>Employer</b>	<b>Employees</b>	<b>% of Total County Employment</b>
Amazon Fulfillment Center	5,000	4.17%
Hays CISD	4,113	3.43%
Texas State University	3,730	3.11%
San Marcos CISD	1,820	1.52%
Premium Outlets	1,600	1.33%
Tanger Factory Outlet Center	1,500	1.25%
Dripping Springs ISD	1,402	1.17%
Hays County	1,042	0.87%
HEB Distribution Center	750	0.63%
Christus Santa Rosa Hospital	700	0.58%
<b>Total</b>	<b>21,657</b>	<b>18.07%</b>
 <b>Total County Employees</b>	 <b>119,874</b>	

*Sources: Hays County Annual Comprehensive Financial Report for FYE September 30, 2021;  
Bureau of Economic Analysis, Greater San Marcos Partnership, Buda EDC, and Hays County.*

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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February 15, 2023

Norton Rose Fulbright US LLP  
98 San Jacinto Boulevard, Suite 1100  
Austin, Texas 78701-4255  
United StatesTel +1 512 474 5201  
Fax +1 512 536 4598  
nortonrosefulbright.com**FINAL**

IN REGARD to the authorization and issuance of the “City of Kyle, Texas General Obligation Bonds, Series 2023” (the *Bonds*), dated February 1, 2023, in the aggregate principal amount of \$41,575,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Kyle, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 15 in each of the years 2024 through 2043, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, 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 and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED UPON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the

**Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas in connection with the authorization and issuance of “CITY OF KYLE, TEXAS GENERAL OBLIGATION BONDS, SERIES 2023”**

terms and conditions described therein, 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 general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer.

BASED UPON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER 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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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 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.

**APPENDIX D**

**EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**(Not intended to be a complete statement of the Issuer's financial condition.  
Reference is made to the complete Annual Financial Report for further information.)**

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THE CITY OF KYLE, TEXAS

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ANNUAL COMPREHENSIVE  
FINANCIAL REPORT

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City Manager  
J. Scott Sellers

Director of Finance  
Perwez A. Moheet, CPA

---

FOR THE YEAR ENDED  
SEPTEMBER 30, 2021

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Prepared by Financial Services Department



## Elected Officials

Mayor  
Travis Mitchell

Mayor Pro Tem  
Robert Rizo

Council Member, District 1  
Dex Ellison

Council Member, District 2  
Yvonne Flores-Cale

Council Member, District 4  
Ashlee Bradshaw

Council Member, District 5  
Daniela Parsley

Council Member, District 6  
Michael Tobias

**CITY OF KYLE, TEXAS  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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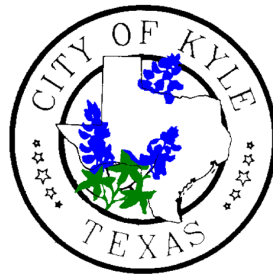
**CITY OF KYLE, TEXAS  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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# INTRODUCTORY SECTION





# CITY OF KYLE

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100 W. Center Street • Kyle, Texas 78640 • Tel (512) 262-1010 • Fax (512) 262-3800

March 30, 2022

Mayor, Mayor Pro Tem, and Council Members  
City of Kyle, Texas

We are pleased to submit to you the City of Kyle's Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. This annual financial report provides detailed information regarding the City's financial condition and activities to City Council, Boards and Commissions, taxpayers and residents of Kyle, City management, regulatory and grantor agencies, City's bondholders, and other interested entities.

City management is responsible for both the accuracy of the financial information presented and the completeness and fairness of the presentations including all disclosures. We believe the financial information, as presented, is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City of Kyle. These financial statements have been prepared by the Financial Services Department in accordance with generally accepted accounting principles (GAAP) for local governments.

The City's financial statements and accompanying notes to the financial statements included in the City's Annual Comprehensive Financial Report have been audited by the independent firm of RSM US, LLP, Certified Public Accountants. Accordingly, this audit complies with Article VIII, Section 8.13 of the City Charter which requires an annual audit of all accounts of the City by an independent Certified Public Accountant.

The Management's Discussion and Analysis (MD&A) section immediately follows the independent auditor's report. The MD&A section provides a narrative introduction, overview, and analysis to accompany the audited financial statements. This letter of transmittal is also intended to complement the MD&A and should be read in conjunction with it.

## **REPORTING ENTITY**

The City's Annual Comprehensive Financial Report provides financial information on all funds of the City of Kyle. The City provides a full range of municipal services including general government, public safety, emergency management, permits and inspections, planning and zoning, code enforcement, public recreation and culture, economic development, solid waste collection and recycling, stormwater and drainage management, and water and wastewater services.

# **KYLE'S GOVERNMENT, ECONOMY, AND OUTLOOK**

## **General Information**

The City of Kyle is a political subdivision and municipal corporation of the State of Texas, duly organized and existing under the laws of the State including the City's Home Rule Charter, initially adopted by the voters in the year 2000.

The City operates as a Home Rule City under a Council-Manager form of government with a City Council comprised of the Mayor and six Council Members. The City Council appoints the City Manager who is the chief executive officer responsible for executing City Council's policies and managing the government. The City Manager serves at the pleasure of the City Council of the City of Kyle.

Kyle is a thriving community strategically located eight miles north of San Marcos, 20 miles south of Austin and 60 miles north of San Antonio with easy access to major highways and roadways including Interstate Highway 35. Kyle is the second largest city in Hays County and enjoys a south-central location convenient to most major population and employment centers in Texas. The City covers approximately thirty one (31) square miles and had an estimated population of 56,500 at year end in 2021.

## **Local Economy**

The City of Kyle residents enjoy a vibrant local economy and an excellent quality of life. Among the many factors attributing to the vibrancy of Kyle include a high per capita household income, low unemployment rate, educated workforce, employment growth, and the continued addition of new businesses in the consumer retail, medical, and light manufacturing sectors.

Among the major indicators of a stable yet an expanding local economy include growth in population, building permits, taxable valuations, property tax collection rate, and the trend for sales tax collections. We are pleased to report that the annual increase in the total number of building permits issued increased by 14.3% from the prior year, taxable property valuations increased by 16.5% as compared to the prior tax year, property tax collection rate has continued to surpass the 98.0% level, and sales tax collections increased by 21.4% as compared to the prior year. Total population in the City of Kyle has increased to an estimated 56,500 residents at year end in 2021.

## **Long-term Planning**

Following an extensive public involvement process, the City adopted a Comprehensive Plan. This Plan provides a clear understanding of the community's goals and visions and provides guidance for future municipal decisions. Kyle has been experiencing rapid growth which in turn applies significant impact on all systems within the City, including financial, tax structure, transportation systems, provision of utilities, and access to goods and services. An update to the City's Comprehensive Plan is anticipated to be completed in 2023.

To ensure adequate provision of basic services while fostering a high quality of life and preserving Kyle's unique community, it is necessary for the City to be proactive in planning for the future. The Comprehensive Plan for the City of Kyle provides guidance for service provisions, protecting cultural and natural features representative of Kyle's history and character, directing growth in key locations, and ensuring a high quality of life for its residents. The planning horizon of the 2010 Comprehensive Plan is through the year 2040, when it is projected that approximately 90,000 residents will be residing in Kyle.

## **Major Initiatives**

The City Council adopted several policy-based priorities to develop and sustain the City of Kyle as a vibrant, healthy, family-friendly, and safe community. These policy-based priorities include but are not limited to the following:

- Economic Development Initiatives & Programs
- Uptown Development Programs
- Downtown Revitalization Program
- City-wide Beautification Programs
- Parks & Trail System Improvement Programs
- Sidewalk Widening Program
- Street Maintenance & Reconstruction Programs
- Storm Drainage Improvement & Flood Risk Mitigation Programs
- Water and Wastewater Infrastructure Improvement & Expansion Programs

Several major programs were initiated and completed in the City of Kyle during fiscal year 2021. These program initiatives include the following:

- Major economic development agreements executed with manufacturing and other industrial employers which will result in the creation of new jobs in the City.
- Construction at 95 percent completion for the City's wastewater treatment plant expansion project.
- Construction in progress for the City's new Public Safety Center, a \$37.0 million voter-authorized project.
- Completion of major improvements including hike and bike trails throughout the City's parks system.
- Implementation of technology enhancements throughout the City's operations and service delivery systems.

## **FINANCIAL INFORMATION**

### **Budgetary Information**

The City's adopted budget for fiscal year 2021 totaled \$134.2 million and included \$30.2 million for the General Fund to provide public safety, code enforcement, parks, street maintenance, library, and other municipal services to the residents of Kyle.

The budget development and adoption process were based on the City's commitment and dedication to complete transparency and inclusiveness in its local government. The City included an extensive public participation process including multiple public hearings, budget work-sessions, and public meetings throughout the budget development, deliberations, and adoption process. The City's budget development process incorporated planning for financial resource allocation with performance measurement for service delivery and public input.

The City's budget for fiscal year 2021 was adopted with a 3.97% reduction in the property tax rate to \$0.5201 per \$100 of assessed taxable valuation. The adopted budget provided funding for the addition of twenty-two (22.0) full-time positions for police, public works, and parks operations including an aggressive capital improvements program and acquisition of heavy equipment and machinery.



The approved budget for fiscal year 2021 included a 10.0% rate increase in water and wastewater service rates, no change in storm drainage fee, or other major fees and charges for city services. A 2.5% rate increase was also included for solid waste collection services based on the contract terms agreed to by the City with Texas Disposal Systems.

### **Bond Rating**

The City's bond rating was reaffirmed at AA- by Standard and Poor's rating agency based on the City's strong liquidity and financial position, stable economic growth outlook in Kyle, and the City's strong financial management team and financial management practices.

### **Financial Policies**

The City has adopted a comprehensive set of financial policies to ensure that the City's financial resources are prudently managed and safeguarded against misuse or loss. The City has established and maintains its goal for a balanced budget to achieve long-term financial stability and viability for the taxpayers and residents of Kyle.

### **Internal Controls**

City management is responsible for establishing, implementing, and maintaining a framework of internal controls designed to ensure that assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting information is compiled to allow for the preparation of financial statements in conformity with GAAP. The system of internal control is designed to provide reasonable assurance, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

### **Budgetary Controls**

As required under the City Charter, the annual operating budget is proposed by the City Manager and approved by the City Council after holding public discussions, deliberations, workshops, and hearings. Primary responsibility for budget variance analysis of actual expense or revenue and overall programs rests with the City departments who are responsible for their department operations and delivery of program services. As evidenced in the financial statements, notes to the financial statements, and schedules/tables included in the City's Annual Comprehensive Financial Report, the City of Kyle continues to meet its responsibility for sound financial management, transparency, and accountability.

Budgetary compliance is a significant tool for managing and controlling governmental activities, as well as ensuring conformance with the City's budgetary limits and specifications. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Levels of budgetary control, that is the levels at which expenditures cannot legally exceed appropriated amounts, are established at the department level within individual Funds.

The City utilizes an encumbrance system of accounting as one mechanism to accomplish effective budgetary control. Encumbered amounts lapse at year end and a few items are re-appropriated as part of the following year's budget. Another budgetary control is the monthly revenue and expenditure report summarizing by department budget and actual budget variances that are generated by the Financial Services Department and provided to each City department for their review, monitoring, and assessment of their line-item budget expenditures.

On a quarterly basis, the Financial Services Department prepares and posts financial performance reports accessible to City Council, taxpayers, residents, City staff, regulatory and grantor agencies, City's bondholders, and all other interested entities regarding the status of revenue, expenditures, and fund balance in each of the City's accounting Funds.

### **Risk Management**

The City is a member of the Texas Municipal League's (TML) Intergovernmental Risk Pool. The Pool was established for providing coverage to member cities against risks, which are inherent in operating a municipal government. The City pays annual premiums to TML Intergovernmental Risk Pool for liability, property, and worker's compensation insurance coverage. An independent insurance brokerage firm underwrites surety bonds for selected city officials and staff.

### **Transparency in Financial Reporting**

The City is fully committed to actively pursuing transparency in its policy-making, administration, budgeting, management oversight, and financial reporting. The City's Financial Services Department has streamlined its website to facilitate user-friendly access to the City's financial documents including operating and capital budgets, financial performance reports, annual comprehensive financial reports, capital improvements plan, check registers, financial policies, official statements, and other financial reports and documents.

### **OTHER INFORMATION**

#### **Awards**

The Government Finance Officers Association of the United States and Canada awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit that publishes an Annual Comprehensive Financial Report which meets and or exceeds the reporting criteria and standards as required under the GFOA program.

As in prior fiscal years, the City of Kyle was awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA for its Annual Comprehensive Financial Report issued for fiscal year ended September 30, 2020.

The City of Kyle was also the recipient of the Distinguished Budget Presentation Award presented by the Government Finance Officers Association (GFOA). This award is the highest form of recognition in governmental budgeting and represents a significant achievement by an organization.

In addition, the City of Kyle was an award recipient in the Texas State Comptroller's Transparency Star Award Program. The Transparency Star Award Program is the highest level of recognition based on a five-star rating system. Each star represents excellence in transparency in a reporting category for Traditional Finances, Contracts & Procurement, Debt Obligations, Economic Development, and Pensions.

The City of Kyle was awarded each of the five Stars under the Texas State Comptroller's Transparency Star Award Program. Each Star represents a category in which fiscal transparency requirements have been fully complied with and met by the recipient City as required by the State of Texas Transparency Star Award Program managed by the Texas State Comptroller. The five transparency reporting category areas are as follows:

- Traditional Finances
- Contracts and Procurement
- Economic Development

- Public Pensions
- Debt Obligations

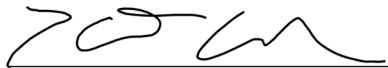
### **Acknowledgments**

The compilation and issuance of the City's Annual Comprehensive Financial Report was made possible with the dedication and contributions of the accounting and financial reporting team members in the City's Financial Services Department. We would like to acknowledge and express our appreciation to Accounting Manager Andy Alejandro, a senior member of the Financial Services Department team who was assigned the lead role in the preparation and compilation of the City's Annual Comprehensive Financial Report for fiscal year ending September 30, 2021.

We also want to acknowledge the professional and comprehensive approach the City's independent auditor, RSM US, LLP, adhered to for the successful completion of the audit.

In closing, we want to express our appreciation and gratitude for the City Council's guidance, policy directives, and continued support in all aspects of the City's financial management and reporting responsibilities.

Respectfully submitted,

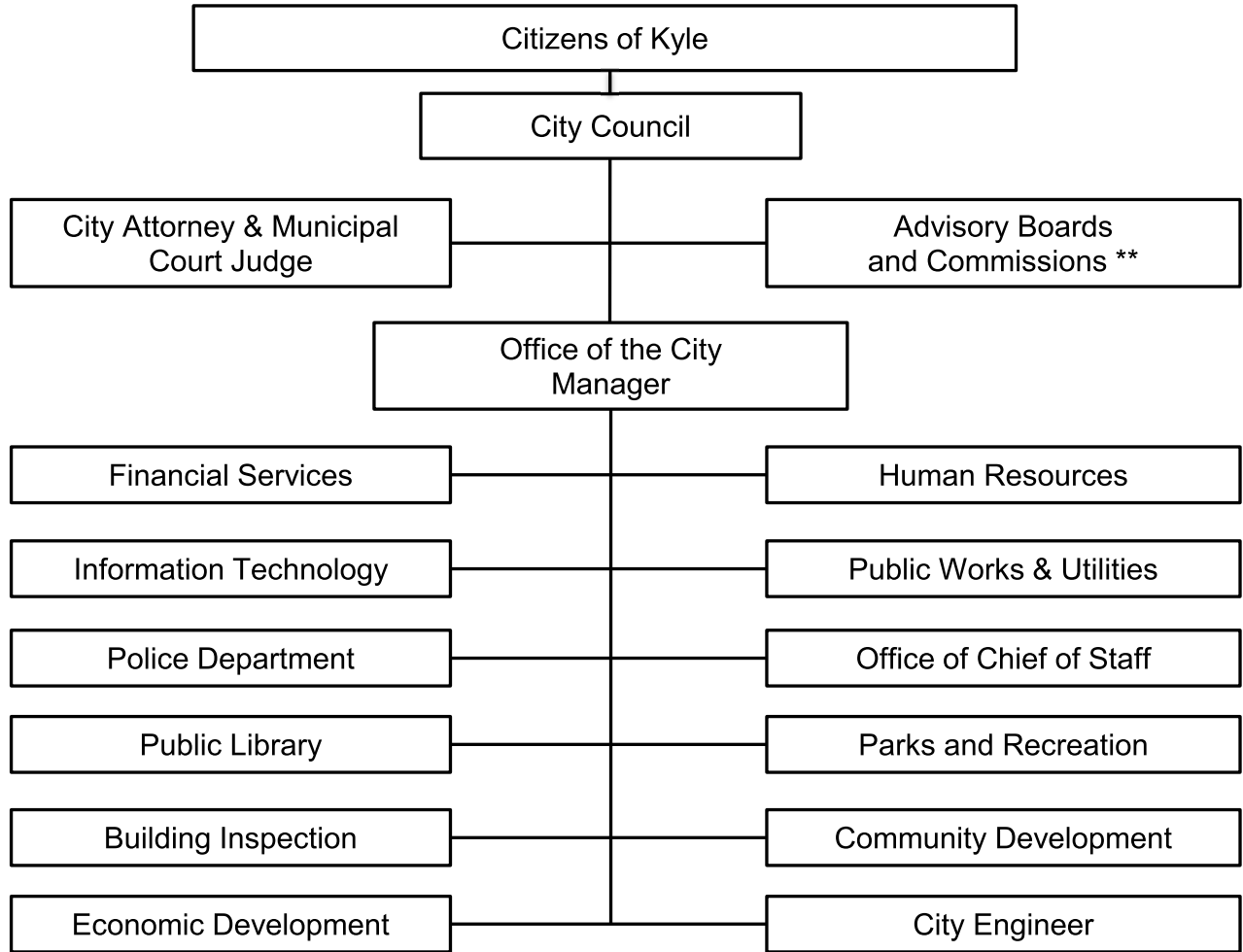


J. Scott Sellers  
City Manager



Perwez A. Moheet, CPA  
Director of Finance

# City of Kyle - Organization Chart

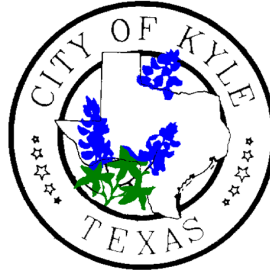


\*\* List of Advisory Boards and Commissions

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Board of Adjustments  
 Charter Review Commission  
 Civil Service Commission  
 Economic Development & Tourism Board  
 Library Board

Parks and Recreation Board  
 Planning and Zoning Commission  
 Train Depot Board  
 Ethics Commission  
 Historic Preservation Commission



## Elected Officials and Executive Management Team

### City Council

Travis Mitchell.....	Mayor
Dex Ellison.....	District 1
Yvonne Flores-Cale.....	District 2
Robert Rizo.....	Mayor Pro-Term, District 3
Ashlee Bradshaw.....	District 4
Daniela Parsley.....	District 5
Michael Tobias.....	District 6

### Executive Management Team

J. Scott Sellers.....	City Manager
James R. Earp, CPM.....	Assistant City Manager
Jerry Hendrix.....	Assistant City Manager
Amber Lewis.....	Assistant City Manager
Leon Barba, P.E.....	City Engineer
Jennifer Holm.....	City Secretary
Samantha Armbruster.....	Director of Communications
Diana Blank-Torres.....	Director of Economic Development
Perwez A. Moheet, CPA.....	Director of Financial Services
Sandra Duran.....	Director of Human Resources
Matt Dawson.....	Director of Information Technology
Gary Stubbins.....	Building Official
Andrew Cable.....	Municipal Court Judge
Mariana Espinoza.....	Director of Parks and Recreation
Jeff Barnett.....	Chief of Police
Paul Phelan.....	Library Director
Harper Wilder.....	Director of Public Works



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**City of Kyle  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2020

*Christopher P. Morill*

Executive Director/CEO



# FINANCIAL SECTION



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RSM US LLP

## Independent Auditor's Report

Honorable Mayor and Members of the City Council  
City of Kyle, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kyle, Texas (the City) as of and for the year ended September 30, 2021, 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.

### Auditor's 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. 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 auditor's 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 City'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 City'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.

### Opinions

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 and the aggregate remaining fund information of the City as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof 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; Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual—General Fund, Notes to Budgetary Comparison Schedule; the Schedule of Contributions-OPEB; Schedule of Changes in the Employers Net OPEB Liability and Related Ratios; the Schedule of Investment Returns-OPEB; the Schedule of Changes in the Total OPEB Liability and Related Ratios-SDBF; the Schedule of Changes in Net Pension Liability and Related Ratios; Schedule of Employer Contributions, 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, 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 combining and individual fund statements, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements 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 financial statements, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying Introductory and Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*RSM US LLP*

Austin, Texas  
March 30, 2022

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The City management is pleased to present the City of Kyle's Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021.

The Management's Discussion and Analysis section of the Annual Comprehensive Financial Report presents a narrative overview and analysis of the financial activities of the City of Kyle for the year ended September 30, 2021. The analysis is intended to assist readers in focusing on key financial issues and changes in the City's financial position and in identifying any significant variances from the approved budget.

We encourage our readers to consider the information presented in this section of the annual report in conjunction with additional information that we have provided in our letter of transmittal and the financial statements furnished in this report.

### **FINANCIAL HIGHLIGHTS**

- The City's total assets and deferred outflows exceeded total liabilities and deferred inflows at the end of fiscal year 2021 resulting in a net position of \$353.2 million as of September 30, 2021. Of the total \$353.2 million net position, \$54.5 million remained unrestricted and is available to meet any future obligations of the City.
- Net position for all governmental activities totaled \$158.5 million and \$194.8 million for business-type activities at September 30, 2021.
- \$18.2 million or 38.3% increase in the combined fund balance totaling \$65.7 million for all governmental funds at September 30, 2021 as compared to the prior fiscal year.
- \$0.3 million or 1.6% decrease in the ending balance of the City's General Fund totaling \$21.0 million at September 30, 2021 as compared to the prior fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the City of Kyle's basic financial statements, consisting of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements, including information on individual funds.

#### **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 comparable to a private-sector business. The two government-wide statements are as follows:

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

- The **Statement of Activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement including items that will only result in cash flows in future fiscal periods, such as revenue for uncollected taxes and expenditures for earned but unused vacation leave. This statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other 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, planning, economic development, street maintenance, code enforcement, recreation and culture, and solid waste and recycling services. The business-type activities of the City include services provided by the water and wastewater utility system.

### **Fund Financial Statements**

The fund financial statements are intended to report financial information in groupings of related accounts used to account for and manage resources that have been designated for specific activities or objectives. The City of Kyle, like other local governments, utilizes a fund accounting system to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** - are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These funds focus on current sources and uses of resources and on the balances of available resources at the end of the fiscal year. This information may be useful in evaluating what financial resources are available in the near term to finance the City's future obligations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare 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. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City's General Fund is reported as a major fund and information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. In addition, the City maintains several governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for each major fund which is first shown on the Balance Sheet for Governmental Funds.

A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the annual budget appropriations and is presented as required supplementary information. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements.

**Proprietary Funds** – are generally used to account for services for which the City charges customers. Proprietary fund statements provide the same type of information shown in government-wide financial statements, only in more detail.

The City maintains one type of proprietary fund, an Enterprise Fund. This fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses one enterprise fund to account for its water operations, wastewater utility operations, and storm drainage.

**Fiduciary Funds** – are used to account for resources held in a trust or agency capacity. These funds cannot be used to support governmental activities. The City uses an Other Post Employment Benefit Trust Fund to account for and report resources that are required to be held and committed to a trust for members of the city-paid retiree health insurance benefit plan.

**Basis of Reporting** – The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current resources measurement focus and the modified accrual basis of accounting.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the government-wide and fund financial statements.

### **Other Information**

The Required Supplementary Information (RSI) section immediately follows the basic financial statements and accompanying notes to the financial statements section of this annual report. The City adopts an annual appropriated budget for the General Fund. The RSI section provides a comparison of revenues, expenditures, and other financing sources and uses of budgetary resources and demonstrates budgetary compliance for the General Fund and this section also provides a schedule of funding process for the retirement plan.

In addition, following the RSI section are other statements and schedules, including the combining statements for non-major governmental funds.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

### **Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. For the fiscal year ending September 30, 2021, the City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$353.2 million.

Below are summary highlights of the City's Net Position as of the end of fiscal year 2021 at September 30, 2021:

- Governmental Activities:
  - ❖ Current and Other Assets increased by \$21.5 million or 38.8% primarily from the net results of operations.

- ❖ Capital Assets increased by a net \$18.8 million or 13.4% at fiscal year-end. Capital outlay total \$12.6 million net of depreciation of \$6.0 million.
- ❖ Liabilities decreased by a net \$0.8 million or 1.0% as a result of debt service payments.
- Business-type Activities:
  - ❖ Current and Other Assets decreased by a \$12.3 million or 13.3% primarily from the net results of operations.
  - ❖ Capital Assets increased by a net \$39.8 million or 35.0%, primarily from wastewater projects.
  - ❖ Total liabilities increased by a net \$1.1 million or 2.8% primarily from an increase in accounts payable, and an increase in the Net Pension Liability.

The following table reflects a condensed summary of Statement of Net Position compared to prior year:

<b>City of Kyle, Texas</b> <b>Net Position Information</b> <b>For the Fiscal Year Ended September 30, 2021</b> <b>(With Comparative Totals for September 30, 2020)</b>						
	Government Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current & other assets	\$ 76,891,289	\$ 55,403,957	\$ 80,353,732	\$ 92,689,619	\$ 157,245,021	\$ 148,093,576
Capital assets	159,457,729	140,656,508	153,439,455	113,683,753	312,897,184	254,340,261
<b>Total assets</b>	<b>\$ 236,349,018</b>	<b>\$ 196,060,465</b>	<b>\$ 233,793,187</b>	<b>\$ 206,373,372</b>	<b>\$ 470,142,205</b>	<b>\$ 402,433,837</b>
Total Deferred Outflow of Resources						
Charge for Refunding Pension Plan	\$ 1,371,353	\$ 1,523,726	\$ -	\$ -	\$ 1,371,353	\$ 1,523,726
OPEB Plan	1,341,942	2,122,513	447,316	707,506	1,789,258	2,830,019
<b>Total Deferred</b>	<b>\$ 2,919,229</b>	<b>\$ 3,770,015</b>	<b>\$ 515,967</b>	<b>\$ 748,771</b>	<b>\$ 3,435,196</b>	<b>\$ 4,518,786</b>
Liabilities	\$ 9,888,377	\$ 4,833,370	\$ 5,421,113	\$ 3,614,404	\$ 15,309,490	\$ 8,447,774
Non-current liabilities	69,735,163	75,570,560	34,006,450	34,734,999	103,741,613	110,305,559
<b>Total liabilities</b>	<b>\$ 79,623,540</b>	<b>\$ 80,403,930</b>	<b>\$ 39,427,563</b>	<b>\$ 38,349,403</b>	<b>\$ 119,051,103</b>	<b>\$ 118,753,333</b>
Total Deferred Inflow of Resources						
Pension Plan	\$ 714,218	\$ 1,527,280	\$ 238,074	\$ 509,094	\$ 952,292	\$ 2,036,374
OPEB Plan	471,333	252,554	157,113	84,187	628,446	336,741
<b>Total Deferred</b>	<b>\$ 1,185,551</b>	<b>\$ 1,779,834</b>	<b>\$ 395,187</b>	<b>\$ 593,281</b>	<b>\$ 1,580,738</b>	<b>\$ 2,373,115</b>
Net investment in capital assets	\$ 120,764,221	\$ 88,141,295	\$ 133,371,226	\$ 113,365,561	\$ 254,135,447	\$ 201,506,856
Restricted	10,246,683	3,559,004	34,389,374	32,603,246	44,636,057	36,162,250
Unrestricted	27,448,254	25,946,417	26,725,803	22,210,652	54,174,057	48,157,069
<b>Total of Net Position</b>	<b>\$ 158,459,158</b>	<b>\$ 117,646,716</b>	<b>\$ 194,486,403</b>	<b>\$ 168,179,459</b>	<b>\$ 352,945,561</b>	<b>\$ 285,826,175</b>

The largest portion of the City's \$353.2 million net position includes \$254.1 million or 71.9% is its investment in capital assets (e.g., land, buildings, machinery, and equipment); less depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of depreciation and related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another major portion of the City's \$353.2 million net position is its restricted resources totaling \$44.6 million or 12.6% to be used for capital improvements. The City's \$353.2 million net position also includes resources restricted for special purposes such as for the municipal court and law enforcement in the amount of \$0.15 million or 0.04% and \$3.5 million or 1.0% for debt service. The remaining balance of the City's \$353.2 million net position comprised of unrestricted resources totaling \$54.5 million or 15.4% which may be used to meet future obligations of the City of Kyle.

### **Changes in Net Position**

The following table provides a summary of activities that resulted in the changes to the City's Net Position compared to prior year.

This section intentionally left blank.

City of Kyle, Texas						
Changes in Net Position Information						
For the Fiscal Year Ended September 30, 2021						
(With Comparative Totals for September 30, 2020)						
	Government Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>Revenue</b>						
Program Revenue						
Charges for services	\$ 17,024,957	\$ 12,300,081	\$ 27,494,502	\$ 22,055,944	\$ 44,519,459	\$ 34,356,025
Operating grants and contributions	3,423,456	699,379	-	-	3,423,456	699,379
Capital grants and contributions	-	-	17,391,414	18,192,893	17,391,414	18,192,893
General Revenue						
Property taxes	20,644,058	19,336,624	-	-	20,644,058	19,336,624
Sales tax	12,301,248	9,991,380	-	-	12,301,248	9,991,380
Franchise tax	2,621,203	2,511,177	-	-	2,621,203	2,511,177
Other taxes	529,112	335,852	-	-	529,112	335,852
Contributions						
not restricted	9,440,632	5,157,700	-	-	9,440,632	5,157,700
Investment earnings	250,420	914,674	-	-	250,420	914,674
Miscellaneous	54,579	2,374,550	12,363,714	6,122,089	12,418,293	8,496,639
<b>Total Revenue</b>	<b>\$ 66,289,665</b>	<b>\$ 53,621,417</b>	<b>\$ 57,249,630</b>	<b>\$ 46,370,926</b>	<b>\$ 123,539,295</b>	<b>\$ 99,992,343</b>
<b>Expense</b>						
General government	\$ 10,763,625	\$ 8,226,389	\$ -	\$ -	\$ 10,763,625	\$ 8,226,389
Public safety	9,403,212	8,634,600	-	-	9,403,212	8,634,600
Public works	10,259,709	9,574,918	-	-	10,259,709	9,574,918
Culture/Recreation	3,430,725	3,068,119	-	-	3,430,725	3,068,119
Interest on long term debt	2,540,033	2,080,570	-	-	2,540,033	2,080,570
Issuance Costs	-	-	-	-	-	-
Other debt service	-	-	-	-	-	-
Water	-	-	11,568,421	9,508,863	11,568,421	9,508,863
Wastewater	-	-	6,924,003	5,195,720	6,924,003	5,195,720
Storm Drainage	-	-	1,530,242	1,308,091	1,530,242	1,308,091
<b>Total Expenses</b>	<b>\$ 36,397,304</b>	<b>\$ 31,584,596</b>	<b>\$ 20,022,666</b>	<b>\$ 16,012,674</b>	<b>\$ 56,419,970</b>	<b>\$ 47,597,270</b>
Change in net position before Transfers	\$ 29,892,361	\$ 22,036,821	\$ 37,226,964	\$ 30,358,252	\$ 67,119,325	\$ 52,395,073
Transfers (net)	10,920,018	1,677,467	(10,920,018)	(1,677,467)	-	-
Change in net position	40,812,379	23,714,288	26,306,946	28,680,785	67,119,325	52,395,073
Net position - beginning	117,646,779	93,932,427	168,179,458	139,498,675	285,826,237	233,431,102
Net position - ending	<u>\$ 158,459,158</u>	<u>\$ 117,646,715</u>	<u>\$ 194,486,404</u>	<u>\$ 168,179,460</u>	<u>\$ 352,945,562</u>	<u>\$ 285,826,175</u>



**Governmental Activities – Government-wide Statements**

**Governmental activities** increased the City’s net position by \$40.8 million. Key elements of this change in net position are explained below:

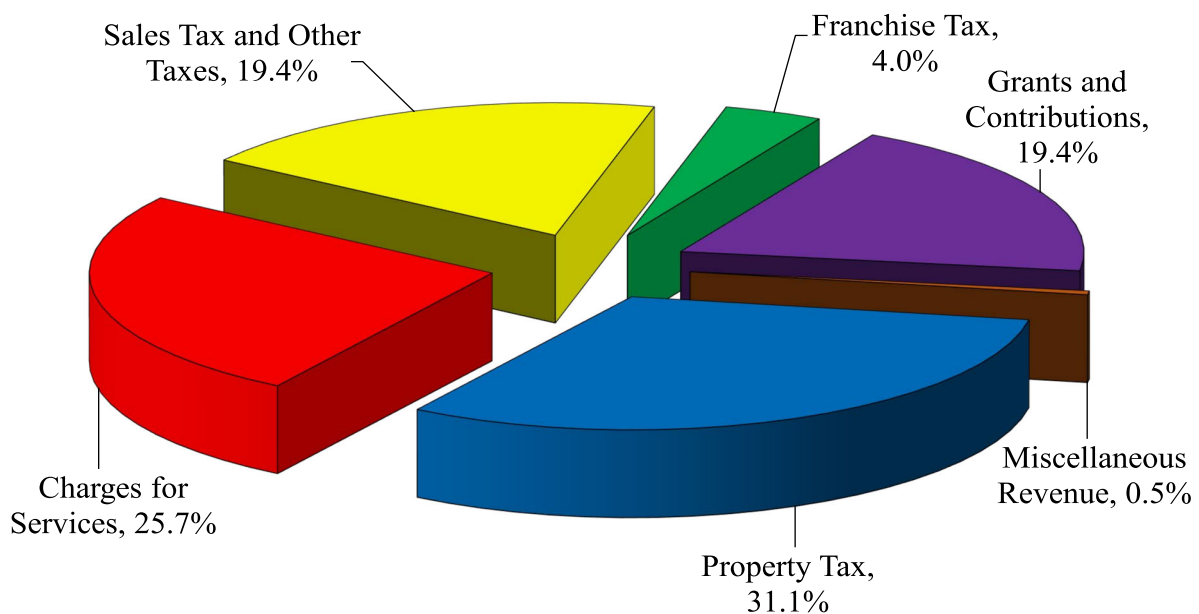
**Program Revenue.** Total program revenue, which are charges for services, operating grants/contributions and capital grants/contributions increased by approximately \$7.4 million from the prior year due mainly to net increase in charges for services of \$4.7 million and net increase in operating and capital grants/contributions of \$2.7 million.

**General Revenue.** Property taxes, sales tax, franchise fees, and other taxes increased by \$3.9 million or 12.2%. Property tax increased by \$1.3 million or 6.8%, sales tax increased by \$2.3 million or 23.1%, investment earnings decreased by \$0.66 million or 72.6% and other taxes increased by \$0.19 million or 57.5% from the prior fiscal year.

**Expenses.** Governmental expenses resulted in an overall increase of \$4.8 million or 15.2% compared to the prior year. Following are the main reasons for the increase in expenditures:

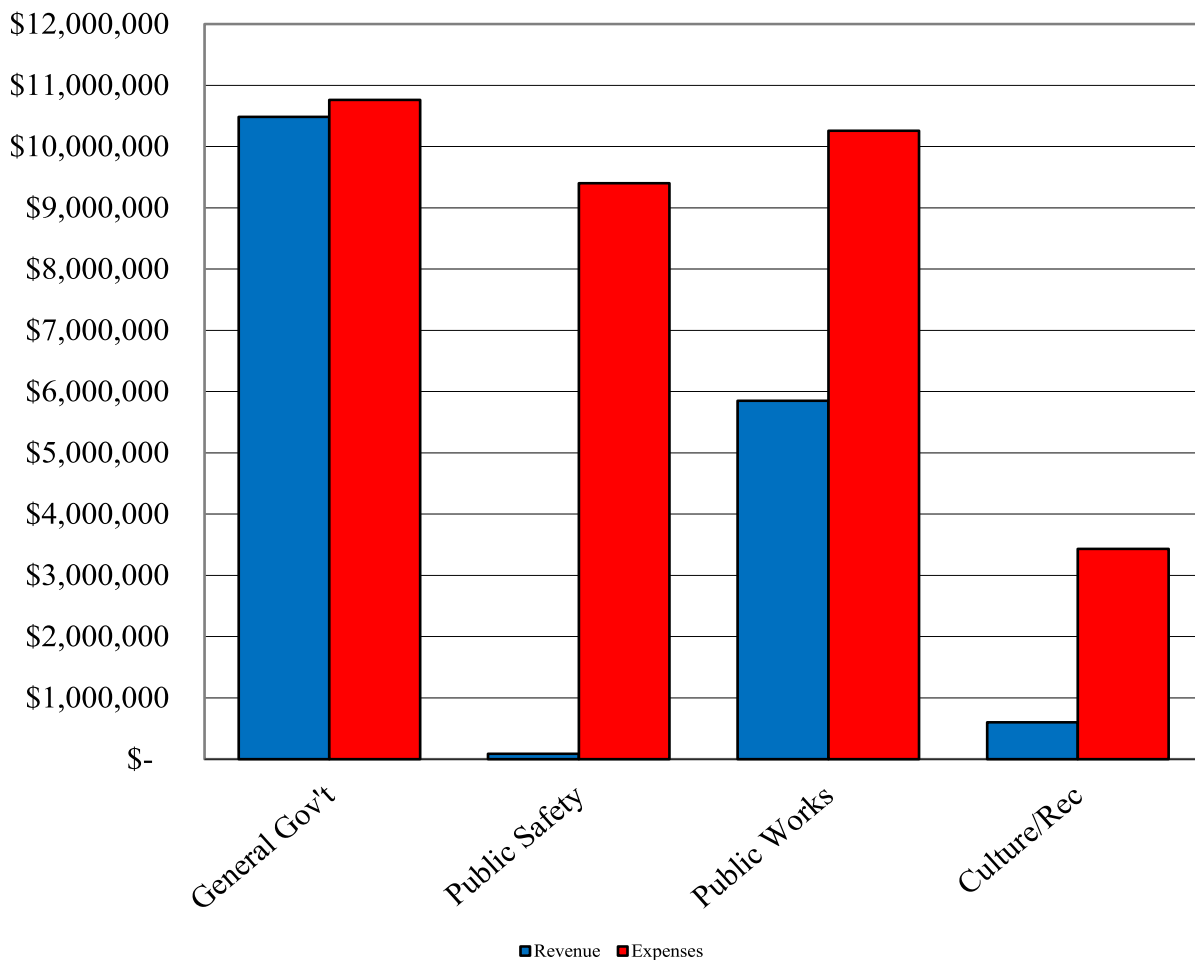
- General Government increased by \$2.5 million or 30.8%.
- Public Safety increased by \$0.77 million or 8.9%. This increase is due to the addition of new staff in Public Safety.
- Public Works increased by \$0.68 million or 7.2%. This increase is the result of increase in operating costs associated with sanitation and recycling services.
- Culture and Recreation increased by \$0.36 million or 11.8% and Bond Interest increased by \$0.46 million or 22.1%.
- Water, Wastewater, and Storm Drainage funds increased by \$2.1 million or 21.7%.
- The legal level of budgetary control is maintained at the function level.

**Revenue by Source - Governmental Activities**



- As shown in the above chart, the primary sources of revenue for governmental activities are from property taxes (\$20.6 million or 31.1%), charges for services (\$17.0 million or 25.7%), and sales and other tax (\$12.8 million or 19.4%).
- Charges for services include revenue sources such as fees for building inspections, plan review, recreational program fees, trash collection charges, etc.
- Revenue from property taxes increased by \$1.3 million or 6.8% between 2020 and 2021. This increase is due to the increase in the certified tax roll for taxable assessed valuations from \$3.65 billion in 2020 to \$3.71 billion in 2021. The property tax rate adopted effective October 2020 (fiscal year 2021) was \$0.5201 per \$100 of assessed valuation which is a decrease of \$0.0215 from the previous year.
- Sales and other taxes which represented \$12.8 million or 19.4% of total revenue for governmental activities increased from the prior year.

### Program Revenue and Expenses - Governmental Activities

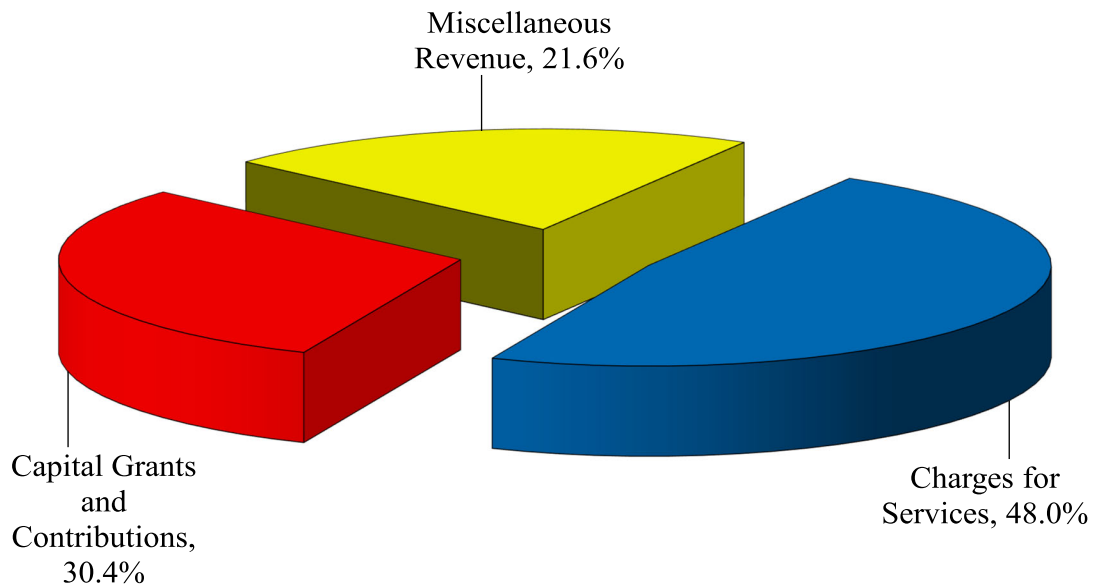


- Based on the chart above General Government is the largest expense function (\$10.8 million or 31.8%). This is followed by Public Works (\$10.3 million or 30.3%), Public Safety (\$9.4 million or 27.8%), and Culture/Recreation (\$3.4 million or 10.1%).
- Interest on Debt and Other Debt Fees do not have a source of program revenue so they are not included in the above chart. The balance of funding for all of the above activities comes from property, sales and other taxes, investment income and transfers from other funds.

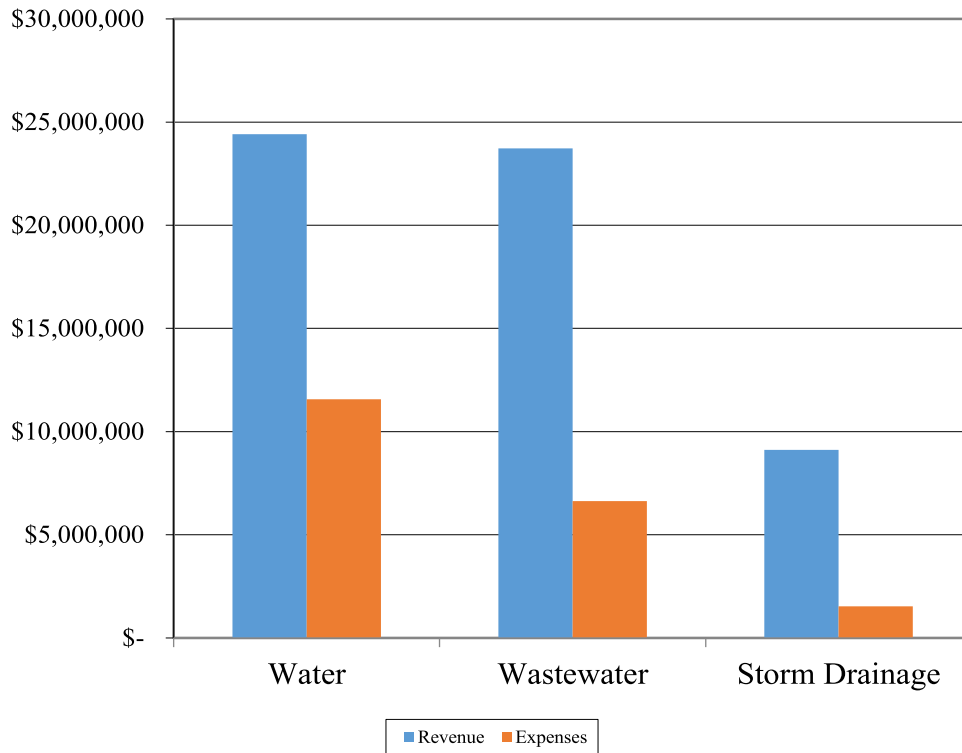
**Business-Type Activities – Government-wide Statements**

**Business-type activities** increased the City’s net position by \$26.6 million in fiscal year 2021. This was the net result of \$57.2 million in revenue, \$19.7 million in expenses, and \$10.9 million in transfers out. The two charts below provide similar information as shown previously but only for business-type activities instead of governmental activities.

**Revenue by Source - Business-Type Activities**



**Direct Program Revenue and Expenses - Business-Type Activities**



**Revenue.** Charges for services revenue for business-type activities include City's Water, Wastewater and Storm Drainage Utility operations which increased from the prior year. Revenue from charges for services increased by \$5.4 million or 24.7% from the prior year due to the addition of new customers. Contributions for capital grants decreased by \$0.8 million as compared to the previous year.

**Expenses.** Business-type expenses totaled \$20.0 million, an overall increase of \$4.0 million or 25.0% from the prior fiscal year.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS**

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The City reports the following types of governmental funds: the general fund, special revenue funds, debt service funds, and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available at the end of the fiscal year.

As of September 30, 2021, the City's governmental funds reported combined ending fund balance of \$65.7 million. Of this amount \$44.7 million is restricted and the remaining \$21.0 million is unassigned fund balance available for future obligations.

**General Fund** – The General Fund is the primary operating fund of the City. On September 30, 2021, the unassigned fund balance totaled \$21.0 million. The unassigned General Fund Balance decreased by \$0.3 million or 1.5% at September 30, 2021 as compared to the prior fiscal year primarily due a combination of increase in revenue and reduction in budgeted expenditures. The current year tax collection rate was 99.7% of the levy.

Overall, total General Fund revenue increased by \$6.8 million or 20.2% and actual expenditures increased by approximately \$6.4 million or 20.2% during fiscal year 2021 as compared to the prior fiscal year 2020. General government functions, which serves as a roll-up for non-specific activities, increased by \$3.2 million or 48.5% over the prior year. Public Safety increased by \$0.8 million or 9.6%, Culture/Recreation increased by \$0.4 million or 13.7% and Public Works increased by \$0.4 million or 7.2%. The increase was mainly due to increases to non-CIP capital outlay items.

**Budget Variances.** All expenditures for the City's General Fund functions and activities were within adopted budget appropriations for fiscal year 2021. The following two charts illustrate first, a breakdown of general governmental activity revenue by source and second, a comparison of program revenue and expenditures by function.

The Debt Service Fund is used to account for financial activity related to the City's general bonded indebtedness, as well as other long-term obligations. Revenues from property taxes used for Debt Service remained steady at \$8.0 million in 2021. The related debt service also remained steady at \$8.1 million, which is primarily attributable to outstanding debt in 2021.

The Capital Projects Funds are used to account for financial activity related to the City indebtedness for Capital Projects, other City contributions, and the operating activities of those projects. During 2021, fund balance increased by \$4.6 million. The increase in the Capital Projects was mainly due to fund the following projects: (i) paying professional services to plan, design, the acquisition of rights-of-way and the construction and improvement of the following City streets: North Burleson Street, Lehman Road, and construction of the Kyle Public Safety Center was offset by total transfers in of \$10.4 million used to fund these capital projects.

**Other Governmental Funds** – In addition to the General Fund, Governmental Funds include Special Revenue Funds, Debt Service Fund and Capital Projects Funds. As of September 30, 2021, the all Other Governmental Funds reported combined ending fund balance of \$12.2 million. Please refer to Exhibit C-3 on pages 24 and 25 and Exhibit H-2 on pages 81 through 84 of the financial statements for detailed information pending to changes in fund balances for Governmental Funds.

### Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The City accounts for its Water, Wastewater Utility, and Storm Drainage operations in an Enterprise Fund within the Proprietary Fund category for business-type activities.

Operating revenue for the water fund showed a \$7.0 million or 31.6% increase from the prior year, the operating revenue for the wastewater fund showed a \$4.0 million or 49.7% increase from the previous year. The storm drainage fund showed an \$0.1 million or 6.4% increase from the previous year. Factors that

contributed to the increase in net position are discussed in the business-type activities section of the government-wide statements.

**CAPITAL ASSET AND DEBT MANAGEMENT**

**Capital Assets**

The City of Kyle's investment in capital assets for its governmental and business type activities as of September 30, 2021, totaled \$312.9 million (net of accumulated depreciation). This investment in capital assets include land, buildings and improvements, equipment, vehicles, infrastructure, and construction in progress. The total increase in the City of Kyle's investment in capital assets for the fiscal year ended September 30, 2021 was \$58.6 million or 23.0% from the prior year.

The following table summarizes the City of Kyle's investment in capital assets:

<b>City of Kyle, Texas</b> <b>Capital Assets Information</b> <b>September 30, 2021</b> <b>(With Comparative Totals for September 30, 2020)</b>						
	Government Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,479,997	\$ 4,208,810	\$ 691,935	\$ 691,935	\$ 5,171,932	\$ 4,900,745
Buildings	17,724,463	17,664,927	3,139,171	3,113,623	20,863,634	20,778,550
Improvements other than buildings	4,712,632	4,712,632	135,255,761	117,845,647	139,968,393	122,558,279
Machinery and equipment	8,208,663	6,244,237	4,281,970	4,217,933	12,490,633	10,462,170
Infrastructure	164,925,829	145,313,952	-	-	164,925,829	145,313,952
Construction in Progress	25,334,492	22,435,955	47,154,890	21,016,639	72,489,382	43,452,594
Less: Accumulated depreciation	(65,928,346)	(59,924,006)	(37,084,271)	(33,202,024)	(103,012,617)	(93,126,030)
<b>Total</b>	<b>\$ 159,457,729</b>	<b>\$ 140,656,507</b>	<b>\$ 153,439,456</b>	<b>\$ 113,683,753</b>	<b>\$ 312,897,185</b>	<b>\$ 254,340,260</b>

Significant changes in capital asset balances during the fiscal year resulted from the following events:

- Parks and Public Safety Center improvements totaled approximately \$3.5 million for the year.
- Design and right-of-way acquisition primarily completed for the road projects.
- Contributed capital is \$17.0 million in the Business-Type Activities and \$12.0 million in the Government Activities.

Detailed information on capital asset activity for the fiscal year ended September 30, 2021 is provided in Note D to the Financial Statements on pages 47 to 49.

**Debt Management**

At September 30, 2021, the City's net outstanding debt totaled \$98.7 million. This is an decrease of approximately \$7.1 million.

The City's bond rating was maintained at AA- by Standard & Poor's rating agency based on the City's strong liquidity and financial position, stable economic growth outlook in Kyle, and the City's strong financial management conditions due largely to its financial management practices.

The City of Kyle currently does not have any outstanding debt associated with special assessments such as for Public Improvement District bonds.

The table below summarizes the status of the City's outstanding debt (principal amount only) as of September 30, 2021, with a comparison of outstanding debt from the prior year. In addition, please refer to Note F – Long-Term Liabilities on page 50 in the Notes to the Financial Statement for detailed information on the changes in long-term debt.

City of Kyle, Texas Outstanding Debt Information September 30, 2021 (With Comparative Totals for September 30, 2020)						
	Government Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Debt obligations	\$ 63,840,000	\$ 69,865,000	\$ 27,990,000	\$ 28,330,000	\$ 91,830,000	\$ 98,195,000
Premium on bonds	2,065,146	2,169,110	5,477,931	5,488,192	7,543,077	7,657,302
Capital lease - Plant	-	-	-	-	-	-
<b>Total</b>	<b>\$ 65,905,146</b>	<b>\$ 72,034,110</b>	<b>\$ 33,467,931</b>	<b>\$ 33,818,192</b>	<b>\$ 99,373,077</b>	<b>\$ 105,852,302</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

**Local Economy and Outlook**

The City of Kyle residents enjoy a vibrant local economy and an excellent quality of life. Among the many factors attributing to the vibrancy of Kyle include a high per capita household income, low unemployment rate, educated workforce, employment growth, and the continued addition of new businesses in the consumer, medical, and light manufacturing sectors.

All leading indicators during fiscal year 2021 showed that the City of Kyle's local economy has fully recovered and the outlook over the next year's budget development cycle is that of continued growth.

Among the major indicators of a stable yet an expanding local economy include growth in population, building permits, taxable valuations, property tax collection rate, and the trend for sales tax collections.

Accordingly, we are pleased to report the following trends in the economic indicators for the fiscal year ended September 30, 2021:

- 8.9% increase in taxable assessed property valuations from the prior year.
- 98.5% annual property tax collection rate.
- 7.1% projected annual increase in population through the year 2021.
- City-wide Beautification Programs
- Economic Development Initiatives & Programs
- Uptown Development Programs
- Downtown Revitalization Program
- Parks & Trail System Improvement Programs
- Public Safety Program Initiatives
- Street Maintenance & Reconstruction Programs
- Storm Drainage Improvement & Flood Risk Mitigation Programs
- Water and Wastewater Infrastructure Improvement & Expansion Programs

<b>Variations in Budget Appropriations</b>			
<b>General Fund (Budgetary Basis) - Expenditures</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Results</b>
General Government	\$ 8,997,176	\$ 9,036,751	\$ 9,697,618
Public Safety	9,743,300	9,823,300	9,108,931
Public Works	6,066,087	6,066,087	5,285,141
Culture and Recreation	3,301,444	3,301,444	2,937,790
Capital Outlay	2,223,169	2,521,226	1,951,095
	<u>\$ 30,331,176</u>	<u>\$ 30,748,808</u>	<u>\$ 28,980,575</u>

Changes in original budget appropriations to the final amended budget appropriations resulted in a net \$0.42 million increase in appropriations. This increase can be summarized by the following:

- Public Safety increased by approximately \$80,000 due to budget amendments and due to rollover from prior year appropriations.
- General Government and Capital Outlay had a net change of approximately \$337,600 increase to adjusted appropriated balances to meet changing needs of the City throughout the year.

**Next Year's Budget**

The fiscal year 2022 adopted budget totals \$169.7 million and includes \$41.7 million for the General Fund to provide public safety, code enforcement, parks, street maintenance, library, and other municipal services to the citizens of Kyle.

The fiscal year 2022 Budget was adopted with a property tax rate of \$0.5082 per \$100 of assessed taxable valuation. This is a reduction of \$0.0119 per \$100 in the property tax rate as compared to the prior fiscal year. The fiscal year 2022 adopted budget makes significant investment totaling \$70.0 million in the City's capital improvements program. The budget provides for an average 7.3 percent pay increase for civil service employees (police officers), a 5.5 percent pay increase for civilian City employees, compliance with the meet and confer requirements for civil service employees, addition of new positions for police officers,



library, public works, code enforcement, and emergency dispatch operations. The budget also provides for new vehicles, trucks, and heavy equipment.

The adopted budget for fiscal year 2022 included a 10.0 percent rate increase for water services and a 2.5 percent rate increase for solid waste collection service based on the contract terms entered into by the City with Texas Disposal Systems.

**REQUESTS FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Kyle's Director of Finance, 100 West Center St., Kyle, Texas 78640.



# BASIC FINANCIAL STATEMENTS



CITY OF KYLE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Pooled Cash and Investments	\$ 44,501,607	\$ 29,358,690	\$ 73,860,297
Restricted Pooled Cash and Cash Equivalents	24,371,384	47,789,076	72,160,460
Receivable (Net)	6,544,952	3,394,958	9,939,910
Internal Balances	510,525	(510,525)	-
Prepaid Items	8,101	3,293	11,394
Capital Assets:			
Nondepreciable, Capital Assets	29,814,489	47,846,824	77,661,313
Capital Assets - Net of Accumulated Depreciation,	129,643,240	105,592,631	235,235,871
Net OPEB Asset	954,722	318,240	1,272,962
Total Assets	<u>236,349,020</u>	<u>233,793,187</u>	<u>470,142,207</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge for Refunding	1,371,353	-	1,371,353
Deferred Outflow Related to Pension Plan	1,341,942	447,316	1,789,258
Deferred Outflow Related to OPEB Plan	205,934	68,651	274,585
Total Deferred Outflows of Resources	<u>2,919,229</u>	<u>515,967</u>	<u>3,435,196</u>
<b>LIABILITIES</b>			
Accounts Payable	2,882,751	3,547,559	6,430,310
Wages and Salaries Payable	405,000	140,340	545,340
Contracts Payable	198,665	-	198,665
Customer Deposits	6,677	938,126	944,803
Accrued Interest Payable	291,999	290,088	582,087
Unearned Revenues	5,995,553	-	5,995,553
Other Current Liabilities	2,166	-	2,166
Liabilities Payable from Restricted Assets	105,566	-	105,566
Noncurrent Liabilities:			
Debt Due Within One Year	5,489,999	505,000	5,994,999
Due in More Than One Year:			
Bonds Payable - Noncurrent	60,415,148	32,962,931	93,378,079
Compensated Absences Payable	1,280,003	193,514	1,473,517
Net Pension Liability	2,550,013	850,005	3,400,018
Total Liabilities	<u>79,623,540</u>	<u>39,427,563</u>	<u>119,051,103</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	714,218	238,074	952,292
Deferred Inflow Related to OPEB Plan	471,333	157,113	628,446
Total Deferred Inflows of Resources	<u>1,185,551</u>	<u>395,187</u>	<u>1,580,738</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	120,764,221	133,371,226	254,135,447
Restricted:			
Restricted for Capital Acquisition	-	34,389,374	34,389,374
Restricted for Debt Service	3,484,744	-	3,484,744
Restricted for Tourism and Other Purposes	6,761,939	-	6,761,939
Unrestricted Net Position	27,448,254	26,725,803	54,174,057
Total Net Position	<u>\$ 158,459,158</u>	<u>\$ 194,486,403</u>	<u>\$ 352,945,561</u>

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

CITY OF KYLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 10,763,625	\$ 10,484,378	\$ 2,031,502	\$ -
Public Safety	9,403,212	86,034	13,948	-
Public Works	10,259,709	5,852,304	1,378,006	-
Culture and Recreation	3,430,725	602,241	-	-
Interest on Debt	2,540,033	-	-	-
Total Governmental Activities	<u>36,397,304</u>	<u>17,024,957</u>	<u>3,423,456</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:				
Water Fund	11,568,421	15,365,035	-	4,018,028
Wastewater Fund	6,924,003	10,425,861	-	5,962,714
Storm Drainage Fund	1,530,242	1,703,606	-	7,410,671
Total Business-Type Activities	<u>20,022,666</u>	<u>27,494,502</u>	<u>-</u>	<u>17,391,414</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 56,419,970</u>	<u>\$ 44,519,459</u>	<u>\$ 3,423,456</u>	<u>\$ 17,391,414</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes  
Property Taxes, Levied for Debt Service  
General Sales and Use Taxes  
Franchise Tax  
Other Taxes

Grants and Contributions  
Miscellaneous Revenue  
Investment Earnings  
Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 1,752,255	\$ -	\$ 1,752,255
(9,303,230)	-	(9,303,230)
(3,029,399)	-	(3,029,399)
(2,828,484)	-	(2,828,484)
(2,540,033)	-	(2,540,033)
(15,948,891)	-	(15,948,891)
-	7,814,642	7,814,642
-	9,464,572	9,464,572
-	7,584,035	7,584,035
-	24,863,250	24,863,250
(15,948,891)	24,863,250	8,914,359
12,532,873	-	12,532,873
8,111,185	-	8,111,185
12,301,248	-	12,301,248
2,621,203	-	2,621,203
529,112	-	529,112
9,440,632	-	9,440,632
54,579	12,363,714	12,418,293
250,420	-	250,420
10,920,018	(10,920,018)	-
56,761,270	1,443,696	58,204,966
40,812,379	26,306,946	67,119,325
117,646,779	168,179,458	285,826,237
<u>\$ 158,459,158</u>	<u>\$ 194,486,403</u>	<u>\$ 352,945,561</u>

CITY OF KYLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Capital Projects
<b>ASSETS</b>			
Pooled Cash and Investments	\$ 16,525,283	\$ -	\$ 13,387,161
Restricted Pooled Cash and Cash Equivalents	-	3,541,978	10,860,018
Receivable (Net)	6,285,259	130,197	-
Due from Other Funds	510,704	-	-
Prepaid Items	8,101	-	-
<b>Total Assets</b>	<b>\$ 23,329,347</b>	<b>\$ 3,672,175</b>	<b>\$ 24,247,179</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,037,158	\$ 73,363	\$ 981,874
Wages and Salaries Payable	405,006	-	-
Contracts Payable	198,665	-	-
Customer Deposits	6,677	-	-
Due to Other Funds	179	-	-
Unearned Revenues	-	-	-
Other Current Liabilities	2,166	-	-
Liabilities Payable from Restricted Assets	105,566	-	-
<b>Total Liabilities</b>	<b>1,755,417</b>	<b>73,363</b>	<b>981,874</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	138,421	114,068	-
Unavailable Revenue - Local Grant	409,800	-	-
<b>Total Deferred Inflows of Resources</b>	<b>548,221</b>	<b>114,068</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
Prepaid Items	8,101	-	-
Restricted Fund Balance:			
Restricted Fund Balance - Tourism and Other	-	-	-
Restricted Fund Balance - Debt Service	-	3,484,744	-
Restricted Fund Balance - Capital Projects	-	-	23,265,305
Unassigned Fund Balance	21,017,608	-	-
<b>Total Fund Balances</b>	<b>21,025,709</b>	<b>3,484,744</b>	<b>23,265,305</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 23,329,347</b>	<b>\$ 3,672,175</b>	<b>\$ 24,247,179</b>

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

Other Funds	Total Governmental Funds
\$ 14,589,163	\$ 44,501,607
9,969,388	24,371,384
129,496	6,544,952
-	510,704
-	8,101
<u>\$ 24,688,047</u>	<u>\$ 75,936,748</u>
\$ 790,356	\$ 2,882,751
(6)	405,000
-	198,665
-	6,677
-	179
5,995,553	5,995,553
-	2,166
-	105,566
<u>6,785,903</u>	<u>9,596,557</u>
-	252,489
-	409,800
-	662,289
-	8,101
6,763,181	6,763,181
-	3,484,744
11,140,205	34,405,510
(1,242)	21,016,366
<u>17,902,144</u>	<u>65,677,902</u>
<u>\$ 24,688,047</u>	<u>\$ 75,936,748</u>

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CITY OF KYLE  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2021

<b>Total Fund Balances - Governmental Funds</b>	\$	65,677,902
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		95,617,730
Some assets, liabilities and deferred outflows/inflows, reported in the statement of net position do not require the use or provide current financial resources and, therefore, are not reported in the balance sheet in governmental funds.		(2,836,474)
Deferred Charge on Refunding	\$1,371,353	
Unamortized Premiums	(2,065,148)	
Net Pension Liability	(2,550,013)	
Deferred Inflows Property Tax	252,489	
Compensated Absences	(1,280,003)	
Pension Plan Deferred Inflows	(1,266,437)	
Pension Plan Deferred Outflows	1,894,161	
Deferred Inflow sand Unearned Revenue	409,800	
Interest Accrual	(291,999)	
Net OPEB Asset	954,722	
OPEB Plan Deferred Outflows	205,934	
OPEB Plan Deferred Inflows	(471,333)	
Subtotal	<u>\$(2,836,474)</u>	
 <b>Net Position of Governmental Activities</b>	 \$	 <u>158,459,158</u>

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

CITY OF KYLE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Capital Projects
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 12,164,339	\$ 7,997,117	\$ -
General Sales and Use Taxes	12,301,248	-	-
Franchise Tax	2,548,204	-	-
Other Taxes	76,847	-	-
Licenses and Permits	5,267,211	-	-
Intergovernmental Revenue and Grants	7,093	-	1,366,006
Charges for Services	5,942,783	-	-
Fines	441,715	-	-
Special Assessments	-	-	-
Investment Earnings	250,505	-	-
Contributions & Donations from Private Sources	35,050	-	-
Other Revenue	1,798,159	-	6,177
Total Revenues	<u>40,833,154</u>	<u>7,997,117</u>	<u>1,372,183</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	9,697,619	-	183,948
Public Safety	9,108,931	-	-
Public Works	5,285,141	-	-
Culture and Recreation	2,937,790	-	-
Debt Service:			
Principal on Debt	-	5,610,001	-
Interest on Debt	-	2,520,523	-
Cost of Issuance	-	107,382	-
Capital Outlay:			
Capital Outlay	1,951,095	-	7,093,957
Total Expenditures	<u>28,980,576</u>	<u>8,237,906</u>	<u>7,277,905</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,852,578</u>	<u>(240,789)</u>	<u>(5,905,722)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of Bonds	-	4,175,000	-
Transfers In	4,464,571	3,083,836	13,723,000
Premium or Discount on Issuance of Bonds	-	562,002	-
Transfers Out (Use)	(16,649,518)	(1,238,862)	(3,250,000)
Payment to Escrow	-	(4,629,620)	-
Total Other Financing Sources (Uses)	<u>(12,184,947)</u>	<u>1,952,356</u>	<u>10,473,000</u>
Net Change in Fund Balances	(332,369)	1,711,567	4,567,278
Fund Balance - October 1 (Beginning)	21,358,078	1,773,177	18,698,027
Fund Balance - September 30 (Ending)	<u>\$ 21,025,709</u>	<u>\$ 3,484,744</u>	<u>\$ 23,265,305</u>

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

Other Funds	Total Governmental Funds
\$ 230,113	\$ 20,391,569
-	12,301,248
72,999	2,621,203
452,265	529,112
-	5,267,211
2,050,357	3,423,456
2,660,658	8,603,441
-	441,715
862,308	862,308
(85)	250,420
-	35,050
10,896	1,815,232
<u>6,339,511</u>	<u>56,541,965</u>
1,295,628	11,177,195
4,300	9,113,231
-	5,285,141
30,958	2,968,748
-	5,610,001
-	2,520,523
-	107,382
<u>3,570,577</u>	<u>12,615,629</u>
4,901,463	49,397,850
<u>1,438,048</u>	<u>7,144,115</u>
-	4,175,000
11,593,276	32,864,683
-	562,002
(806,285)	(21,944,665)
-	(4,629,620)
<u>10,786,991</u>	<u>11,027,400</u>
12,225,039	18,171,515
<u>5,677,105</u>	<u>47,506,387</u>
<u>\$ 17,902,144</u>	<u>\$ 65,677,902</u>

CITY OF KYLE  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	18,171,515
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase (decrease) the change in net position.		18,225,629
Capital Outlay	\$12,165,629	
Debt Service Payments	5,610,000	
Issued Refunding Bonds	4,175,000	
Premium on Issuance	454,620	
Payments to Escrow	<u>(4,629,620)</u>	
Total	<u>\$18,225,629</u>	
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(6,004,340)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		10,419,575
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>40,812,379</u></b>

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

CITY OF KYLE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
<b>ASSETS</b>				
Current Assets:				
Pooled Cash and Investments	\$ 14,962,032	\$ 11,930,310	\$ 2,466,348	\$ 29,358,690
Receivable (Net)	1,293,292	1,815,911	285,755	3,394,958
Due from Other Funds	54,644	1,219,848	4,063	1,278,555
Prepaid Items	1,235	1,108	950	3,293
Total Current Assets	<u>16,311,203</u>	<u>14,967,177</u>	<u>2,757,116</u>	<u>34,035,496</u>
Noncurrent Assets:				
Restricted Pooled Cash and Investments	12,165,234	35,623,842	-	47,789,076
Capital Assets:				
Nondepreciable, Capital Assets	3,886,034	43,757,679	203,111	47,846,824
Capital Assets - Net of Accumulated Depreciation	37,022,575	41,787,397	26,782,659	105,592,631
Net OPEB Asset	140,026	101,837	76,377	318,240
Total Noncurrent Assets	<u>53,213,869</u>	<u>121,270,755</u>	<u>27,062,147</u>	<u>201,546,771</u>
Total Assets	<u>69,525,072</u>	<u>136,237,932</u>	<u>29,819,263</u>	<u>235,582,267</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to Pension Plan	196,820	143,141	107,355	447,316
Related to OPEB Plan	30,207	21,967	16,477	68,651
Total Deferred Outflows of Resources	<u>227,027</u>	<u>165,108</u>	<u>123,832</u>	<u>515,967</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	105,925	3,433,181	8,453	3,547,559
Wages and Salaries Payable	156,798	134,506	42,550	333,854
Customer Deposits	572,455	365,671	-	938,126
Due to Other Funds	1,756,590	32,491	-	1,789,081
Accrued Interest Payable	-	290,088	-	290,088
Bonds Payable - Current	-	505,000	-	505,000
Total Current Liabilities	<u>2,591,768</u>	<u>4,760,937</u>	<u>51,003</u>	<u>7,403,708</u>
Noncurrent Liabilities:				
Bonds Payable - Noncurrent	-	32,962,931	-	32,962,931
Net Pension Liability	374,003	272,002	204,000	850,005
Total Noncurrent Liabilities	<u>374,003</u>	<u>33,234,933</u>	<u>204,000</u>	<u>33,812,936</u>
Total Liabilities	<u>2,965,771</u>	<u>37,995,870</u>	<u>255,003</u>	<u>41,216,644</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to Pension Plan	104,753	76,184	57,137	238,074
Related to OPEB Plan	69,128	50,278	37,707	157,113
Total Deferred Inflows of Resources	<u>173,881</u>	<u>126,462</u>	<u>94,844</u>	<u>395,187</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	40,908,609	65,476,847	26,985,770	133,371,226
Restricted for Capital Improvement - Impact Fee	12,165,234	22,224,140	-	34,389,374
Unrestricted Net Position	13,538,604	10,579,721	2,607,478	26,725,803
Total Net Position	<u>\$ 66,612,447</u>	<u>\$ 98,280,708</u>	<u>\$ 29,593,248</u>	<u>\$ 194,486,403</u>

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

CITY OF KYLE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 15,365,035	\$ -	\$ -	\$ 15,365,035
Charges for Sewerage Service	-	10,425,861	-	10,425,861
Storm Drainage Fee	-	-	1,703,606	1,703,606
Rents and Royalties	42,120	-	-	42,120
Contributions & Donations from Private Sources	500	1,500,000	-	1,500,500
Other Revenue	96,932	180,122	-	277,054
<b>Total Operating Revenues</b>	<b>15,504,587</b>	<b>12,105,983</b>	<b>1,703,606</b>	<b>29,314,176</b>
<b>OPERATING EXPENSES:</b>				
Personnel Services - Salaries and Wages	2,209,537	1,785,399	782,780	4,777,716
Purchased Professional & Technical Services	7,565,083	1,219,596	118,512	8,903,191
Other Operating Costs	514,108	333,427	5,020	852,555
Depreciation	1,279,693	1,978,624	623,930	3,882,247
<b>Total Operating Expenses</b>	<b>11,568,421</b>	<b>5,317,046</b>	<b>1,530,242</b>	<b>18,415,709</b>
Operating Income	3,936,166	6,788,937	173,364	10,898,467
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Other Non-Operating Revenues - Impact Fees	4,885,588	5,658,452	-	10,544,040
Interest Expense - Non-Operating	-	(1,606,957)	-	(1,606,957)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>4,885,588</b>	<b>4,051,495</b>	<b>-</b>	<b>8,937,083</b>
Income Before Contributions & Transfers	8,821,754	10,840,432	173,364	19,835,550
Capital Contributions	4,018,028	5,962,714	7,410,671	17,391,413
Transfers In	4,847,263	29,981,327	1,504,611	36,333,201
Transfers Out (Use)	(9,590,814)	(36,509,294)	(1,153,111)	(47,253,219)
<b>Change in Net Position</b>	<b>8,096,231</b>	<b>10,275,179</b>	<b>7,935,535</b>	<b>26,306,945</b>
Total Net Position - October 1 (Beginning)	58,516,216	88,005,529	21,657,713	168,179,458
Total Net Position - September 30 (Ending)	<b>\$ 66,612,447</b>	<b>\$ 98,280,708</b>	<b>\$ 29,593,248</b>	<b>\$ 194,486,403</b>

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

CITY OF KYLE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 15,760,023	\$ 11,615,928	\$ 1,682,330	\$ 29,058,281
Payments to Suppliers	(8,398,789)	(1,519,883)	(138,213)	(10,056,885)
Payment to Employees	(2,263,208)	(1,820,604)	(809,767)	(4,893,579)
Net cash provided by operating activities	\$ 5,098,026	\$ 8,275,441	\$ 734,350	\$ 14,107,817
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Payments (advances) from other funds	\$ 159,358	\$ (144,893)	\$ 2,621	\$ 17,086
Transfers in	4,847,263	29,981,327	1,504,611	36,333,201
Transfers out	(9,590,814)	(36,509,294)	(1,153,111)	(47,253,219)
Net cash provided (used) by non-capital financing activities	\$ (4,584,193)	\$ (6,672,860)	\$ 354,121	\$ (10,902,932)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Bond Payments	\$ -	\$ (60,173)	\$ -	\$ (60,173)
Purchase of Capital Assets	(1,887,686)	(22,770,959)	(203,114)	(24,861,759)
Interest expenses	-	(1,606,957)	-	(1,606,957)
Impact fees	4,885,588	5,658,452	-	10,544,040
Net cash provided (used) by capital and related financing activities	\$ 2,997,902	\$ (18,779,637)	\$ (203,114)	\$ (15,984,849)
Net increase (decrease) in cash and cash equivalents	\$ 3,511,735	\$ (17,177,056)	\$ 885,357	\$ (12,779,964)
Cash and cash equivalents - beginning of year	\$ 23,615,531	\$ 64,731,208	\$ 1,580,991	\$ 89,927,730
Cash and cash equivalents - end of year	\$ 27,127,266	\$ 47,554,152	\$ 2,466,348	\$ 77,147,766
Noncash flow information				
Capital Contribution	\$ 4,018,028	\$ 5,962,714	\$ 7,410,671	\$ 17,391,413
Capital Purchase in Accounts Payable	\$ -	\$ 1,384,776	\$ -	\$ 1,384,776

The notes to the Financial Statements are an integral part of this statement.

CITY OF KYLE, TEXAS  
STATEMENT OF CASH FLOWS - Continued  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 3,936,165	\$ 6,788,934	\$ 173,366	\$ 10,898,465
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	\$ 1,279,693	\$ 1,978,624	\$ 623,930	\$ 3,882,247
Changes in assets and liabilities				
Prepaid Items	\$ (408)	\$ (409)	\$ (1,210)	\$ (2,027)
Accounts receivable	195,335	(521,833)	(21,276)	(347,774)
Accounts payable	(319,190)	33,549	(13,471)	(299,112)
Wages and salaries payable	9,452	10,701	7,439	27,592
Customer deposits	60,101	31,778	-	91,879
OPEB Asset	(48,999)	(35,635)	(26,727)	(111,361)
Pension Liability	(29,393)	(21,376)	(16,033)	(66,802)
OPEB Liability	-	-	-	-
Deferred Outflows	102,432	74,498	55,874	232,804
Deferred Inflows	(87,162)	(63,390)	(47,542)	(198,094)
Net cash provided by operating activities	<u>\$ 5,098,026</u>	<u>\$ 8,275,441</u>	<u>\$ 734,350</u>	<u>\$ 14,107,817</u>

The notes to the Financial Statements are an integral part of this statement.



**City of Kyle**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**September 30, 2021**

	<b>OPEB</b>
	<b>Trust Fund</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 22,823
Investments	2,225,620
<b>Total assets</b>	<hr/> <b>\$ 2,248,443</b> <hr/>
 <b>LIABILITIES</b>	
Other liability	\$ -
<b>Total liabilities</b>	<hr/> <b>\$ -</b> <hr/>
 <b>NET POSITION</b>	
Net position restricted for OPEB	2,248,443
<b>Total net position</b>	<hr/> <b>\$ 2,248,443</b> <hr/>

**City of Kyle**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the years ended September 30, 2021**

	<u>OPEB</u> <u>Trust Fund</u>
<b>ADDITIONS</b>	
Contributions	\$ 156,500
Interest and dividends (includes fair value changes)	<u>366,166</u>
<b>Total Additions</b>	<u>\$ 522,666</u>
 <b>DEDUCTIONS</b>	
Benefit payments	\$ -
Administrative expenses	(19,003)
<b>Total Deductions</b>	<u>\$ (19,003)</u>
Change in net position	\$ 503,663
NET POSITION, beginning	<u>\$ 1,744,780</u>
NET POSITION, ending	<u><u>\$ 2,248,443</u></u>

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Kyle, Texas (the City) adopted a City Charter in October 2000. As a home rule form of government, the City Council determines policy. The City Manager is the Chief Administrator of the City and is appointed by the City Council. The City provides the following services: Public Safety, Street Maintenance, Refuse Collection, Recreation Programs, Municipal Court, Community Development, Public Improvements, Water and Wastewater Services and General Administrative Services.

**A. Reporting Entity**

The Mayor and Council are elected by the public and they have the authority to make decisions, appoint administrators and managers, and significantly influence operations. They also have the primary accountability for fiscal matters. Therefore, the City is a primary government as defined by the Governmental Accounting Standards Board ("GASB"). The accompanying financial statements comply with the provisions of GASB Statement No. 14 and 61. There are component units which satisfy requirements for blending within the City's financial statements.

As required by generally accepted accounting principles in the United States of America (GAAP), these basic financial statements present the City and its component units, entities for which the City is considered financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

**Blended component units** -- The City created Tax Increment Reinvestment Zone No. One (TIRZ #1), created in 2004 to expire in 31 years on a 475-acre underdeveloped contiguous area with the city limits was to facilitate a program of (1) public water distribution, wastewater collection and storm drainage facilities, (2) adequate roadway systems for mobility access and orderly development, and (3) to improve conditions that substantially impair and arrest the sound growth of the City. Although TIRZ #1 is a legally separate entity, it is, in substance, part of the City's operation for which the City is considered financially accountable. City management has operational responsibility for TIRZ #1, and the governing bodies of the two entities are substantively the same. Accordingly, TIRZ #1 is reported as a debt service fund in the City's financial statements.

The City of Kyle established Tax Increment Reinvestment Zone #2 in 2018 for 20 years on a 1,480-acre underdeveloped contiguous area within the city limits for the purpose of providing public improvements including (1) public water distribution, wastewater collection, and storm drainage facilities, (2) adequate roadway systems for mobility access, lighting, and economic development, and (3) parks, plazas, and other public spaces for public gatherings, community events, and community celebrations. The City of Kyle and Hays County are limited by the creation Ordinance to contribute only 50.0 percent of incremental property tax revenues assessed and collected within the boundaries of TIRZ #2. Although the TIRZ #2 is a legally separate entity, it is, in substance, part of the City's operations for which the City is considered financially accountable. City management has operational responsibility for TIRZ #2, and the governing bodies of the two entities are substantively the same. Accordingly, TIRZ #2 is reported as a special revenue fund in the City's financial statements.

Effective October 1, 2020, the City adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities.

The implementation of this statement requires the reporting of fiduciary activities in the fiduciary fund financial statements of the basic financial statements because (a) their related assets are controlled by the government or (b) fiduciary component units have been identified through the component unit evaluation.

In accordance with the provisions of GASB Statement No. 84, Fiduciary Activities, the City determined that reporting a statement of fiduciary net position and a statement of changes in fiduciary net position in the fiduciary fund financial statements of the basic financial statements would be appropriate for the Other Employee Benefit Trust Fund.

Except for the elimination of Agency Fund presentation, the implementation of GASB Statement No. 84 did not impact the presentation of the current financial statements as the City's Other Employee Benefit trust fund was previously reported as Fiduciary Activities.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**A. Reporting Entity (Cont'd)**

**Future GASB Statement Implementations**

GASB Statement No. 87, *Leases*, establishes criteria for a single model for lease accounting and financial reporting for state and local governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City has not yet determined the effect this Statement will have on its financial statements.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position reflects both short-term and long-term assets and liabilities, as well as deferred inflows and outflows. In the Government-wide Statement of Net Position, governmental activities are reported separately from business-type activities. Long term assets, such as capital assets, long-term obligations, such as debt, and any deferred inflows and outflows, are reported in the statement of net position. The components of Net Position are presented in three separate categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Interfund receivables and payables within governmental and business-type activities have been eliminated in the government-wide Statement of Net Position, which minimizes the duplication within the governmental and business-type activities. The net amount of interfund transfers or interfund receivables/payables between governmental, proprietary and fiduciary funds is the balance reported in the Statement of Net Position.

The Statement of Activities demonstrates how a given function or segment that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" columns include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue including contributions is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

The fund financial statements provide information on the financial position and the change in fund balance/net position for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which have no measurement focus. 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 revenue in the year for which they are levied as a lien attaches to the real property by operation of law. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental and fiduciary funds and between proprietary funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period they are both measurable and available. Revenues, other than grants, are considered to be available by the City when they are available and expected to be collected within the current budgetary periods or within 60 days thereafter, to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, regardless of the related cash flows. However, debt service expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when the liability is matured.

Revenues from local sources consist primarily of property taxes and sales taxes. Property, sales and other tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City's availability period is no more than 60 days beyond the end of the fiscal year. Revenues from state and federal grants are recorded as revenue when they are expected to be collected within the current budgetary period, or within 60 days thereafter, and all eligibility requirements have been met. Investment earnings are recorded as earned, since they are both measurable and available.

The Proprietary Funds and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred, regardless of the timing of the related cash flow. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into investment in capital assets, restricted, and unrestricted net position.

**D. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund balances and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the proceeds of revenue sources, those proceeds' restrictions or commitments for which they are to be spent and the means by which spending activities are controlled. The City has three types of funds: governmental, proprietary, and fiduciary. The fund financial statements provide more detailed information about the City's most significant funds, but not on the City as a whole. Major governmental and enterprise funds are reported separately in the fund financial statements. Nonmajor funds are aggregated in the fund financial statements and independently presented in the combining statements. The criteria used to determine if a governmental or

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**D. Fund Accounting (Cont'd)**

enterprise fund should be reported as a major fund are as follows: the total assets and deferred outflows of resources, the total liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10.0% of the corresponding element total for all funds of that category or type (that is, total governmental or total enterprise funds), and the same element that met the 10.0% criterion above in the governmental or enterprise fund is at least 5.0% of the corresponding element total for all governmental and enterprise funds combined.

The following is a brief description of the major governmental funds that are separately presented in the fund financial statements.

**The General Fund** - is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**The Debt Service Fund** - is used to account for debt service on bonded obligations of the City.

**The Capital Projects Fund** - is used to pay for professional services to plan, design, the acquisition for rights-of-way and the construction and improvement of the following City Streets: Bunton Creek Road, North Burleson Street, Goforth Road, Lehman Road, and Marketplace Avenue funded by issuance of 2013 General Obligation, 2008 Certificate of Obligation Fund, 2014 Tax Notes and 2015 General Obligation.

The City reports the following major enterprise funds:

**The Water Fund** - is used to account for the activities necessary for the provision of water services.

**The Wastewater Fund** – is used to account for the activities necessary for the provision of wastewater services.

**The Storm Drainage Fund** – is used to for the activities necessary for the provision of drainage improvement services and flood mitigation activities including capital improvements.

In addition, the City reports the following nonmajor fund types:

Governmental Funds:

**Capital Projects Funds** – are used to account for non major capital project funds and include the Park Development Fund, Road Improvements and the Transportation Fund.

**Special Revenue Funds** - are used to account for funds restricted to, or designated for, special purposes by the City or a grantor.

**Fiduciary Funds** - are used to account for resources held for others in a custodial capacity. The City's Trust fund is the Other Post Employment Benefits Fund (Retiree Health Insurance). The other post-employment benefit trust fund is used to account for the accumulation of resources for post-employment benefits to qualified plan participants.

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance**

**Cash and Cash Equivalents**

For purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents include cash, demand and time deposits and investments with a maturity date within three months of the date acquired by the City.

**Investments**

The City's investment practices are governed by state statutes and by the City's own investment policy. City cash is required to be deposited in Federal Insurance Corporations (FDIC) insured banks. A pooled cash strategy is utilized which enabled the City to have one central depository.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Cont'd)**

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or, (b) secured by obligations that are described by (1); (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with a third-party selected or approved by the City, and placed through a primary government securities dealer. Investments maturing within one year of date of purchase are stated at amortized cost. The City's policy is to report local government investment pools, and Securities and Exchange Commission ("SEC") registered money market mutual funds at fair value using net asset value (NAV) or amortized cost if the pool meets the requirements of GASB Statement No. 79. The City carries investments in debt securities with maturities in excess of one year at fair value using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, and fixed income security pricing models. The City carries investments in debt securities with original maturities of one year or less at the date of purchase at amortized cost.

**Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended are separately reported as other financing sources/uses in the respective funds' operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to 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."

**Restricted Assets**

Certain assets of the Enterprise Funds and the Governmental Funds are classified as restricted assets because their use is restricted for capital improvements or debt service via externally imposed by bond ordinance or laws of other governments.

**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. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Construction in progress will be reclassified into its respective asset category upon completion and the asset is placed in service.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

CITY OF KYLE, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Cont'd)**

Assets	Years
Buildings and improvements	25 to 40
Waterworks and wastewater systems	10 to 50
Infrastructure	20 to 33
Machinery and equipment	5 to 10

**Compensated Absences**

The City permits employees to accumulate earned but unused vacation pay benefits. Certain employees have carried forward unused sick leave benefits. Unused sick leave shall be not paid upon termination of employment, except as specifically provided as follows:

1. An employee that terminates employment for any reason other than death, or being granted a retirement or disability allowance by the Texas Municipal Retirement System (TMRS) or the Social Security Administration (SSA), shall not be paid for unused sick leave.
2. An employee having at least 10 years of service with the City who is granted a retirement or a disability allowance by TMRS or SSA, or who dies, is entitled to a partial payment for up to 480 hours of unused sick leave accrued to such employee. The partial payment to the employee or the employee's beneficiary shall be as follows: (A) an amount equal to thirty percent (30%) of the value of such accrued, unused sick leave will be paid for 10 years of service; and (B) the amount to be paid for such unused sick leave shall increase by 2% for each year of service as an employee of the City, if any, in excess of 10 years.
3. An employee covered under the agreement between the City and the Kyle Police Association may be paid for their unused sick leave, in accordance with the agreement.

No liability is reported for unpaid accumulated sick leave for the remaining employees. Vacation pay and certain sick leave benefits are accrued when incurred in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures in the period incurred.

**Fund Balance**

The City classifies governmental fund balances in the governmental fund financial statements as follows:

Non-spendable - The non-spendable category includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – The restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.



CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Cont'd)**

Committed – The committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Amounts in the assigned fund balance are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund assigned amounts represent intended uses established by City Council or City Manager, and Department Directors. The City Manager, and Department Directors are authorized to assign individual amounts up to \$15,000 and City Council is authorized to assign amounts over \$15,000.

Unassigned – The unassigned fund balance includes positive fund balances within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

At September 30, 2021, the City has the following fund balance classifications:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total
<b>Fund Balance</b>					
<b>Non-Spendable Prepaids</b>	\$ 8,101	\$ -	\$ -	\$ -	\$ 8,101
<b>Restricted:</b>					
Capital Projects	\$ -	\$ -	\$ 23,265,305	\$ -	\$ 23,265,305
Debt Service	-	3,484,744	-	-	3,484,744
Transportation - Capital Projects	-	-	-	3,000,000	3,000,000
Park Development - Capital Projects	-	-	-	3,978,034	3,978,034
Road Improvement - Capital Projects	-	-	-	4,162,171	4,162,171
Tourism and Other	-	-	-	6,763,181	6,763,181
	<u>\$ 8,101</u>	<u>\$ 3,484,744</u>	<u>\$ 23,265,305</u>	<u>\$ 17,903,386</u>	<u>\$ 44,661,536</u>
<b>Unassigned:</b>					
Unassigned	\$ 21,017,608	\$ -	\$ -	\$ (1,242)	\$ 21,016,366
	<u>\$ 21,025,709</u>	<u>\$ 3,484,744</u>	<u>\$ 23,265,305</u>	<u>\$ 17,902,144</u>	<u>\$ 65,677,902</u>

The City requires restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made. For the Net Position, the City also requires restricted amounts be spent first when both restricted and unrestricted fund balances is available unless the restriction prohibits doing this.

The City Charter has a formal minimum general fund balance policy that requires a reserve of at least equal to 25% of operating budget.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Cont'd)**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governmental units.

**Pension**

For the purposes of measuring the net pension liability, deferred inflows/outflows of resources and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to, or deductions from, TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefits**

The Net OPEB liability has been determined based on the flow of economic resources measurement focus and full accrual basis of accounting. This includes measuring the Net OPEB liability: deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about benefit payments are recognized in the total liability calculation when due and payable in accordance with the benefit terms. The OPEB Trust and the investments which are reported at fair value, are reflected in the Statement of Fiduciary Net Position.

**Deferred Outflows and Inflows of Resources** – The City has classified as deferred outflows of resources certain items that represent a consumption of resources that applies to a future period and, therefore, will not be recognized as an expense until then. Deferred inflows of resources represent 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 then.

The City has classified all of the difference between the reacquisition price and the net carrying amount of the defeased debt as a deferred outflow of resources. The deferred outflow of resources is amortized over the term of the defeased bonds and recognized as a component of interest expense annually. The City has also deferred certain pension and OPEB related items in accordance with applicable pension standards as noted under Note V.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the US requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from those estimates.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the end of the year were as follows:

	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value End of Year</u>	<u>Change in Net Position</u>
<u>Capital Assets - End of Year</u>				
Non-Depreciable Assets	\$ 29,814,489	\$ -	\$ 29,814,489	
Depreciable Assets	<u>195,571,587</u>	<u>65,928,346</u>	<u>129,643,241</u>	
Change in Net Position	<u>\$ 225,386,076</u>	<u>\$ 65,928,346</u>	<u>\$ 159,457,730</u>	159,457,730
 <u>Long-term Debt - End of Year</u>				
Bonds Payable			<u>\$ 63,840,000</u>	
Change in Net Position			<u>\$ 63,840,000</u>	<u>(63,840,000)</u>
Net Adjustment to Net Position				<u>\$ 95,617,730</u>

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Adjustment to Change in Net Position</u>
Amortization of Bond Premiums	\$ 103,967
General Fund Contributed Capital	12,189,930
Compensated Absences	(153,973)
Deferred Inflows Property Tax	(67,682)
Deferred Inflows - Unavailable Revenue	(2,374,550)
Pension Expense	232,896
Interest Accrual	28,899
Deferred Gain on Refunding	415,000
OPEB Expense	197,461
Deferred Charged for Refunding	<u>(152,373)</u>
	<u>\$ 10,419,575</u>

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Data**

The Council adopts an "appropriated budget" for the General Fund. The City is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Sixty days prior to October 1st, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to the third Tuesday of September, the budget is legally enacted through passage of a resolution by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council. Amendments are presented to the council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end. Because the City has a policy of careful budgetary control, several amendments were necessary during the year.
4. The legal level of budgetary control is at the function level. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end. Amounts encumbered prior to year-end will lapse 3 months after year end.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2021, the City had the following Pooled cash, cash and cash equivalents and investments:

	<b>Pooled cash and investments</b>	
	Unrestricted	Restricted
General Fund	\$ 16,525,283	\$ -
Debt Service	-	3,541,978
Capital Projects	13,387,161	10,860,018
Nonmajor governmental funds	10,071,172	14,487,377
Water Fund	14,962,032	12,165,234
Wastewater Fund	11,930,310	35,623,842
Storm Drainage Fund	2,466,348	-
	<u>\$ 69,342,306</u>	<u>\$ 76,678,449</u>
Fiduciary Funds	\$ 2,248,443	
Total pooled cash, cash equivalents and investments	<u>\$ 148,269,198</u>	
Total Investments		
TexPool	\$ 33,702,958	
TexSTAR	92,613,277	
Money Market Fund	7,204,936	
Toyota Motor Commercial Paper	4,997,417	
J.P. Morgan Securities	2,498,156	
Federal Farm Credit Bank	2,999,691	
	<u>\$ 144,016,435</u>	
ADD:		
Deposits	2,004,320	
	<u>\$ 146,020,755</u>	
Cash Equivalent and Mutual Fund	\$ 2,248,443	
Total pooled cash, and investments	<u>\$ 148,269,198</u>	

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**A. Deposits and Investments (Cont'd)**

Texas Local Government Investment Pool

Texas Local Government Investment Pool (“TexPool”) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor’s and had a weighted average maturity of 41 days as of September 30, 2021.

TexPool meets the requirements of GASB Statement No. 79, and as such, measures and reports its investments at amortized cost. The City carries its investment in TexPool at amortized cost.

TexSTAR Investment Pool

TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created through a contract among its participating governmental units, and is governed by a board of directors to provide for the joint investment of participants’ public funds and funds under their control. TexSTAR is managed by J.P. Morgan Investment Management, Inc., an affiliate of JP Morgan Chase Bank, N.A. a national banking association, and First Southwest Asset Management, Inc., an affiliate of Texas based First Southwest Company. TexSTAR’s investment manager will maintain the dollar-weighted average maturity of sixty (60) days or less, and the maximum stated maturity for any obligation of the United States, its agencies, or instrumentalities is limited to 397 days for fixed rate securities and 24 months for variable rate notes. TexSTAR is rated AAAM by Standard and Poor’s and had a weighted average maturity of 37 days at September 30, 2021.

TexSTAR does meet the requirements of GASB Statement No. 79, and as such, has elected to measure and report its investments at fair value. The City carries its investment in TexSTAR at fair value measured using published NAV, which is based on fair values of the underlying investments.

The City utilizes various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72, Fair Value Measurement and Application, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the City has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for the identical instrument in an inactive market, and other significant inputs based on third party fixed-income pricing models.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the City’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**A. Deposits and Investments (Cont'd)**

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

As of September 30, 2021, the City's investment of \$10,495,264 in agency securities, commercial paper and municipal bonds are measured at amortized cost, as the original maturity of the security at the date of purchase was less than one year. Also, the City's investment in TexPool \$33,702,958 is carried at A+ amortized cost. Accordingly, the City is not required to disclose these investments within the GASB Statement No. 72 hierarchy for investments.

As of September 30, 2021, the City's investment of \$92,613,277 in TexSTAR is carried at fair value using published NAV which is based on fair value of the underlying investments.

The City's investment in the Wells Fargo Government Money Market Fund of \$7,204,936 is carried at fair value using published NAV of the fund. The City's investment in this fund is classified in level 1. This fund invests in fixed income securities seeking current income while preserving capital and liquidity. The City's OPEB Trust fund investment of \$2,225,620 are in mutual funds and are carried at fair value using published NAV. The City's OPEB Trust investments are classified in level 1.

**Interest Rate Risk:** Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to a maximum of 180 days. At September 30, 2021 the City holds \$10,495,264 of agency securities, commercial paper and municipal bonds, with a weighted average maturity of its investment portfolio of 230 days.

**Custodial Credit Risk:** In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2021, any deposit balance exceeding the \$250,000 covered by FDIC insurance was collateralized with securities held by the pledging financial institution in the City's name except for \$202,685. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside third party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the City and are held by the counterparty, its trust or agent, but not in the City's name. The City's investment securities are not exposed to custodial risk because all securities held by the City's custodial banks are in the City's name.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the City. It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investment pools and money market fund were rated AAAM by Standard & Poor's Investors Service and fixed income securities were rated AA+. The City's trust fund investments are not rated.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy requires the investment portfolio be diversified in terms of investment instruments, maturities and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific maturity or specific issuer. As of September 30, 2021, the City had no investments exposed to concentration of credit risk.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**B. Receivables**

Receivable as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds						Total
	General	Debt Service	Other	Water	Wastewater	Storm Drainage	
Receivables:							
Accounts:							
Customers	\$ 1,140,288	\$ -	\$ -	\$ 2,048,342	\$ 2,223,915	\$ 372,371	\$ 5,784,916
Court Warrants Receivable	2,347,276	-	-	-	-	-	2,347,276
Developers	8,397	-	-	-	-	-	8,397
Property Tax	163,205	130,197	-	-	-	-	293,402
Sales Tax	2,356,418	-	-	-	-	-	2,356,418
Franchise/Access	472,754	-	-	-	-	-	472,754
Kinder Morgan Pipeline	1,350,000	-	-	-	-	-	1,350,000
Other	907,720	-	129,496	-	-	-	1,037,216
Gross Receivables	<u>\$ 8,746,058</u>	<u>\$ 130,197</u>	<u>\$ 129,496</u>	<u>\$ 2,048,342</u>	<u>\$ 2,223,915</u>	<u>\$ 372,371</u>	<u>\$ 13,650,379</u>
Less: Allowance for Uncollectibles	<u>(2,460,799)</u>	<u>-</u>	<u>-</u>	<u>(755,051)</u>	<u>(408,004)</u>	<u>(86,615)</u>	<u>(3,710,469)</u>
Net Receivables	<u><u>\$ 6,285,259</u></u>	<u><u>\$ 130,197</u></u>	<u><u>\$ 129,496</u></u>	<u><u>\$ 1,293,291</u></u>	<u><u>\$ 1,815,911</u></u>	<u><u>\$ 285,756</u></u>	<u><u>\$ 9,939,910</u></u>

**C. Property Taxes**

In accordance with Texas statutes, the City approves a tax rate and an order to levy property taxes in October of each year. Property taxes are billed by the county tax assessor collector as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are payable on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of the year following the City's order to levy taxes (the assessment date), a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessment date represents the date on which an enforceable legal claim arises and attaches as a lien on the assessed property. In the government-wide financial statements, property tax revenue is recognized as earned, net of an allowance for uncollectible taxes. In the Governmental Fund financial statements, property tax revenues are considered available when they become due and receivable within the current period.

The appraisal of property within the City is the responsibility of the Hays County Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the city limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.



CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2021, was as follows:

<u>Governmental Activities:</u>	<u>Balance 10/1/2020</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 9/30/2021</u>
Capital assets not being depreciated:				
Land	\$ 4,208,810	\$ 271,186	\$ -	\$ 4,479,997
Construction in progress	22,435,955	9,536,060	(6,637,523)	25,334,492
Total capital assets not being depreciated	<u>\$ 26,644,766</u>	<u>\$ 9,807,246</u>	<u>\$ (6,637,523)</u>	<u>\$ 29,814,489</u>
Capital assets being depreciated:				
Buildings	\$ 17,664,927	\$ 59,537	\$ -	\$ 17,724,463
Improvements other than buildings	4,712,632	-	-	4,712,632
Infrastructure	145,313,952	19,611,877	-	164,925,829
Machinery and equipment	6,244,237	1,964,681	(256)	8,208,663
Total capital assets being depreciated	<u>\$ 173,935,748</u>	<u>\$ 21,636,095</u>	<u>\$ (256)</u>	<u>\$ 195,571,587</u>
Accumulated depreciation:				
Buildings	\$ (5,109,296)	\$ (494,657)	\$ -	\$ (5,603,953)
Improvements other than buildings	(3,230,996)	(256,604)	-	(3,487,600)
Infrastructure	(47,423,906)	(4,897,441)	-	(52,321,347)
Machinery and equipment	(4,159,808)	(355,638)	-	(4,515,446)
Total accumulated depreciation	<u>\$ (59,924,006)</u>	<u>\$ (6,004,340)</u>	<u>\$ -</u>	<u>\$ (65,928,346)</u>
Total capital assets being depreciated (net)	<u>\$ 114,011,742</u>	<u>\$ 15,631,754</u>	<u>\$ (256)</u>	<u>\$ 129,643,241</u>
Governmental activities capital assets (net)	<u>\$ 140,656,508</u>	<u>\$ 25,439,000</u>	<u>\$ (6,637,778)</u>	<u>\$ 159,457,729</u>

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**D. Capital Assets (Cont'd)**

<u>Business Type Activities:</u>	<u>Balance 10/1/2020</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 9/30/2021</u>
Capital assets not being depreciated:				
Land				
Water	\$ 415,161	\$ -	\$ -	\$ 415,161
Wastewater	276,774	-	-	276,774
Construction in progress				
Water	1,636,385	1,847,263	(12,775)	3,470,873
Wastewater	19,380,254	24,100,651	-	43,480,905
Storm Drainage	-	203,111	-	203,111
Total capital assets not being depreciated	<u>\$ 21,708,575</u>	<u>\$ 26,151,025</u>	<u>\$ (12,775)</u>	<u>\$ 47,846,825</u>
Capital assets being depreciated:				
Buildings				
Water	\$ 14,071	\$ 25,548	\$ -	\$ 39,619
Wastewater	3,099,552	-	-	3,099,552
Improvements other than buildings				
Water	47,366,936	4,018,028	-	51,384,964
Wastewater	50,745,591	5,981,414	-	56,727,006
Storm Drainage	19,733,120	7,410,671	-	27,143,791
Machinery and equipment				
Water	1,310,246	27,650	-	1,337,896
Wastewater	1,525,919	36,387	-	1,562,306
Storm Drainage	1,381,768	-	-	1,381,768
Total capital assets being depreciated	<u>\$ 125,177,203</u>	<u>\$ 17,499,699</u>	<u>\$ -</u>	<u>\$ 142,676,902</u>
Accumulated depreciation:				
Buildings				
Water	(15,671)	(2,727)	-	\$ (18,398)
Wastewater	(924,609)	(224,128)	-	(1,148,737)
Improvements other than buildings				
Water	(13,643,148)	(1,205,708)	-	(14,848,856)
Wastewater	(15,789,852)	(1,668,942)	-	(17,458,793)
Storm Drainage	(802,370)	(497,046)	-	(1,299,416)
Machinery and equipment				
Water	(801,392)	(71,258)	-	(872,650)
Wastewater	(908,382)	(85,555)	-	(993,937)
Storm Drainage	(316,600)	(126,884)	-	(443,484)
Total accumulated depreciation	<u>\$ (33,202,024)</u>	<u>\$ (3,882,247)</u>	<u>\$ -</u>	<u>\$ (37,084,271)</u>
Total capital assets being depreciated (net)	<u>\$ 91,975,179</u>	<u>\$ 13,617,452</u>	<u>\$ -</u>	<u>\$ 105,592,631</u>
Business type activities capital assets (net)	<u>\$ 113,683,753</u>	<u>\$ 39,768,477</u>	<u>\$ (12,775)</u>	<u>\$ 153,439,455</u>

CITY OF KYLE, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
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**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**D. Capital Assets (Cont'd)**

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

Governmental Activities:	
General Government	\$ 450,177
Public Safety	143,376
Public Works	4,966,430
Culture and Recreation	<u>444,357</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 6,004,340</u></u>
Business Type Activities:	
Water	\$ 1,279,693
Wastewater	1,978,624
Storm Drainage	<u>623,930</u>
Total Depreciation Expense - Business Type Activities	<u><u>\$ 3,882,247</u></u>

**E. Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2021, is as follows:

Due to	Due from				Total
	General Fund	Water	Wastewater	Storm Drainage	
General Fund	\$ -	\$ 510,704	\$ -	\$ -	\$ 510,704
Water	179	21,975	32,491	-	54,644
Wastewater	-	1,219,848	-	-	1,219,848
Storm Drainage	-	4,063	-	-	4,063
<b>Total</b>	\$ 179	\$ 1,756,590	\$ 32,491	\$ -	

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenses occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund and intrafund transfers during the year ended September 30, 2021, are as follows:

Transfers In	Transfers out							Total
	General Fund	Debt Service	Capital Projects	Nonmajor Governmental	Water Fund	Wastewater Fund	Storm Drainage	
General Fund	\$ -	\$ -	\$ 2,898,500	\$ 266,071	\$ 650,000	\$ 650,000	\$ -	\$ 4,464,571
Debt Service Fund	-	1,132,620	-	-	254,551	1,696,664	-	3,083,836
Capital Projects	11,175,483	-	-	47,517	-	2,500,000	-	13,723,000
Nonmajor Governmental	426,518	106,242	-	13,000	-	11,047,516	-	11,593,276
Water Fund	-	-	-	-	4,847,263	-	-	4,847,263
Wastewater Fund	5,047,517	-	-	479,698	3,839,000	20,615,114	-	29,981,329
Storm Drainage Fund	-	-	351,500	-	-	-	1,153,111	1,504,611
	\$ 16,649,518	\$ 1,238,862	\$ 3,250,000	\$ 806,285	\$ 9,590,814	\$ 36,509,294	\$ 1,153,111	\$ 69,197,885

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**F. Long-term Liabilities**

Debt Service Fund as debt service payments become due, and 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Balance 10/1/2020	Additions	Reduction/ Refunded	Balance 9/30/2021	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Bonded Indebtedness	\$ 69,865,000	\$ 4,175,000	\$ 10,200,000	\$ 63,840,000	\$ 5,490,000
Premium on Bond Issuance	2,169,110	562,002	665,966	2,065,146	-
Net Pension Liability	2,750,417	2,754,086	2,954,489	2,550,013	-
Other Liabilities	1,126,030	172,364	18,391	1,280,003	-
Total Governmental Activities	<u>\$ 75,910,557</u>	<u>\$ 7,663,452</u>	<u>\$ 13,838,846</u>	<u>\$ 69,735,162</u>	<u>\$ 5,490,000</u>
	Balance 10/1/2020	Additions	Reduction/ Refunded	Balance 9/30/2021	Due Within One Year
<b><u>Business Type Activities:</u></b>					
Bonded Indebtedness	\$ 28,330,000	\$ -	\$ 340,000	\$ 27,990,000	\$ 505,000
Premium on Bond Issuance	5,488,192	-	10,261	5,477,931	-
Net Pension Liability	916,806	918,029	984,830	850,005	-
Other Liabilities	181,699	15,221	3,407	193,514	-
Total Business Type Activities	<u>\$ 34,916,697</u>	<u>\$ 933,250</u>	<u>\$ 1,338,497</u>	<u>\$ 34,511,450</u>	<u>\$ 505,000</u>

The General Fund is responsible for liquidating liabilities for other post employment benefits and pensions in the governmental activities. Compensated absences are based on actual cost incurred by the General Fund and the Proprietary Funds.

**Bonded Indebtedness**

The City has issued general obligation bonds whereby the proceeds were used to purchase capital assets reported in the Water and Wastewater Funds. All general obligation debt is expected to be serviced by the governmental activities and the Water and Wastewater Funds are not expected to service the general obligation debt. Accordingly, all the City's general obligation debt is reported in the governmental activities column.

The City issues certificates of obligation and tax notes to provide funds for the acquisition and construction of major capital facilities and equipment and to refund previous issues. Bonded indebtedness of the City is as follows:

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**F. Long-term Liabilities (Cont'd)**

**Bonded Indebtedness (Cont'd)**

Governmental Activities:

\$13,720,000 General Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 3.0% to 4.0%	\$ 10,520,000
\$5,520,000 General Obligation Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 1.75% to 4.0%	3,900,000
\$7,140,000 General Obligation Refunding Bonds - Series 2014, principal due annually in series through 2028, interest due semi-annually at 4.0%.	6,970,000
\$42,525,000 General Obligation Refunding Bonds - Series 2015, principal due annually in series through 2035, interest due semi-annually at 2.0% to 4.0%.	31,475,000
\$8,520,000 General Obligation Refunding Bonds - Series 2016, principal due annually in series through 2031, interest due semi-annually at 3.0% to 4.0%.	7,415,000
\$4,175,000 General Obligation Refunding Bonds - Series 2020, principal due annually in series through 2030, interest due semi-annually at 3.0% to 4.0%	3,560,000
	\$ 63,840,000

December 15, 2020 the City issued \$4,175,000 of General Obligation Refunding Bonds, Series 2020. The net proceeds of \$4,629,620 (after issue costs, discounts, and premiums) from this issue will be used as follows: to refund \$485,000 of General Obligation Refunding Bonds, Series 2009; \$2,770,000 of Combination Tax & Revenue Certificates of Obligation, Series 2010, and \$1,335,000 General Obligation Refunding Bonds, Series 2011. Principal payments are due on February 15 and August 15 of each year from 2021 to 2030. Interest is payable on February 15 and August 15 of each year, commencing February 15, 2021. Total interest requirements for these bonds, at rates ranging from 3.0% to 5.0% are \$724,295. An economic gain of \$432,706 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$460,581. An accounting gain of \$415,000, which will be deferred and amortized, was recorded on this refunding.

Proceeds from the certificates of obligation will be used for the purpose of paying contractual obligations of the City incurred for the (1) design and construction of the wastewater treatment plant and other sewer system infrastructure improvements.

Business-Type Activities

\$28,330,000 Combination Tax and Revenue Certificates of Obligations Bonds - Series 2020, principal due annually in series through 2050, interest due semi-annually at 3.00%.	\$ 27,990,000
	\$ 27,990,000

CITY OF KYLE, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
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**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**F. Long-term Liabilities (Cont'd)**

**Debt Service Requirements**

Annual debt service requirements are as follows:

Governmental Activities:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 5,490,000	\$ 2,346,279	\$ 7,836,279
2023	5,695,000	2,145,029	7,840,029
2024	5,920,000	1,935,929	7,855,929
2025	5,875,000	1,723,954	7,598,954
2026	5,290,000	1,511,304	6,801,304
2027-2031	22,055,000	4,918,370	26,973,370
2032-2035	13,515,000	1,011,300	14,526,300
	<u>\$ 63,840,000</u>	<u>\$ 15,592,164</u>	<u>\$ 79,432,164</u>

Business-Type Activities:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 505,000	\$ 1,160,350	\$ 1,665,350
2023	520,000	1,145,200	1,665,200
2024	535,000	1,129,600	1,664,600
2025	560,000	1,102,850	1,662,850
2026	590,000	1,074,850	1,664,850
2027-2031	3,415,000	4,901,500	8,316,500
2032-2036	4,280,000	4,044,200	8,324,200
2037-2041	4,080,000	3,117,000	7,197,000
2042-2046	6,090,000	1,989,200	8,079,200
2047-2050	7,415,000	616,200	8,031,200
	<u>\$ 27,990,000</u>	<u>\$ 20,280,950</u>	<u>\$ 48,270,950</u>

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**IV. DETAILED NOTES ON ALL FUNDS (Cont'd)**

**F. Long-term Liabilities (Cont'd)**

Total Primary Government:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	5,995,000	3,506,629	9,501,629
2023	6,215,000	3,290,229	9,505,229
2024	6,455,000	3,065,529	9,520,529
2025	6,435,000	2,826,804	9,261,804
2026	5,880,000	2,586,154	8,466,154
2026-2030	25,470,000	9,819,870	35,289,870
2031-2035	17,795,000	5,055,500	22,850,500
2036-2040	4,080,000	3,117,000	7,197,000
2041-2045	6,090,000	1,989,200	8,079,200
2046-2050	7,415,000	616,200	8,031,200
	<u>\$ 91,830,000</u>	<u>\$ 35,873,116</u>	<u>\$ 127,703,116</u>

**G. Lease**

Enterprise Fleet Management (EFM).

The City of Kyle has entered into a contractual arrangement to lease new vehicles required for its operations including sedans, SUVs, vans, light and heavy duty trucks, police pursuit vehicles, and specialized vehicles such as for animal control and police evidence vehicles. This lease arrangement with EFM does not include heavy equipment such as dump trucks, tanker trucks, backhoes, vactor trucks, and other construction equipment. The City continues to purchase and own its heavy equipment and machinery.

For fiscal year ended September 30, 2021, the City of Kyle paid a total sum of \$639,116 in monthly lease payments to EFM.

**Lease Requirements**

Fiscal Year Ending September 30,	Governmental Activities	Business-Type Activities
2022	\$ 453,408	\$ 197,344
2023	371,456	161,675
2024	249,566	108,623
2025	80,595	35,079
2026	2,300	1,001
	<u>\$ 1,157,325</u>	<u>\$ 503,722</u>

**H. Contingent Arbitrage Liabilities**

The City has invested a portion of GO bond proceeds as a reserve for the retirement of the bonds. Any excess of interest revenue earned on invested proceeds over interest paid on the bonds must be rebated to the federal government every five years. The City has no arbitrage liability as of September 30, 2021.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, the City is not obligated to reimburse the pool for losses. The City has not had any significant reductions in insurance coverage, nor have insurance settlements for the last three fiscal years exceeded insurance coverage. Any losses reported, but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements.

**B. Commitments and Contingencies**

The City is a defendant in lawsuits occurring in the normal course of business. Although the outcome of these matters is not presently determinable, in the opinion of the City's attorney, their resolution will not have a material adverse effect on the financial condition of the City. Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. 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 City expects such amounts, if any, to be immaterial.

The City executed Water Supply Contracts with Guadalupe Blanco River Authority (GBRA) and a Regional Water Supply Contract with the Alliance Regional Water Authority (formerly Hays Caldwell Public Utility Agency "the Agency").

Under the raw water supply agreement with GBRA, the City agreed to pay on a take or pay basis for the appropriate share of debt service, debt service coverage and fixed Operation and Maintenance Expenses as defined in the agreement. Rates charged to the City for the treatment and delivery of treated water are determined pursuant to the terms of the Regional Agreement, plus GBRA's costs associated with any facilities required to convey the treated water. The City is also required under the agreement to pay on a take or pay basis as defined in the agreement for the treated water. For the period ending September 30, 2021, the City paid \$3,117,316 under the water supply agreement.

The Alliance Regional Water Authority (Agency) and Sponsoring Public Entities which includes the cities of Buda, Kyle and San Marcos and the Canyon Regional Water Authority have entered into a Regional Water Supply Contract dated January 15, 2008 as amended by amendment No. 1. The Agency agreed to design, finance, construct, own, acquire, maintain and operate the Project in a manner that will allow the Agency to deliver water to the Sponsoring Public Entities which includes the City. The City agreed to pay its share (28.17%) of the Project Costs and to make payments to or on behalf of the Agency in amount sufficient to meet all of the Agency's obligations under the Contract including its share of the Project Costs to allow the Agency own, operate and maintain the Project. For the period ending September 30, 2021, the City paid \$3,077,986 under the water supply contract.

**C. Benefit Plans**

The City 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 TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code.

TMRS issues a publicly available annual comprehensive financial report that can be obtained at [www.tmrs.com](http://www.tmrs.com). All eligible employees of the City are required to participate in TMRS.



CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Retirement Plan**

**Plan Description**

The City provides pension benefits for all its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple- employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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 TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS website at [www.TMRS.com](http://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 payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The Plan also provide death benefits and disability benefits. Effective January 1, 2002, members are vested after 5 years, unless the City opted to maintain 10-year vesting which it did until 2015. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

**Employees covered by benefit terms**

At December 31, 2020, the following employee were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	123
Active employees	<u>234</u>
Total	394

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2015, valuation is effective for rates beginning January 2016).

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.99% for 2021. The City's contributions to TMRS for the year ended September 30, 2021, were \$1,846,502 and the required contributions were \$1,846,502.

**Funding Policy**

Cities are required to contribute at an actuarially determined rate; these rates are provided to the City on an annual basis, following the completion of the actuarial valuation.

**Net Pension Liability**

The City's net pension liability was measured as of December 31, 2020, and the total pension liability 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.50% to 11.50 including inflation per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirement of Texas mortality tables. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements.

For disabled annuitants, the mortality tables for healthy retirees with a 4-year set-forward for both males and 3 years for 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 UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2020, valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. The healthy annuitant post-retirement mortality rates and annuity purchase rates were based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2020 valuation.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Long-term expected rate of return:**

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
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.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Changes in Net Pension Liability / (Asset)**

The following table below presents the components used to calculate the NPL for the current reporting period.

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (a) – (b)
<b>Balance at 10/1/2020</b>	\$ 28,692,761	\$ 25,025,539	\$ 3,667,222
Changes for the year:			
Service cost	2,389,020	-	2,389,020
Interest	1,998,021	-	1,998,021
Change of benefit terms	-	-	-
Difference between expected and actual experience	(141,014)	-	(141,014)
Changes of assumptions	-	-	-
Contributions - employer	-	1,682,576	(1,682,576)
Contributions - employee	-	939,502	(939,502)
Net investment income	-	1,903,925	(1,903,925)
Benefit payments, including refunds of employee contributions	(573,913)	(573,913)	-
Administrative expense	-	(12,292)	12,292
Other changes	-	(480)	480
Net changes	<u>3,672,114</u>	<u>3,939,318</u>	<u>(267,204)</u>
<b>Balance at 9/30/2021</b>	<u>\$ 32,364,875</u>	<u>\$ 28,964,858</u>	<u>\$ 3,400,017</u>

**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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's Net Pension Liability	\$ 9,320,868	\$ 3,400,017	\$ (1,331,300)

**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.tmr.org](http://www.tmr.org).

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Pension Expense**

For the year ended September 30, 2021, the City recognized pension expense of \$1,536,769, comprised as follows:

Total Service Cost	\$ 2,389,020
Interest on the Total Pension Liability	1,998,021
Current-Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(939,502)
Projected Earnings on Plan Investments (Reduction of Expense)	(1,689,224)
Administrative Expense	12,292
Other Changes in Fiduciary Net Position	480
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(23,004)
Recognition of Current Year Outflow (Inflow) of Resources - Assets	(42,940)
Amortization of Current Year Outflow (Inflow) of Resources - Liabilities	31,947
Amortization of Current Year Outflow (Inflow) of Resources - Assets	(200,321)
Total Pension Expense	<u>\$ 1,536,769</u>

The funds used to liquidate the net pension obligations have been the general fund and the water/wastewater/storm drainage fund at a rate of 75% and 25% respectively, of the annual required contribution.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 258,634	\$ (246,138)
Changes in actuarial assumptions	112,906	-
Difference between projected and actual investment earnings	-	(706,152)
Contributions subsequent to the measurement date	1,417,716	-
Total	<u>\$ 1,789,256</u>	<u>\$ (952,290)</u>

The City reported \$1,417,716 as deferred outflows of resources related to pensions resulting from contributions made after the measurement date of the net pension liability but before the end of the fiscal year will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2022	\$ (236,951)
2023	1,090
2024	(341,789)
2025	22,051
2026	(22,161)
Thereafter	(2,990)
	<u>\$ (580,750)</u>

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

The City participates in multiple OPEB Plans. The Supplemental Death Benefit Fund is a single employer defined benefit and is part of the Texas Retirement System. The City also has a single employer defined benefit health insurance plan for retirees (Medical Plan). As of September 30, 2021, the following balance related to the OPEB liability:

	Medical Plan	SDBF	Total
OPEB Liability (Asset)	\$ (1,650,238)	\$ 377,276	\$ (1,272,962)
Deferred Outflow of Resources	170,129	104,456	274,585
Deferred Inflow of Resources	(602,585)	(25,861)	(628,446)
OPEB Expense	(145,543)	52,575	(92,968)

**Post Retirement Supplemental Death Benefits (SDBF OPEB)**

**Plan Description:** The City participates in a single employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the SDBF. The City elected to provide group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). Retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

**Contribution:** The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the year ended September 30, 2021 was \$16,115, which equaled the required annual contributions.

TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial and supplementary information for the SDBF. That report may be obtained from the TMRS website at [www.TMRS.com](http://www.TMRS.com).

**Post Retirement Health Insurance Plan (Health OPEB)**

**Plan Description:** The City maintains a single-employer defined benefit health insurance plan for retirees through the Texas Municipal League Intergovernmental Employee Benefits Pool (TML). The City elected to provide health insurance coverage to certain retired employees. Former full-time employees who have retired after 25 years of service and all full-time employees who have completed 5 years or more of continuous service by April 1, 2009, and who complete a total of 25 years or more of continuous service are entitled to the same group health insurance coverage provided to active employees. This coverage is completely paid by the City. Employees who have completed less than 5 years of continuous service as of April 1, 2009, and who complete 25 years or more of continuous service are entitled to the same group health insurance coverage provided to active employees. The City will pay \$300 (adjusted annually based on the CPI) toward this coverage. The employee is responsible for the balance. Any employee hired after April 1, 2009, is not entitled to group health insurance coverage after retirement. A change in plan provision occurred in the prior year and is fully recognized in the prior year. The change in the plan eliminated all plan benefits after age 65. This plan is an "other postemployment benefit," or OPEB.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Benefits (Health OPEB)**

Employees in Group 1 are classified as participants with 5 or more years of continuous service on April 1, 2009 and 25 or more years of continuous service at retirement have the following benefits:

- Pre- Age 65: Medical, prescription drugs, dental, vision and \$2,000 life insurance – fully paid by the City for the retiree
- Post Age 65: No benefits paid by the City.

Employees in Group 2 are classified as participants having fewer than 5 years of continuous service on 4/1/2009, and 25 or more years of continuous service at retirement.

- \$300 monthly stipend towards medical and prescription drug coverage (both before and after age 65 only). The \$300 amount is CPI indexed (\$374.26 as of 10/1/2020). The retiree pays any additional cost. The retiree pays the full cost of spouse's coverage.

Employees hired after April 1, 2009 are not eligible for benefits under the Plan.

**Medical plan provisions**

	Network	Non-Network
Calendar Year Deductible	\$250	\$500
Out-of-Pocket Limit	\$2,250 i/ \$4,000 f	None
Coinsurance	85%	55%
Preventive care and annual exam	100%	100%

**Contributions:** The annual premiums paid from the Trust for the period ending September 30, 2021 were \$0.00, and the City's contributions with the OPEB Trust were \$156,500.

As of the valuation date October 1, 2020, plan membership consisted of the following:

Active employees	41
Retired	<u>0</u>
Total	<u>41</u>

**Benefits: Supplemental Death Benefit Fund-** 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 other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. 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).

As of the measurement date of December 31, 2020, plan membership consisted of the following:

Inactive employees currently receiving or entitled to benefits	31
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>234</u>
Total	286

CITY OF KYLE, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Investments (Health OPEB)**

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%) and deducting investment expenses. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021 are summarized in the following table:

	Target Allocation	Real Return
Large Cap Stocks S&P 500	37%	5.70%
Mid/Small Cap Stocks Russell 2000	12%	6.50%
International Stocks MSCI EAFE	17%	5.40%
Bonds Barclays US	33%	2.50%
Multi-sector bonds	0%	3.50%
Real Estate	0%	4.80%
Cash Equivalents 3-month Treasury	1%	0.00%
	100%	

**Health OPEB (Cont'd)**

GASB 74 does not reduce the long-term rate of return for administrative expenses. Instead administrative expenses are an explicit component of annual OPEB expense bases of the administrative expense for the fiscal year. The resulting GASB 75 rate of return is 7.25%. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made as the same percentage of participant payroll as for the 2018-19 year or \$156,500 and that all future retiree medical benefits will be paid from the trust fund under the terms of the plan. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date.



CITY OF KYLE, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Sensitivity of the Net OPEB Liability to changes in the discount rate**

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

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Net OPEB Liability (asset)	\$ (1,593,973)	\$ (1,650,238)	\$ (1,703,117)

**Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates**

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 5.12% Grading to 3.87%	Trend Rates 6.12% Grading to 4.87%	1% Increase 7.12% Grading to 5.87%
Net OPEB Liability (asset)	\$ (1,695,585)	\$ (1,650,238)	\$ (1,599,530)

The OPEB plan assets are measured at fair value, using the same valuation methods used by the OPEB Plan for purpose of preparing its statement of fiduciary net position. The money weighted rate of return is 19.69%.

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Health OPEB (Cont'd)**

The components of net OPEB liability at September 30, 2021 were as follows:

Reconciliation of Total OPEB Liability	
Service cost	\$ 17,681
Interest on total pension liability	40,438
Change of benefit terms	-
Differences between expected and actual experience	(56,025)
Change of Assumptions	(31,536)
Expected net benefit payments	-
Net change in total pension liability	<u>\$ (29,442)</u>
Total OPEB Liability at beginning of year	<u>\$ 627,646</u>
Total OPEB Liability at end of year (a)	<u><u>\$ 598,204</u></u>
Fiduciary net position:	
Employer contributions	\$ 156,500
Member contributions	-
Investment income net of investment expense	366,165
Benefit payments/refunds of contributions	-
Administrative expenses	(19,003)
Net change in fiduciary net position	<u>\$ 503,662</u>
Fiduciary net position at beginning of year	<u>\$ 1,744,781</u>
Fiduciary net position at end of year (b)	<u><u>\$ 2,248,443</u></u>
Net OPEB liability/(asset) at end of year = (a) - (b)	<u><u>\$ (1,650,238)</u></u>
Fiduciary net position as a % of total OPEB liability	375.87%
Covered payroll	\$2,726,000
Net OPEB liability as a % of covered payroll	-60.54%

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

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Health OPEB (Cont'd)**

The projections of benefits for financial reporting purposes are based on the benefits provided which are considered for accounting purposes to be provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs; it may not be a long term legal commitment. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with long term perspective of the calculations. Additional information as the latest valuation follows:

**Key Assumptions for Net OPEB Liability**

Valuation Date	9/30/2021 valuation date
Actuarial cost method	Entry age
Amortization method	Level dollar
Asset valuation	Fair value
Discount rate	7.25%
Salary scale	2.5%
Expected Return on Assets	7.25%
Healthcare Cost Trend Rates	5.99% grading to 4.87%; Group 1 retirees at 5% and Group 2 at 3% per year
Mortality	Pub G-2010 for Non-Public Safety Pub S-2010 for Police

**Total SDBF OPEB Liability**

The City's total OPEB liability of \$377,275 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

**Changes in the SDBF Total OPEB Liability**

	Total OPEB Liability
Total OPEB Liability - beginning of year	\$ 289,615
Changes for the year:	
Service Cost	\$ 32,212
Interest	8,389
Difference between expected and actual experience	(9,812)
Change in assumptions or other inputs	58,214
Benefit Payments	(1,342)
Net Change	\$ 87,661
Total OPEB Liability - end of year	\$ 377,276

CITY OF KYLE, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**Summary of Actuarial Assumptions**

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retirees' 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. 75.
Mortality rates – service retirees	2019 Municipal Retirement Texas Mortality tables. The rates are projected as a fully government basis with scale
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality rates with a 4 year set forward for males and 3 year set forward for females

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**Sensitivity of the total OPEB liability to changes in the discount rate:** The following presents the total OPEB liability of the City as well as what the City's approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1 % Decrease 1.00%	Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	\$ 476,725	\$ 377,276	\$ 302,267

CITY OF KYLE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

**OPEB Expense** – For the fiscal year ended September 30, 2021, the City recognized the following OPEB expense:

<b>Schedule of OPEB Expense</b>	<b>Total</b>	<b>SDBF</b>	<b>Health</b>
Total Service Cost	\$ 49,893	\$ 32,212	\$ 17,681
Interest on the Total OPEB Liability	48,827	8,389	40,438
Current-Period Benefit Changes	-	-	-
Employee Contributions (Reduction of Expense)	-	-	-
Projected Earning on Plan Investments (Reduction of Expense)	(134,853)	-	(134,853)
Administrative Expense	19,003	-	19,003
Other Changes in Fiduciary Net Position	-	-	-
Recognition of deferred outflows/inflows of resources:	-	-	-
Actuarial (gains) and losses	(20,487)	-	(20,487)
Differences between expected and actual experience	(1,578)	(1,578)	-
Changes in assumptions or other inputs	11,005	13,552	(2,547)
Investments (gains) and losses	(64,778)	-	(64,778)
Change in Benefit Terms	-	-	-
<b>Total OPEB Expense</b>	<b>\$ (92,968)</b>	<b>\$ 52,575</b>	<b>\$ (145,543)</b>

**SDBF and Health OPEB deferred outflows of resources and deferred inflows of resources:** For the fiscal year ended September 30, 2021, the City recognized OPEB expense of \$(92,968). At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	122,879	(57,168)
Actuarial (Gains)/Losses	124,348	(333,443)
Net difference between projected and actual earnings on OPEB plan investments	-	-
OPEB Investment gains/losses	15,344	(237,830)
Employer contributions subsequent to the measurement date	12,005	-
<b>Total</b>	<b>\$ 274,576</b>	<b>\$ (628,441)</b>

CITY OF KYLE, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

**V. OTHER INFORMATION (Cont'd)**

**C. Benefit Plans (Cont'd)**

The City reported \$12,005 as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date of the Net OPEB liability but before the end of the fiscal year will be recognized as reduction of Net OPEB liability for the year 9/30/2022. Amounts reported as the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average future service to retirement of plan participants as follows:

Years Ended September 30:	
2022	\$ (67,558)
2023	(67,089)
2024	(74,758)
2025	(58,851)
2026	(12,591)
Thereafter	<u>(85,023)</u>
Total	<u>\$ (365,870)</u>

**D. Tax Abatement**

The City of Kyle enters into sales and use tax and property tax abatement agreements with local businesses under Chapter 380 of the Texas Local Government Code. Under the Act, localities may grant sales and use and property tax abatements for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City of Kyle.

For the fiscal year ended September 30, 2021, the City of Kyle abated sales and use taxes totaling \$883,289 and property taxes totaling \$72,171 under these programs, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 33 percent sales and use tax abatement to DDR, a developer, for taxable items collected on-site by the Retail Occupants and remitted to the State Comptroller. The abatement amounted to \$341,443.
- A 33 percent sales and use tax abatement to Seton Family of Hospitals for development of facility and increasing employment. The abatement amounted to \$541,847.
- A 50 percent property tax abatement to RR HPI, a developer, for assessed incremental property taxes above the base year. The abatement amounted to \$72,171.



**REQUIRED  
SUPPLEMENTARY  
INFORMATION  
(UNAUDITED)**



CITY OF KYLE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 11,215,700	\$ 11,215,700	\$ 12,164,339	\$ 948,639
General Sales and Use Taxes	9,910,500	9,910,500	12,301,248	2,390,748
Franchise Tax	2,547,500	2,547,500	2,548,204	704
Other Taxes	100,000	100,000	76,847	(23,153)
Licenses and Permits	1,927,500	1,927,500	5,267,211	3,339,711
Intergovernmental Revenue and Grants	5,000	5,000	7,093	2,093
Charges for Services	4,937,597	4,937,597	5,942,783	1,005,186
Fines	575,000	575,000	441,715	(133,285)
Investment Earnings	1,200,000	1,200,000	250,505	(949,495)
Rents and Royalties	5,000	5,000	-	(5,000)
Contributions & Donations from Private Sources	30,000	30,000	35,050	5,050
Other Revenue	400,000	400,000	1,798,159	1,398,159
Total Revenues	<u>32,853,797</u>	<u>32,853,797</u>	<u>40,833,154</u>	<u>7,979,357</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	8,997,176	9,036,751	9,697,618	(660,867)
Public Safety	9,743,300	9,823,300	9,108,931	714,369
Public Works	6,066,087	6,066,087	5,285,141	780,946
Culture and Recreation	3,301,444	3,301,444	2,937,790	363,654
Capital Outlay:				
Capital Outlay	2,223,169	2,521,226	1,951,095	570,131
Total Expenditures	<u>30,331,176</u>	<u>30,748,808</u>	<u>28,980,575</u>	<u>1,768,233</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,522,621</u>	<u>2,104,989</u>	<u>11,852,579</u>	<u>9,747,590</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	4,463,064	4,463,064	4,464,571	1,507
Transfers Out (Use)	(8,815,623)	(16,815,623)	(16,649,518)	166,105
Total Other Financing Sources (Uses)	<u>(4,352,559)</u>	<u>(12,352,559)</u>	<u>(12,184,947)</u>	<u>167,612</u>
Net Change	(1,829,938)	(10,247,570)	(332,368)	9,915,202
Fund Balance - October 1 (Beginning)	-	21,358,078	21,358,078	-
Fund Balance - September 30 (Ending)	<u>\$ (1,829,938)</u>	<u>\$ 11,110,508</u>	<u>\$ 21,025,710</u>	<u>\$ 9,915,202</u>



**CITY OF KYLE**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Budgetary Information**

The Council adopts an "appropriated budget" for the General Fund. The City is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Sixty days prior to October 1st, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to the third Tuesday of September, the budget is legally enacted through passage of a resolution by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council. Amendments are presented to the council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end. Because the City has a policy of careful budgetary control, several amendments were necessary during the year.
4. The legal level of budgetary control is at the function level. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. If the budget is exceeded the City is not required to go back to Council for an amendment. All budget appropriations lapse at year end. Amounts encumbered prior to year-end will lapse 3 months after year end.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Contributions - OPEB**  
**September 30, 2021**

Year Ending September 30,	Actuarial Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 156,608	\$ 156,500	\$ 108	\$ 3,291,000	7.25%
2018	156,500	156,500	-	3,490,000	9.55%
2019	156,500	156,500	-	3,184,000	6.14%
2020	156,500	159,035	(2,535)	2,961,000	5.30%
2021	156,500	156,500	-	2,726,000	-60.54%

Beginning fiscal year September 30, 2018, the ADC is calculated in accordance with the Employer's funding policy, if one exists. Prior to September 30, 2018 the ADC is equal to the Annual Required Contributions (ARC) calculated under GASB Statement No. 45.

Beginning fiscal year ending September 30, 2018, the ADC is calculated in accordance with the Employer's funding policy, if one exists. Prior to the current period, the ADC is equal to the Annual Required Contribution (ARC) calculated under GASB Statement No. 45.

Notes to Schedule

Valuation date	September 30, 2021
Actuarial cost method	Entry Age normal
Asset valuation method	Fair value
Discount rate	7.25%
Salary scale	3.00%
Expected Return on Assets	7.25%
Healthcare Cost Trend Rates	5.99% grading to 4.87%; Group 1 retires at 5% and Group 2 at 3% per year
Mortality	RP 2000 projected

This OPEB schedule in the required supplementary information is intended to show information for ten years. Additional information will be displayed as it becomes available.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedules of Changes in the Employers Net OPEB Liability and Related Ratios**  
**For the last five Fiscal Years**

	2021	2020	2019	2018	2017
Reconciliation of Total OPEB Liability					
Service cost	\$ 17,681	\$ 18,407	\$ 52,958	\$ 50,112	\$ 50,485
Interest on total pension liability	40,438	42,428	108,343	100,810	79,145
Change of benefit terms	-	(797,728)	-	-	-
Differences between expected and actual experience	(56,025)	(214,286)	(122,181)	177,209	-
Change of Assumptions	(31,536)	(20,954)	28,137	-	-
Expected net benefit payments	-	-	(5,893)	(5,875)	(5,123)
Net change in total pension liability	\$ (29,442)	\$ (972,133)	\$ 61,364	\$ 322,256	\$ 124,507
Total OPEB Liability at beginning of year	\$ 627,646	\$ 1,599,779	\$ 1,538,415	\$ 1,216,159	\$ 1,091,652
Total OPEB Liability at end of year (a)	<u>\$ 598,204</u>	<u>\$ 627,646</u>	<u>\$ 1,599,779</u>	<u>\$ 1,538,415</u>	<u>\$ 1,216,159</u>
Fiduciary net position:					
Employer contributions	156,500	\$ 159,035	\$ 156,500	\$ 156,500	\$ 156,500
Member contributions	-	-	-	-	-
Investment income net of investment expense	366,165	199,110	59,309	83,045	109,860
Benefit payments/refunds of contributions	-	-	-	(2,303)	(5,123)
Administrative expenses	(19,003)	(17,577)	(16,660)	(9,834)	(12,427)
Net change in fiduciary net position	\$ 503,662	\$ 340,568	\$ 199,149	\$ 227,409	\$ 248,810
Fiduciary net position at beginning of year	\$ 1,744,780	\$ 1,404,212	\$ 1,205,063	\$ 977,654	\$ 728,844
Fiduciary net position at end of year (b)	<u>\$ 2,248,442</u>	<u>\$ 1,744,780</u>	<u>\$ 1,404,212</u>	<u>\$ 1,205,063</u>	<u>\$ 977,654</u>
Net OPEB liability/(asset) at end of year = (a) - (b)	<u>\$ (1,650,239)</u>	<u>\$ (1,117,135)</u>	<u>\$ 195,566</u>	<u>\$ 333,352</u>	<u>\$ 238,505</u>
Fiduciary net position as a % of total OPEB liability	375.87%	277.99%	87.78%	78.33%	80.39%
Covered payroll	\$ 2,726,000	\$ 2,961,000	\$ 3,184,000	\$ 3,490,000	\$ 3,291,000
Net OPEB liability as a % of covered payroll	-60.54%	-37.73%	6.14%	9.55%	7.25%

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedules of Investment Returns - OPEB**  
**For the last five Fiscal Years**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Annual Money-Weighted Rate of Return					
Net Investment Expenses	11.21%	7.46%	4.40%	12.90%	19.69%

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Changes in Total OPEB Liability and Related Ratios - SDBF**  
**For the Year Ended September 30, 2021**

**Total OPEB Liability for the Supplemental Death Benefit Fund**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Service Cost	\$ 32,212	\$ 20,831	\$ 22,658
Interest on the Total OPEB Liability	8,389	8,364	6,996
Current-Period Benefit Changes	-	-	-
Differences between expected and actual experience	(9,812)	(7,672)	4,344
Changes in assumptions or other inputs	58,214	53,681	(17,825)
Projected Earnings on Plan Investments (Reduction of Expense)	-	-	-
Benefit payments	<u>(1,342)</u>	<u>(1,225)</u>	<u>(1,133)</u>
<b>Net Change</b>	<b>\$ 87,661</b>	<b>\$ 73,979</b>	<b>\$ 15,040</b>
Total OPEB liability, beginning	<u><b>289,614</b></u>	<u><b>215,635</b></u>	<u><b>200,595</b></u>
Total OPEB liability, ending	<u><b>\$ 377,275</b></u>	<u><b>\$ 289,614</b></u>	<u><b>\$ 215,635</b></u>
Covered - employee payroll	13,421,461	12,253,645	11,328,847
Total liability as a percentage of covered - payroll	2.81%	2.36%	1.90%

Notes to Schedule:

The OPEB schedule in the required supplementary information is intended to show information for ten years. Additional information will be displayed as it becomes available.

Summary of Actuarial Assumptions:

Inflation 2.50%

Salary Increases 3.50% to 11.50% including inflation

Discount rate 2.00%

Retirees' share of benefit-related costs \$0

Mortality rates - service retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates - disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Changes in Net Pension Liability and Related Ratios**

For the Last Seven Fiscal Years\*

	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>							
Service Cost	\$ 2,389,020	\$ 2,151,740	\$ 1,978,017	\$ 1,749,440	\$ 1,565,958	\$ 1,315,411	\$ 1,137,933
Interest (on the Total Pension Liability)	1,998,021	1,731,169	1,517,366	1,342,527	1,192,749	1,090,180	950,075
Changes of benefit terms	-	-	-	-	-	6,942	-
Difference between expected and actual experience	(141,014)	337,529	63,015	(189,672)	(185,089)	(82,587)	59,381
Change of assumptions	-	168,232	-	-	-	6,064	-
Benefits Payments, including refunds of employee contributions	(573,913)	(533,971)	(421,654)	(431,097)	(461,759)	(254,208)	(228,929)
<b>Net Change in Total Pension Liability</b>	\$ 3,672,114	\$ 3,854,699	\$ 3,136,744	\$ 2,471,198	\$ 2,111,859	\$ 2,081,802	\$ 1,918,460
<b>Total Pension Liability - Beginning</b>	28,692,761	24,838,062	21,701,318	19,230,120	17,118,263	15,036,461	13,118,001
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 32,364,875</b>	<b>\$ 28,692,761</b>	<b>\$ 24,838,062</b>	<b>\$ 21,701,318</b>	<b>\$ 19,230,120</b>	<b>\$ 17,118,263</b>	<b>\$ 15,036,461</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 1,682,576	\$ 1,530,481	\$ 1,405,910	\$ 1,297,509	\$ 1,112,797	\$ 969,980	\$ 691,539
Contributions - Employee	939,502	857,755	793,019	715,726	639,540	582,777	528,470
Net Investment Income	1,903,925	3,111,839	(566,454)	2,109,464	882,061	17,316	581,772
Benefits Payments, including refunds of employee contributions	(573,913)	(533,971)	(421,654)	(431,097)	(461,759)	(254,208)	(228,929)
Administrative Expense	(12,292)	(17,539)	(10,929)	(10,916)	(9,950)	(10,543)	(6,071)
Other	(480)	(527)	(571)	(553)	(536)	(521)	(499)
<b>Net Change in Plan Fiduciary Net Position</b>	\$ 3,939,319	\$ 4,948,039	\$ 1,199,322	\$ 3,680,133	\$ 2,162,153	\$ 1,304,801	\$ 1,566,282
<b>Plan Fiduciary Net Position - Beginning</b>	25,025,539	20,077,500	18,878,178	15,198,045	13,035,892	11,731,091	10,164,809
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 28,964,858</b>	<b>\$ 25,025,539</b>	<b>\$ 20,077,500</b>	<b>\$ 18,878,178</b>	<b>\$ 15,198,045</b>	<b>\$ 13,035,892</b>	<b>\$ 11,731,091</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 3,400,017</b>	<b>\$ 3,667,222</b>	<b>\$ 4,760,562</b>	<b>\$ 2,823,140</b>	<b>\$ 4,032,075</b>	<b>\$ 4,082,371</b>	<b>\$ 3,305,370</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	89.49%	87.22%	80.83%	86.99%	79.03%	76.15%	78.02%
<b>Covered Payroll</b>	\$ 13,421,461	\$ 12,253,645	\$ 11,328,847	\$ 10,224,662	\$ 9,136,279	\$ 8,325,383	\$ 8,071,984
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	25.33%	29.93%	42.02%	27.61%	44.13%	49.04%	40.95%

\* Schedules are intended to show information for ten years and the additional years' information will be displayed as it becomes available, amounts presented for the year end were determined as of December 31, the measurement date.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Employer Contributions**

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	\$ 524,649	\$ 524,649	\$ -	\$ 6,165,072	8.5%
2013	532,591	532,591	-	6,665,732	8.0%
2014	627,943	627,943	-	7,550,582	8.3%
2015	953,338	936,923	16,415	8,686,216	10.8%
2016	1,160,869	1,116,031	44,838	9,207,541	12.1%
2017	1,225,528	1,240,665	(15,137)	9,868,892	12.6%
2018	1,391,093	1,414,894	(23,801)	11,149,680	12.7%
2019	1,479,117	1,479,117	-	11,149,680	13.3%
2020	1,530,481	1,530,481	-	12,253,645	12.5%
2021	1,846,501	1,846,501	-	13,421,461	13.8%

**Notes to Schedule of Contributions****Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	10 Year smoothed market: 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rate that are specific to the City's plan of benefits. Last update for the 2019 valuation pursuant to an experience study of the Period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The Rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes There were no benefit changes during the year.

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**APPENDIX E**

**SPECIMEN BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100



Financial Advisory Services  
Provided By:

