



THE CITY OF KYLE, TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED
SEPTEMBER 30, 2016

THE CITY OF KYLE, TEXAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



City Manager
J. Scott Sellers

Director of Finance
Perwez A. Moheet, CPA

FOR THE YEAR ENDED
SEPTEMBER 30, 2016

Prepared by Financial Services Department



Elected Officials

Mayor
R. Todd Webster

Mayor Pro Tem
Damon Fogley

Council Member, District 1
Travis Mitchell

Council Member, District 2
Becky Selbera

Council Member, District 3
Shane Arabie

Council Member, District 4
David Wilson

Council Member, District 6
Daphne Tenorio

**CITY OF KYLE, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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INTRODUCTORY SECTION





CITY OF KYLE

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Tel (512) 262-1010

P.O. Box 40
Fax (512) 262-3800

Kyle, Texas 78640

March 3, 2017

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Kyle, Texas for the year ended September 30, 2016. The CAFR provides detailed information regarding the City's financial condition and activities to City Council, Boards and Commissions, citizens of Kyle, City management and staff, bondholders, and other interested parties.

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 basic financial statements and accompanying notes to the financial statements have been audited by the independent firm of Padgett, Stratemann & Co., LLP, Certified Public Accountants. This audit satisfies 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.

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

REPORTING ENTITY

This CAFR includes all funds of the City of Kyle. The City provides a full range of municipal services including general government, public safety, emergency management, planning and zoning, code enforcement, public recreation and culture, economic development, solid waste collection and recycling, 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 the laws and administering the government. The City Manager serves at the pleasure of the City Council of the City of Kyle.

The City covers approximately thirty (30) square miles and had an estimated population of 39,400 in 2016. Kyle is a thriving community with easy access to major highways and roadways including Interstate Highway 35. Kyle is strategically located eight miles north of San Marcos, 20 miles south of Austin and 60 miles north of San Antonio. 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.

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, 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 building permits increased by 15.5%, taxable valuations increased by 18.4% (tax year 2015) compared to the prior year, annual property tax collection rate has continued to surpass the 98.0% level, and sales tax collections increased by 13.6% compared to the prior year as well. Total population in the City of Kyle is projected to increase to an estimated 46,000 residents by the year 2020.

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 supplies guidance for future municipal decisions. Kyle is 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.

In order 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 ad valorem tax revenue to fund service provisions, protecting sensitive cultural and natural features representative of Kyle's history and character, directing growth in key locations, and ensuring a high quality of life. The planning horizon of the 2010 Comprehensive Plan is through the year 2040, when it is projected that approximately 90,000 residents will live in Kyle.

Major Initiatives

The City Council adopted a number of policy based priorities to not only maintain but also enhance the City of Kyle as a vibrant, healthy, family-friendly, and safe community. These policy based priorities included but not limited to the following:

- Public Safety Program Initiatives
- Street Maintenance & Reconstruction Program
- Park Improvement Program

- Water and Wastewater Infrastructure Improvement & Expansion Program
- Downtown Revitalization Grant Program
- Downtown Beautification Plan
- Annexation Plan
- Tourism Plan

A number of major programs were initiated and completed in the City of Kyle during fiscal year 2016. These included the following:

- Construction of Marketplace Avenue was completed and construction of two other roads were well underway for the \$36 million bond package approved by the citizens for the five major roadways. This program when completed will increase commercial and industrial development.
- Completion of major improvements throughout the City's parks system.
- Right-of-way acquisition and design for the City's Southside wastewater collection system.
- Preliminary engineering study and design initiated for wastewater treatment plant expansion.
- Streamlining of the City's development and permitting process completed.

FINANCIAL INFORMATION

Budgetary Information

The fiscal year 2016 Approved Budget, as amended, totals \$81.1 million and includes \$22.5 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 budget development and adoption process was based on the City's commitment and dedication to complete transparency and inclusiveness in government. The City included an extensive public participation process including public hearings, City Council planning workshop and public meetings throughout the budget development, deliberations, and adoption process. The City's budget development process incorporates financial resource allocation planning with performance measurement for service delivery and public input.

The fiscal year 2016 Approved Budget, as amended, was adopted with a property tax rate decrease of \$0.01 to \$0.5748 per \$100 of assessed valuation. The budget provided for a merit increase for City employees, compliance with the meet and confer requirements for civil service employees, addition of new positions for police officers, public works, animal control, and emergency dispatch operations.

The Approved Budget for fiscal year 2016 did not include any rate increase for water, wastewater, or fees and charges for city services. A 4.0% rate increase was included for solid waste collection service based on the contract terms entered 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 conditions due largely to its 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 citizens 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 many public discussions, deliberations, workshops, and hearings. Primary responsibility for budget variance analysis of actual expense or revenue and overall programs rests with the City department operating the program. As evidenced in the financial statements, notes, and schedules included in the CAFR, 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 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 balances with variances that are generated and reviewed by the Finance and the City Manager's Office. Each quarter, the Financial Services Department provides reports to City Council on the status of revenue, expenditures and fund balance of each fund based on actual to date financial data.

Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool. The Pool was created for the purpose of providing coverage against risks, which are inherent in operating a municipal government. The City pays annual premiums to the Pool for liability, property and worker's compensation 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 annual budgets, financial performance reports, annual financial reports, capital improvements plan, check registers, financial policies, and other financial reports.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit that publishes a Comprehensive Annual Financial Report (CAFR) that meets the GFOA program standards.

During fiscal year 2016, the City of Kyle was awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA for its Comprehensive Annual Financial Report issued for fiscal year ended September 30, 2015.

The City of Kyle was also the recipient of the Distinguished Budget Presentation Award presented by the Government Finance Officers Association (GFOA) for the fiscal year beginning October 2015. This award is the highest form of recognition in governmental budgeting and represents a significant achievement by an organization.

For the seventh consecutive year, the City of Kyle has received the highest Leadership Circle Award from the Texas Comptroller's Office for meeting and exceeding government transparency standards set by the state. This year's award to the City of Kyle is even more special as the Comptroller's Office has created and awarded the Platinum Star Award in recognition of the City's efforts of being "above and beyond" in providing for financial transparency.

Acknowledgments

The compilation and issuance of the City's Comprehensive Annual Financial Report was made possible with the dedication and contributions of the entire staff of the Financial Services Department. We would like to express our appreciation to all members of the department who assisted and contributed in the preparation of this report.

We also want to acknowledge the thorough, professional, and timely manner in which the City's independent auditor, Padgett, Stratemann & Co., LLP, conducted 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 City's financial management.

Respectfully submitted,

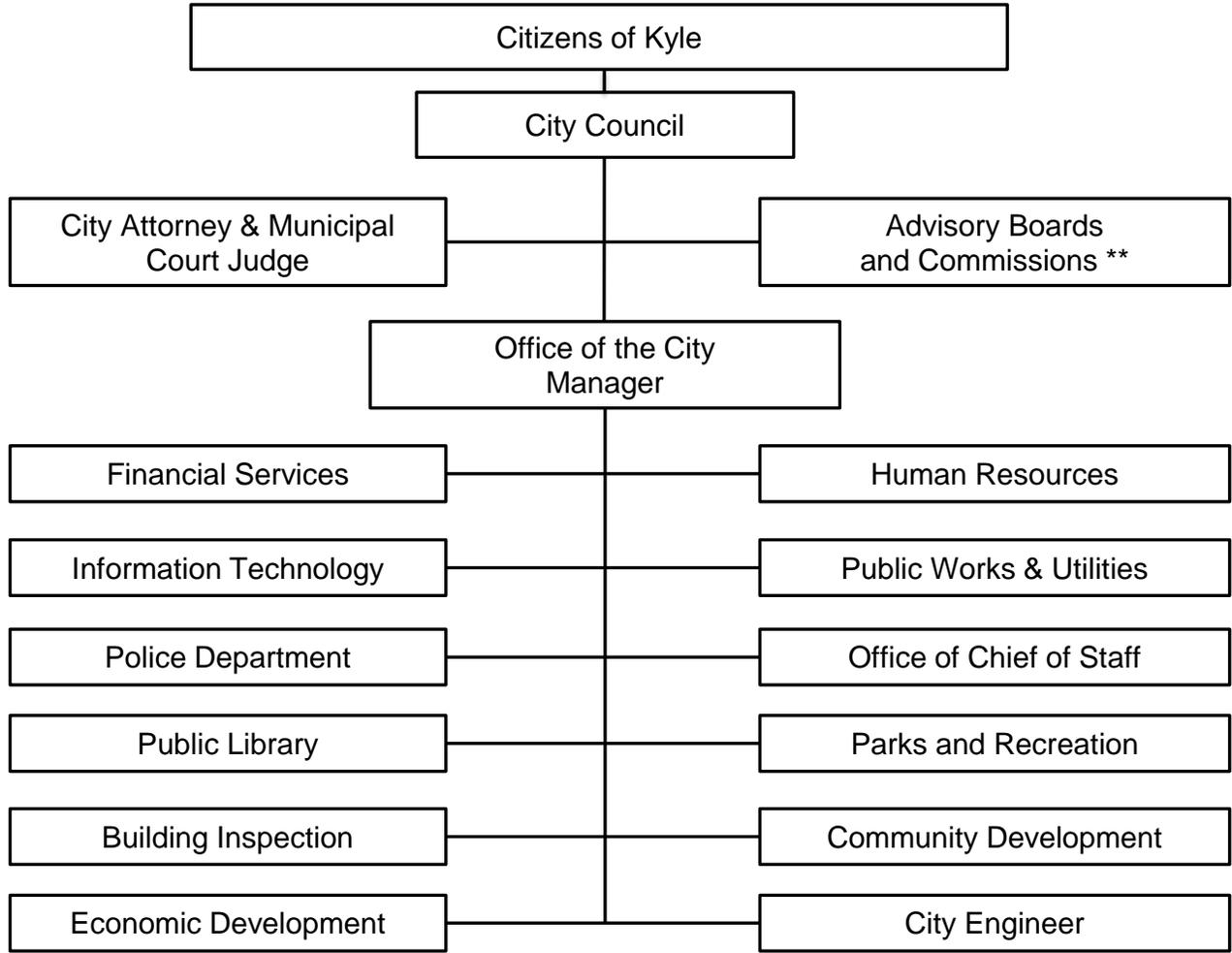


J. Scott Sellers
City Manager



Perwez A. Moheet, CPA
Director of Finance

City of Kyle - Organization Chart



** List of Advisory Boards and Commissions

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

R. Todd Webster.....	Mayor
Damon Fogley.....	Mayor Pro-Tem, District 5
Travis Mitchell.....	District 1
Becky Selbera.....	District 2
Shane Arabie.....	District 3
David Wilson.....	District 4
Daphne Tenorio.....	District 6

Executive Management Team

J. Scott Sellers.....	City Manager
James R. Earp, CPM.....	Assistant City Manager
Mario Perez.....	Building Official
Davidson, Troilo, Ream Garza, PC.....	Attorney
Leon Barba, P.E.....	City Engineer
Jennifer Vetrano.....	City Secretary
Jerry Hendrix.....	Chief of Staff
Diana Blank-Torres.....	Director of Economic Development
Perwez A. Moheet, CPA.....	Director of Financial Services
Sandra Duran.....	Director of Human Resources
Andy Cable.....	Municipal Court Judge
Kerry Urbanowicz.....	Director of Parks and Recreation
Howard Koontz.....	Director of Planning
Jeff Barnett.....	Chief of Police
Paul Phelan.....	Library Director
Harper Wilder.....	Director of Public Works



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Kyle
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



FINANCIAL SECTION





Padgett Stratemann

Independent Auditor's Report

To the 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, 2016, 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 of Kyle, Texas as of September 30, 2016, 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.

AUSTIN

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Emphasis of Matter

As described in Note I to the financial statements, effective October 1, 2015, the City adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Budgetary Comparison Schedule – General Fund, the Schedule of Funding Progress for the Other Post-Employment Benefits, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions, and Notes to the Schedule of 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The Combining Financial 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 Financial 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 Introductory Section and Statistical Sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
March 3, 2017

The City management is pleased to present the City of Kyle's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016.

The Management's Discussion and Analysis (MD&A) section of the CAFR presents a narrative overview and analysis of the financial activities of the City of Kyle for the year ended September 30, 2016. 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 at the end of fiscal year 2016 resulting in a net position of \$137.3 million as of September 30, 2016. Of the total \$137.3 million net position, \$18.8 million remained unrestricted and is available to meet any future obligations of the City.
- Net position for all governmental activities totaled \$60.3 million and \$77.0 million for business-type activities at September 30, 2016.
- \$5.2 million or 11.3% decrease in the combined fund balance totaling \$40.8 million for all governmental funds at September 30, 2016 as compared to the prior fiscal year.
- \$0.2 million or 2.0% decrease in the ending balance of the City's General Fund totaling \$10.5 million at September 30, 2016 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 and wastewater utility operations.

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, 2016, the City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$137.4 million.

Below are summary highlights of the City's Net Position as of the end of fiscal year 2016 at September 30, 2016:

- Governmental Activities:
 - ❖ Current and Other Assets decreased by \$4.6 million or 9.5% primarily from the net results of operations.
 - ❖ Capital Assets increased by a net \$10.4 million or 10.0% at fiscal year-end. Capital outlay total \$13.9 million net of depreciation of \$4.6 million.
 - ❖ Liabilities decreased by a net \$3.3 million or 3.1% as a result of debt service payments and refunding of its outstanding bonds.

- Business-type Activities:
 - ❖ Current and Other Assets increased by a \$1.9 million or 8.4% primarily from the net results of operations.
 - ❖ Capital Assets increased by a net \$1.0 million or 1.9%, primarily from wastewater projects.
 - ❖ Total liabilities decreased by a net \$3.6 million or 62.4% resulting from the acquisition of the Wastewater Treatment Plan from Aqua Texas and settlement of the billing dispute associated with the wastewater treatment plant operations and maintenance.

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

City of Kyle, Texas Net Position For the Fiscal Year Ended September 30, 2016 (With Comparative Totals for September 30, 2015)						
	Government Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current & other assets	\$ 44,131,217	\$ 48,756,341	\$ 24,654,187	\$ 22,744,562	\$ 68,785,404	\$ 71,500,903
Capital assets	114,352,785	104,001,902	54,243,210	53,248,372	168,595,995	157,250,274
Total assets	\$ 158,484,002	\$ 152,758,243	\$ 78,897,397	\$ 75,992,934	\$ 237,381,399	\$ 228,751,177
Total Deferred Outflow of Resources						
Charge for Refunding Pension Plan	\$ 2,629,181	\$ 2,328,830	\$ -	\$ -	\$ 2,629,181	\$ 2,328,830
	1,285,483	599,710	324,101	151,201	1,609,584	750,911
Total Deferred	\$ 3,914,664	\$ 2,928,540	\$ 324,101	\$ 151,201	\$ 4,238,765	\$ 3,079,741
Liabilities	\$ 3,207,376	\$ 2,889,850	\$ 1,353,817	\$ 2,467,730	\$ 4,561,193	\$ 5,357,580
Non-current liabilities	98,791,366	102,374,349	822,014	3,316,048	99,613,380	105,690,397
Total liabilities	\$ 101,998,742	\$ 105,264,199	\$ 2,175,831	\$ 5,783,778	\$ 104,174,573	\$ 111,047,977
Total Deferred Inflow of Resources						
Pension Plan	\$ 49,068	\$ 7,089	\$ 14,158	\$ 1,787	\$ 63,226	\$ 8,876
Total Deferred	\$ 49,068	\$ 7,089	\$ 14,158	\$ 1,787	\$ 63,226	\$ 8,876
Net investment in capital assets	\$ 49,390,461	\$ 35,630,219	\$ 54,243,210	\$ 50,597,881	\$ 103,633,671	\$ 86,228,100
Restricted	1,450,855	1,765,670	13,482,480	10,854,507	14,933,335	12,620,177
Unrestricted	9,455,449	13,019,607	9,305,819	8,906,182	18,761,268	21,925,789
Total of Net Position	\$ 60,296,765	\$ 50,415,496	\$ 77,031,509	\$ 70,358,570	\$ 137,328,274	\$ 120,774,066

The largest portion of the City's \$137.3 million net position includes \$103.6 million or 75.4% 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 \$137.3 million net position is its restricted resources totaling \$14.9 million or 10.9% to be used for capital improvements. The City's \$137.4 million net position also includes resources restricted for special purposes such as for the municipal court and law enforcement in the amount of \$0.36 million or 0.006% and \$1.0 million or 0.8% for debt service. The remaining balance of the City's \$137.3 million net position comprised of unrestricted resources totaling \$18.8 million or 13.7% 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 For the Fiscal Year Ended September 30, 2016 (With Comparative Totals for September 30, 2015)						
	Government Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenue						
Program Revenue						
Charges for services	\$ 5,336,732	\$ 4,811,441	\$ 17,675,893	\$ 16,226,692	\$ 23,012,625	\$ 21,038,133
Operating grants and contributions	129,307	135,308	-	-	129,307	135,308
Capital grants and contributions	-	-	1,717,379	3,509,187	1,717,379	3,509,187
General Revenue						
Property taxes	12,548,983	9,753,418	-	-	12,548,983	9,753,418
Sales tax	6,540,475	6,676,810	-	-	6,540,475	6,676,810
Franchise tax	1,210,935	1,149,213	-	-	1,210,935	1,149,213
Other taxes	267,150	244,065	-	-	267,150	244,065
Contributions not restricted	5,528,007	9,182,145	-	-	5,528,007	9,182,145
Investment earnings	162,335	27,734	31,606	9,602	193,941	37,336
Miscellaneous	1,607,235	1,495,354	815,026	118,034	2,422,261	1,613,388
Total Revenue	\$ 33,331,159	\$ 33,475,488	\$ 20,239,904	\$ 19,863,515	\$ 53,571,063	\$ 53,339,003
Expense						
General government	\$ 6,749,251	\$ 7,265,995	\$ -	\$ -	\$ 6,749,251	\$ 7,265,995
Public safety	6,196,660	5,687,000	-	-	6,196,660	5,687,000
Public works	6,989,256	6,648,193	-	-	6,989,256	6,648,193
Culture/Recreation	2,765,839	2,497,592	-	-	2,765,839	2,497,592
Interest on long term debt	3,640,280	2,167,498	-	-	3,640,280	2,167,498
Issuance Costs	150,447	492,049	-	-	150,447	492,049
Other debt service	826	-	-	-	826	-
Water/Wastewater	-	-	10,524,295	10,728,373	10,524,295	10,728,373
Total Expenses	\$ 26,492,559	\$ 24,758,326	\$ 10,524,295	\$ 10,728,373	\$ 37,016,853	\$ 35,486,700
Change in net position before Transfers	\$ 6,838,600	\$ 8,717,162	\$ 9,715,609	\$ 9,135,142	\$ 16,554,209	\$ 17,852,304
Transfers (net)	3,042,669	1,359,611	(3,042,669)	(1,359,610)	-	1
Change in net position	9,881,272	10,076,773	6,672,940	7,775,532	16,554,213	17,852,305
Net position - beginning -	50,415,493	40,338,720	70,358,569	62,583,036	120,774,062	102,921,756
Net position - ending	\$ 60,296,765	\$ 50,415,493	\$ 77,031,509	\$ 70,358,568	\$ 137,328,275	\$ 120,774,061

Governmental Activities – Government-wide Statements

Governmental activities increased the City's net position by \$6.9 million. Key elements of this change in net position are explained below:

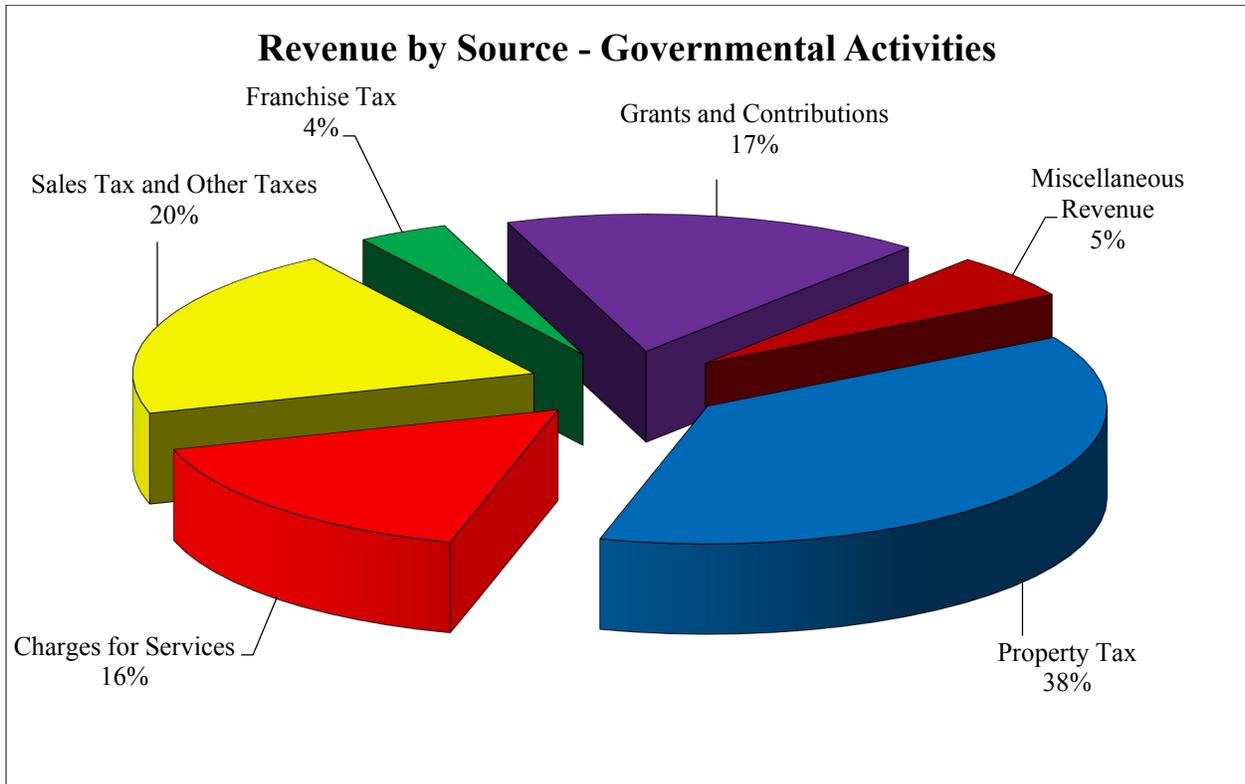
Program Revenue. Total program revenue, which are charges for services, operating grants/contributions and capital grants/contributions increased by approximately \$0.5 million from the prior year due mainly to net increase in charges for services of \$0.5 million and net decrease in operating grants/contributions of \$0.01 million.

General Revenue. Property taxes, sales tax, franchise fees, and other taxes increased by \$2.7 million or 15.4%. Property tax increased by \$2.8 million or 28.7%, sales tax decreased by \$0.1 million or 2.0%, franchise fee increased by \$0.06 million or 5.4% and other taxes increased \$0.02 million or 9.5% from the prior fiscal year.

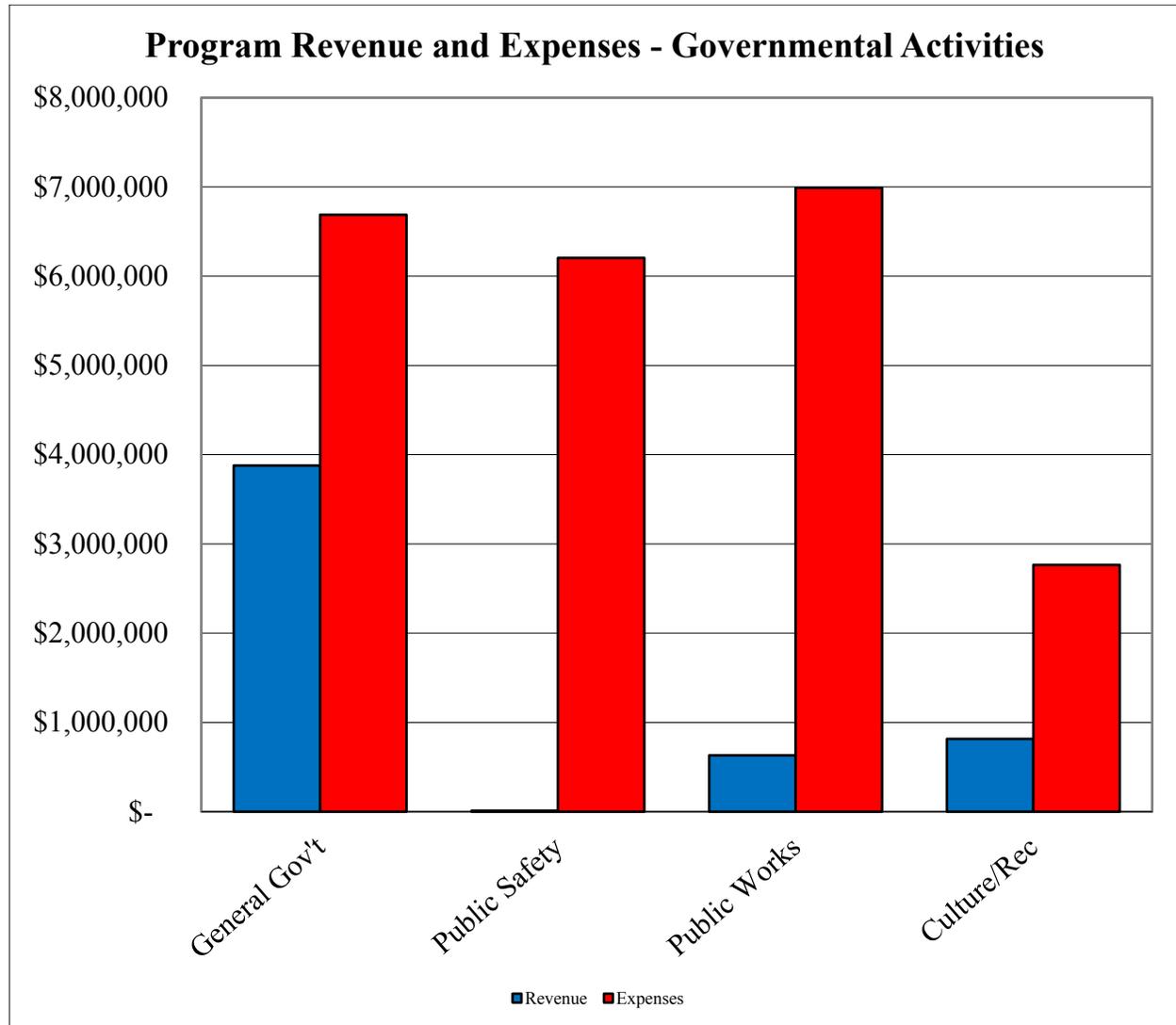
Expenses. Governmental expenses resulted in an overall increase of \$1.6 million or 6.8% compared to the prior year. Following are the main reasons for the increase in expenditures:

- General Government decreased by \$0.6 million or 8.0%.
- Public Safety increased by \$0.5 million or 9.1%. This increase is due to the increase in EMS funding, higher operating costs and the Meet & Confer negotiations that were approved for the City's civil service officers.
- Public Works increased by \$0.3 million or 5.1%. This increase is the result of increase in operating costs associated with sanitation and recycling services.
- Culture and Recreation increased by \$0.3 million or 10.7% and Bond Interest increased by \$1.5 million or 67.9%.
- Other Debt Service Expense, which includes fiscal agent fees and issuance costs, increased by \$0.001 million.
- Water & Wastewater fund decreased by \$0.2 million or 1.9%.
- The legal level of budgetary control is maintained at the function level.

Budget Variances. All expenditures for the City's General Fund functions and activities were within adopted budget appropriations for fiscal year 2016. 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.



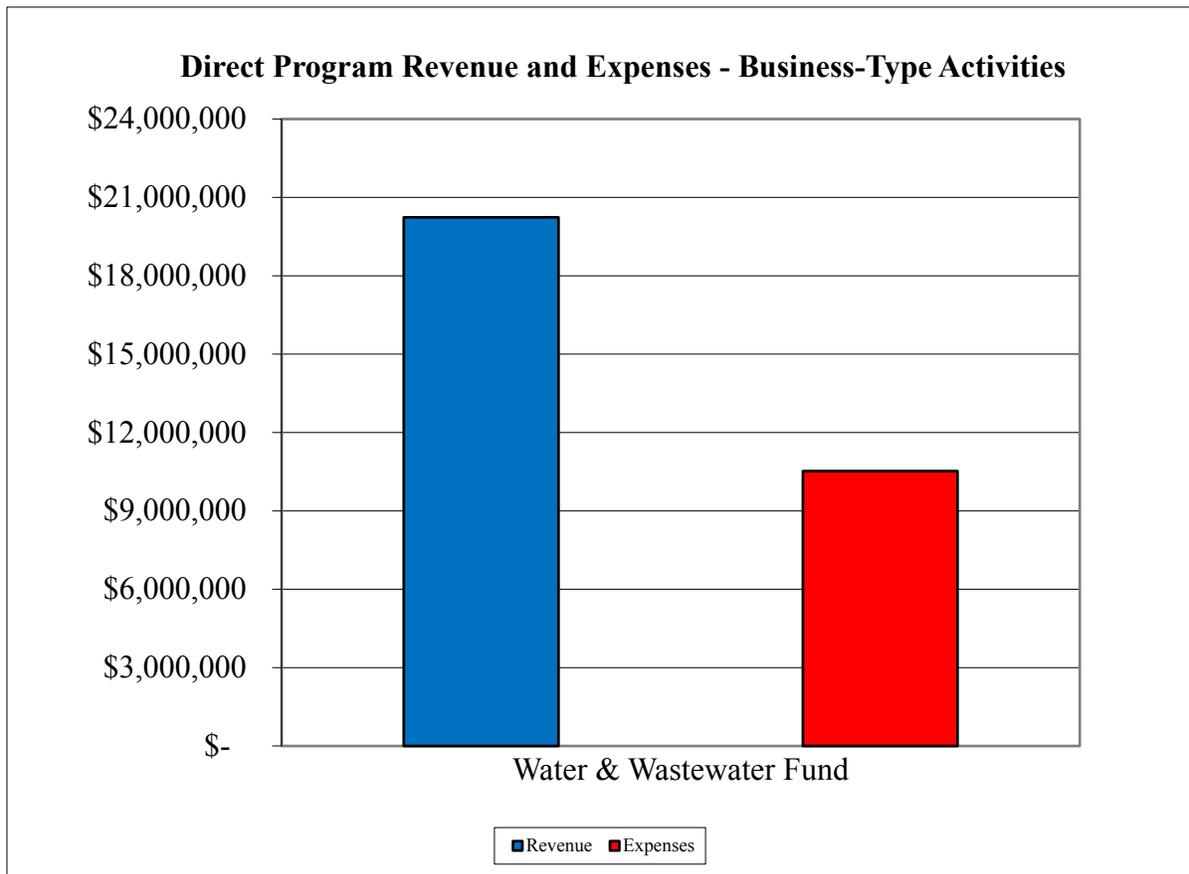
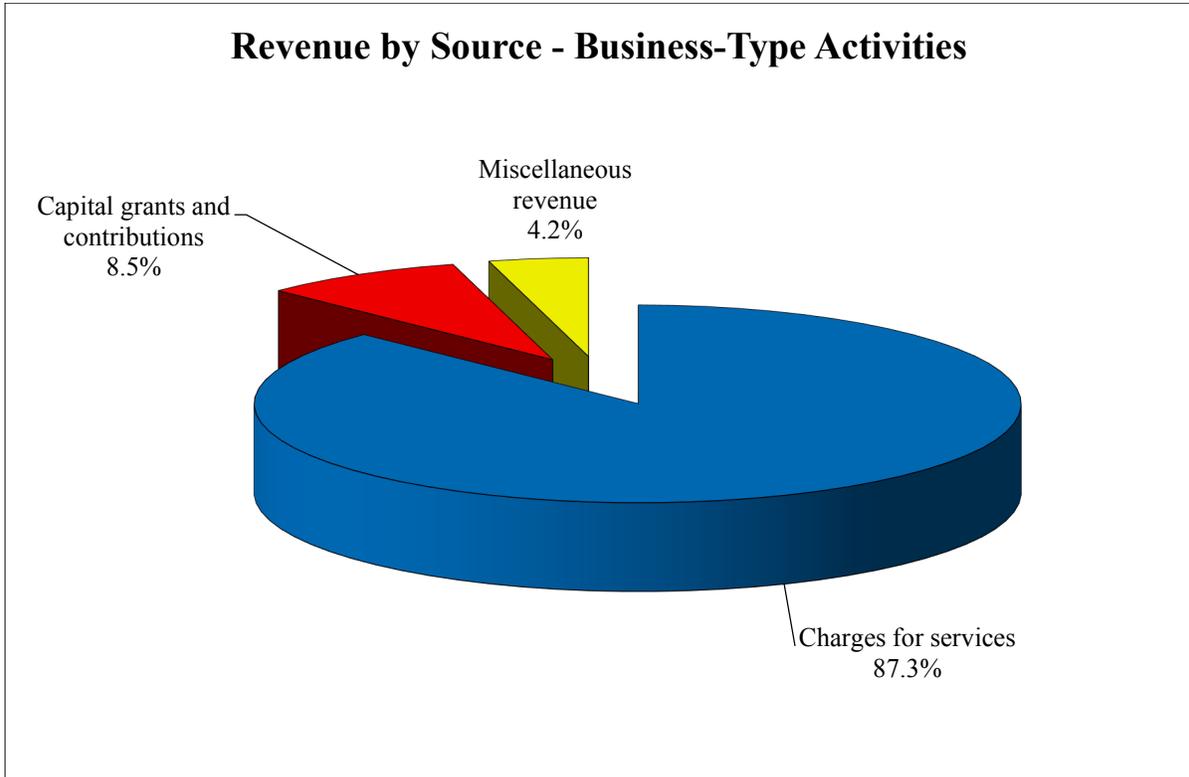
- As shown in the above chart, the primary sources of revenue for governmental activities are from property taxes (\$12.5 million or 38%), charges for services (\$5.3 million or 16%), and sales tax (\$6.5 million or 20%).
- Charges for services include revenue sources such as fees for building inspections, plan review, recreational program fees, trash collection charges, etc.
- Revenue from property taxes increased by \$2.8 million or 28.7% between 2015 and 2016. This increase is due to the increase in the property tax rate and in the certified tax roll for taxable assessed valuations from \$1.64 billion in 2015 to \$2.31 billion in 2016. The property tax rate adopted effective October 2015 (fiscal year 2016) was \$0.5848 per \$100 of assessed valuation which is an increase of \$0.0465 from the previous year.
- Sales taxes which represented \$6.5 million or 20% of total revenue for governmental activities decreased from the prior year.



- Based on the chart above Public Works is the largest expense function (\$6.9 million or 30.9%), which includes all street maintenance and sanitation services. This is followed by General Government (\$6.7 million or 29.5%), Public Safety (\$6.2 million or 27.4%), and Culture/Recreation (\$2.8 million or 12.2%).
- 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 \$6.7 million in fiscal year 2016. This was the net result of \$20.2 million in revenue, \$10.5 million in expenses, and \$3.0 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. Charges for services revenue for business-type activities include City's Water and Wastewater Utility operations which increased from the prior year. Revenue from charges for services increased by \$1.4 million or 8.9% from the prior year due to the addition of new customers. Contributions for capital grants decreased by \$1.8 million as compared to the previous year. Investment earnings increased by \$0.02 million or 229.1% due to the use of cash and investments to pay for operating and capital activities.

Expenses. Business-type expenses totaled \$10.5 million, an overall decrease of \$0.2 million or 1.9% 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, 2016, the City's governmental funds reported combined ending fund balance of \$40.8 million. Of this amount \$30.3 million is restricted and the remaining \$10.5 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, 2016, the unassigned fund balance totaled \$10.5 million. The unassigned General Fund Balance decreased by \$0.2 million or 2.0% at September 30, 2016 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% of the levy.

Overall, total General Fund revenue decreased by \$0.1 million or 5.4% and actual expenditures increased by approximately \$1.7 million or 9.7% during fiscal year 2016 as compared to the prior fiscal year 2015. General government functions, which serves as a roll-up for non-specific activities, increased by \$0.2 million or 3.7% over the prior year. Public Safety increased by \$0.4 million or 8.6%, Culture/Recreation increased by \$0.2 million or 8.5% and Public Works increased by \$0.07 million or 2.5%. The increase was mainly due to increases in personnel costs and operating costs.

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 use for Debt Service increased from \$5.2 million to \$7.6 million in 2016. The related debt service also increased from \$5.9 million to \$8.4 million, which is primarily attributable to higher outstanding debt in 2016.

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 2016, fund balance decreased by \$5.8 million. The decrease 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: Bunton Creek Road, North Burleson Street, Goforth Road, Lehman Road, and Marketplace Avenue.

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, 2016, the all Other Governmental Funds reported combined ending fund balance of \$1.9 million. Please refer to Exhibit C-3 on pages 26 and 27 and Exhibit H-2 on pages 70 through 72 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 and Wastewater Utility operations in an Enterprise Fund within the Proprietary Fund category for business-type activities.

Overall, operating revenue for the Utility showed a \$1.7 million or 30.2% increase from the prior year. This is primarily due to a rate increase implemented, growth in customer base, and the continuing drought conditions during the 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, 2016, totaled \$168.6 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, 2016 was \$11.3 million or 7.2% from the prior year.

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

City of Kyle, Texas Investment in Capital Assets For the Fiscal Year Ended September 30, 2016 (With Comparative Totals for September 30, 2015)						
	Government Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,282,742	\$ 3,282,742	\$ 691,935	\$ 691,935	\$ 3,974,677	\$ 3,974,677
Buildings	17,222,188	16,207,706	3,113,623	5,434,442	20,335,811	21,642,148
Improvements other than buildings	4,219,386	3,918,963	68,030,766	66,313,387	72,250,152	70,232,350
Machinery and equipment	4,979,617	4,417,659	1,474,934	1,414,022	6,454,551	5,831,681
Infrastructure	108,774,644	104,008,391	-	-	108,774,644	104,008,391
Construction in Progress	14,476,386	6,086,454	3,059,618	1,785,053	17,536,004	7,871,507
Less: Accumulated depreciation	(38,602,178)	(33,920,013)	(22,127,666)	(22,390,469)	(60,729,844)	(56,310,482)
Total	\$ 114,352,785	\$ 104,001,902	\$ 54,243,210	\$ 53,248,370	\$ 168,595,995	\$ 157,250,272

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

- The \$3 million acquisition of the City's Wastewater Treatment Plan.
- Road improvements totaled approximately \$3.4 million for the year.
- Restoration Improvement cost for the Kyle Train Depot project of approximately \$1 million.
- Design and right-of-way acquisition primarily completed for the road projects.
- Contributed capital for the year totaled \$5.5 million.

Detailed information on capital asset activity for the fiscal year ended September 30, 2016 is provided in Note D to the Financial Statements on pages 49 to 50.

Debt Management

At September 30, 2016, the City's net outstanding debt totaled \$95.5 million. This is a decrease of approximately \$4.20 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, 2016, with a comparison of outstanding debt from the prior year. In addition, please refer to Note F – Long-Term Liabilities on page 51 in the Notes to the Financial Statement for detailed information on the changes in long-term debt.

City of Kyle, Texas						
Outstanding Debt						
For the Fiscal Year Ended September 30, 2016						
(With Comparative Totals for September 30, 2015)						
	Government Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Debt obligations	\$ 42,340,000	\$ 47,425,000	\$ -	\$ -	\$ 42,340,000	\$ 47,425,000
Premium on bonds	5,076,009	4,379,536	-	-	5,076,009	4,379,536
Refunding bonds	48,115,000	47,930,000	-	-	48,115,000	47,930,000
Capital lease - Plant	-	-	-	2,650,491	-	2,650,491
Total	\$ 95,531,009	\$ 99,734,536	\$ -	\$ 2,650,491	\$ 95,531,009	\$ 102,385,027

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 2016 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, 2016:

- 16% increase in building permits from the prior year.
- 8.0% increase in taxable assessed property valuations from the prior year.
- 99.4% annual property tax collection rate.
- 4.6% projected increase in population in the City of Kyle annually through the year 2020.
- Design and right-of-way acquisition initiated for the \$36 million bond package approved by the citizens for the five major roadways. This program when completed will increase commercial and industrial development.

- Completion of major improvements at the City's Greg-Clarke park and Lake Kyle.
- Streamlining of the City's development and permitting process.
- Public Safety Program Initiatives.
- Street Maintenance & Reconstruction Program.
- Park Improvement Program.
- Water and Wastewater Infrastructure Improvement & Expansion Program.
- Downtown Revitalization Grant Program.
- Downtown Beautification Plan.
- Annexation Plan.
- Tourism Plan.

Variations in Budget Appropriations			
General Fund (Budgetary Basis) - Expenditures			
	Original Budget	Final Budget	Actual Results
General Government	\$ 6,125,246	\$ 6,596,389	\$ 6,342,445
Public Safety	6,472,672	6,711,718	5,619,183
Public Works	3,423,155	3,541,410	3,268,313
Culture and Recreation	2,381,241	2,375,789	3,268,313
Capital Outlay	3,124,302	3,236,594	1,762,755
	<u>\$ 21,526,616</u>	<u>\$ 22,461,900</u>	<u>\$ 20,261,009</u>

Changes in original budget appropriations to the final amended budget appropriations resulted in a net \$935,284 increase in appropriations. This increase can be summarized by the following:

- General Government increased by approximately \$471,143 due to budget amendments and due to rollover from prior year appropriations.
- Public Safety, Public Works, Culture and Recreation and Capital Outlay had a net change of approximately \$464,000 increase to adjusted appropriated balances to meet changing needs of the City throughout the year.

Next Year's Budget

The fiscal year 2016-17 Approved Budget totals \$80.4 million and includes \$21.8 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 2016-17 Budget was adopted with a property tax rate decrease of \$0.0100 to \$0.5748 per \$100 of assessed taxable valuation. The budget provides for an average 3.0% pay increase for City employees, compliance with the meet and confer requirements for civil service employees, addition of positions for police officers, library, public works, animal control, and emergency dispatch operations.

The Approved Budget for fiscal year 2017 did not include any rate increase for water, wastewater, or fees and charges for city services. A 4.0% rate increase is included for solid waste collection service based on the contract terms entered 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, P.O. Box 40, 100 West Center St., Kyle, Texas 78640.



BASIC FINANCIAL STATEMENTS



CITY OF KYLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 10,746,441	\$ 10,146,590	\$ 20,893,031
Restricted Cash and Cash Equivalent	30,588,419	13,396,809	43,985,228
Restricted Investments - Current	138,603	85,671	224,274
Receivables (net of allowance for uncollectibles)	2,385,416	1,296,652	3,682,068
Internal Balances	272,064	(272,463)	(399)
Prepaid Items	274	928	1,202
Capital Assets:			
Nondepreciable, Capital Assets	17,759,128	3,751,553	21,510,681
Capital Assets, net	96,593,657	50,491,657	147,085,314
Total Assets	<u>158,484,002</u>	<u>78,897,397</u>	<u>237,381,399</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charge for Refunding	2,629,181	-	2,629,181
Deferred Outflow Related to Pension Plan	1,285,483	324,101	1,609,584
Total Deferred Outflows of Resources	<u>3,914,664</u>	<u>324,101</u>	<u>4,238,765</u>
LIABILITIES			
Accounts Payable	2,997,594	1,353,817	4,351,411
Other Current Liabilities	2,191	-	2,191
Payable from Restricted Assets	261,688	-	261,688
Noncurrent Liabilities			
Due Within One Year	4,880,000	-	4,880,000
Due in More Than One Year	90,651,009	822,014	91,473,023
Net Pension Liability	3,260,357	-	3,260,357
Total Liabilities	<u>102,052,839</u>	<u>2,175,831</u>	<u>104,228,670</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to Pension Plan	49,068	14,158	63,226
Total Deferred Inflows of Resources	<u>49,068</u>	<u>14,158</u>	<u>63,226</u>
NET POSITION			
Net Investment in Capital Assets	49,390,461	54,243,210	103,633,671
Restricted for:			
Restricted for Capital Improvements	-	13,482,480	13,482,480
Restricted for Special Revenue Purposes	364,948	-	364,948
Restricted for Debt Service	1,085,907	-	1,085,907
Unrestricted Net Position	9,455,449	9,305,819	18,761,268
Total Net Position	<u>\$ 60,296,765</u>	<u>\$ 77,031,509</u>	<u>\$ 137,328,274</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, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 6,749,251	\$ 3,878,720	\$ -	\$ -
Public Safety	6,196,660	12,214	95,747	-
Public Works	6,989,256	630,368	25,733	-
Sanitation	-	-	7,827	-
Culture and Recreation	2,765,839	815,430	-	-
Bond Interest	3,640,280	-	-	-
Fiscal Agent's Fees	826	-	-	-
Issuance Costs	150,447	-	-	-
Total Governmental Activities:	26,492,559	5,336,732	129,307	-
BUSINESS-TYPE ACTIVITIES:				
Water & Wastewater Fund	10,524,294	17,675,893	-	1,717,379
Total Business-Type Activities:	10,524,294	17,675,893	-	1,717,379
TOTAL PRIMARY GOVERNMENT:	\$ 37,016,853	\$ 23,012,625	\$ 129,307	\$ 1,717,379

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Grants and Contributions Not Restricted

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
\$ (2,870,531)	\$ -	\$ (2,870,531)
(6,088,699)	-	(6,088,699)
(6,333,155)	-	(6,333,155)
7,827	-	7,827
(1,950,409)	-	(1,950,409)
(3,640,280)	-	(3,640,280)
(826)	-	(826)
(150,447)	-	(150,447)
<u>(21,026,520)</u>	<u>-</u>	<u>(21,026,520)</u>
-	8,868,978	8,868,978
-	8,868,978	8,868,978
<u>(21,026,520)</u>	<u>8,868,978</u>	<u>(12,157,542)</u>
4,776,956	-	4,776,956
7,772,027	-	7,772,027
6,540,475	-	6,540,475
1,210,935	-	1,210,935
267,150	-	267,150
5,528,007	-	5,528,007
1,607,235	815,026	2,422,261
162,335	31,606	193,941
3,042,671	(3,042,670)	1
<u>30,907,791</u>	<u>(2,196,038)</u>	<u>28,711,753</u>
9,881,272	6,672,940	16,554,212
50,415,493	70,358,569	120,774,062
<u>\$ 60,296,765</u>	<u>\$ 77,031,509</u>	<u>\$ 137,328,274</u>

CITY OF KYLE
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 10,343,165	\$ -	\$ -
Restricted - Cash and Cash Equivalents	-	1,145,651	27,939,504
Investments - Restricted	-	-	138,603
Receivables (Net)	2,204,483	180,033	-
Due from Other Funds	272,467	-	-
Prepaid Items	274	-	-
Total Assets	\$ 12,820,389	\$ 1,325,684	\$ 28,078,107
LIABILITIES			
Accounts Payable	\$ 915,325	\$ 72,662	\$ 715,635
Wages and Salaries Payable	795,061	-	-
Contracts Payable	204,740	-	-
Retainage Payable	6,176	-	-
Due to Other Funds	403	-	-
Other Current Liabilities	2,191	-	-
Developer Accounts Liability	261,688	-	-
Total Liabilities	2,185,584	72,662	715,635
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Taxes	108,799	167,115	-
Total Deferred Inflows of Resources	108,799	167,115	-
FUND BALANCES			
Nonspendable Fund Balance:			
Prepaid Items	274	-	-
Restricted Fund Balance:			
Restricted Fund Balance - Capital Projects	-	-	27,362,472
Restricted Fund Balance - Debt Service	-	1,085,907	-
Assigned Fund Balance:			
Other Assigned Fund Balance	-	-	-
Unassigned Fund Balance	10,525,733	-	-
Total Fund Balances	10,526,007	1,085,907	27,362,472
Total Liabilities, Deferred Inflows & Fund Balances	\$ 12,820,390	\$ 1,325,684	\$ 28,078,107

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 403,276	\$ 10,746,441
1,503,264	30,588,419
-	138,603
900	2,385,416
-	272,467
-	274
<u>\$ 1,907,440</u>	<u>\$ 44,131,620</u>
\$ 39,158	\$ 1,742,780
2,175	797,236
-	204,740
-	6,176
-	403
-	2,191
-	261,688
<u>41,333</u>	<u>3,015,214</u>
-	275,914
<u>-</u>	<u>275,914</u>
-	274
1,501,159	28,863,631
-	1,085,907
364,948	364,948
-	10,525,733
<u>1,866,107</u>	<u>40,840,493</u>
<u>\$ 1,907,440</u>	<u>\$ 44,131,621</u>

CITY OF KYLE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2016

Total Fund Balances - Governmental Funds	\$	40,840,493
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$137,921,915 and the accumulated depreciation was \$33,920,013. 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.		6,596,196
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 including the 2016 capital outlays and debt principal payments is to increase (decrease) net position.		13,974,476
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,689,600)
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, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		3,575,200
Net Position of Governmental Activities	\$	60,296,765

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

CITY OF KYLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	\$ 4,668,157	\$ 7,604,912	\$ -
General Sales and Use Taxes	6,540,475	-	-
Franchise Tax	1,210,935	-	-
Other Taxes	68,016	-	-
Licenses and Permits	1,288,899	-	-
Intergovernmental Revenue and Grants	21,173	-	-
Charges for Services	3,706,420	-	-
Fines	536,490	-	-
Special Assessments	-	-	-
Investment Earnings	59,611	100,949	-
Rents and Royalties	9,990	-	-
Contributions & Donations from Private Sources	57,000	-	-
Other Revenue	218,654	-	-
Total Revenues	<u>18,385,820</u>	<u>7,705,861</u>	<u>-</u>
EXPENDITURES:			
Current:			
General Government	6,396,541	-	75,625
Public Safety	5,619,183	-	-
Public Works	3,268,313	-	-
Culture and Recreation	2,111,124	-	-
Debt Service:			
Bond Principal	-	4,400,000	-
Bond Interest	-	3,894,605	-
Fiscal Agent's Fees	-	826	-
Issuance Costs	-	150,447	-
Capital Outlay:			
Capital Outlay	1,762,755	-	7,620,048
Total Expenditures	<u>19,157,916</u>	<u>8,445,878</u>	<u>7,695,673</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(772,096)</u>	<u>(740,017)</u>	<u>(7,695,673)</u>
OTHER FINANCING SOURCES (USES):			
Capital-related Debt Issued (Refunding Bonds)	-	8,520,000	-
Transfers In	4,342,614	702,442	1,926,730
Premium or Discount on Issuance of Bonds	-	1,048,867	-
Transfers Out (Use)	(3,837,085)	-	-
Other (Uses) - Payment to Refunding Escrow	-	(9,418,419)	-
Total Other Financing Sources (Uses)	<u>505,529</u>	<u>852,890</u>	<u>1,926,730</u>
Net Change in Fund Balances	(266,567)	112,873	(5,768,943)
Fund Balance - October 1 (Beginning)	<u>10,792,574</u>	<u>973,034</u>	<u>33,131,415</u>
Fund Balance - September 30 (Ending)	<u>\$ 10,526,007</u>	<u>\$ 1,085,907</u>	<u>\$ 27,362,472</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 12,273,069
-	6,540,475
-	1,210,935
199,134	267,150
-	1,288,899
113,134	134,307
549,715	4,256,135
-	536,490
630,368	630,368
1,771	162,331
-	9,990
-	57,000
3,431	222,085
1,497,553	27,589,234
147,256	6,619,422
160,402	5,779,585
-	3,268,313
249,123	2,360,247
-	4,400,000
-	3,894,605
-	826
-	150,447
191,673	9,574,476
748,454	36,047,921
749,099	(8,458,687)
-	8,520,000
21,965	6,993,751
-	1,048,867
(113,996)	(3,951,081)
-	(9,418,419)
(92,031)	3,193,118
657,068	(5,265,569)
1,209,039	46,106,062
\$ 1,866,107	\$ 40,840,493

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(5,265,569)
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 2016 capital outlays and debt principal payments is to increase (decrease) the change in net position.		13,974,476
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.		(4,689,600)
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.		5,861,965
Change in Net Position of Governmental Activities	\$	<u>9,881,272</u>

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

CITY OF KYLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business Type Activities
	Water & Wastewater Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 10,146,590
Restricted Cash and Cash Equivalents	13,396,809
Restricted Investments	85,671
Accounts Receivable-Net of Uncollectible Allowance	1,296,652
Due from Other Funds	4
Prepaid Items	928
Total Current Assets	<u>24,926,654</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable Capital Assets	3,751,553
Capital Assets - Net of Accumulated Depreciation	50,491,657
Total Noncurrent Assets	<u>54,243,210</u>
Total Assets	<u>79,169,864</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	324,101
Total Deferred Outflows of Resources	<u>324,101</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	512,791
Wages/Compensated Absences Payable	147,786
Customer Deposits	693,240
Due to Other Funds	272,467
Total Current Liabilities	<u>1,626,284</u>
NonCurrent Liabilities:	
Net Pension Liability	822,014
Total Noncurrent Liabilities	<u>822,014</u>
Total Liabilities	<u>2,448,298</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	14,158
Total Deferred Inflows of Resources	<u>14,158</u>
NET POSITION	
Net Investment in Capital Assets	54,243,210
Restricted for Capital Improvements - Impact Fee	13,482,480
Unrestricted Net Position	9,305,819
Total Net Position	<u><u>\$ 77,031,509</u></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, 2016

EXHIBIT D-2

	Business Type Activities
	Water & Wastewater Fund
OPERATING REVENUES:	
Charges for Services	\$ 12,514
Charges for Water Services	10,372,292
Charges for Sewerage Service	7,291,087
Rents and Royalties	19,800
Other Revenue	140,239
Total Operating Revenues	17,835,932
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	
Water	691,743
Wastewater	519,271
Administration	1,470,783
Total Personnel Services - Salaries and Wages	2,681,797
Purchased Professional & Technical Services	
Water	3,878,059
Wastewater	1,244,778
Administration	262,058
Total Purchased Professional & Technical Services	5,384,895
Other Operating Expenses	
Water	254,597
Wastewater	260,128
Administration	147,315
Total Other Operating Expenses	662,040
Depreciation	1,795,562
Total Operating Expenses	10,524,294
Operating Income	7,311,638
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	31,606
Contingency Gain	654,987
Total Non-operating Revenue (Expenses)	686,593
Income Before Contributions & Transfers	7,998,231
Capital Contributions	1,717,379
Transfers Out	(3,042,669)
Change in Net Position	6,672,941
Total Net Position - October 1 (Beginning)	70,358,569
Total Net Position September 30 (Ending)	\$ 77,031,510

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

CITY OF KYLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities Water & Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 18,029,373
Payments to Suppliers	(7,248,429)
Payment to Employees	(2,643,943)
Net cash provided by operating activities	\$ 8,137,001
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers Out	\$ (3,042,669)
Net cash used by non-capital financing activities	\$ (3,042,669)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	\$ (423,037)
Payments on Capital Leases	(2,650,491)
Net cash used by capital and related financing activities	\$ (3,073,528)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment	\$ (85,671)
Interest and investment revenue received	31,606
Net cash used by investing activities	\$ (54,065)
Net increase in cash and cash equivalents	\$ 1,966,739
Cash and cash equivalents - beginning of year	\$ 21,576,661
Cash and cash equivalents - end of year	\$ 23,543,400
Noncash flow information	
Capital Contribution	\$ 1,717,379

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

CITY OF KYLE, TEXAS
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities Water & Wastewater Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income	\$ 7,311,637
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	\$ 1,795,562
Changes in assets and liabilities	
Accounts receivable	\$ 78,352
Accounts payable	65,442
Wages and salaries payable	37,854
Customer deposits	115,089
Due to other funds	65,363
Accrued Liability	(1,332,298)
Net cash provided by operating activities	<u>\$ 8,137,001</u>

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

CITY OF KYLE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 151,809
Accounts Receivable-Net of Uncollectible Allowance	5,123
Total Assets	<u>\$ 156,932</u>
LIABILITIES	
Other Noncurrent Liabilities	\$ 156,932
Total Liabilities	<u>\$ 156,932</u>

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity, and Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*". The accompanying financial statements comply with the provisions of GASB Statement No. 14 and 61. There are no component units which satisfy requirements for blending within the City's financial statements or for discrete presentation.

Current Year GASB Statement Implementations

The City adopted GASB Statement No. 77, *Tax Abatement Disclosures* in 2015. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period

GASB Statement No. 72, *Fair Value Measurement and Application*

Effective October 1, 2015, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application* (Statement No. 72). Statement No. 72 addresses the accounting and reporting issues related to fair value measurements. The adoption of this standard did not have a significant impact on the City's financial statements.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

A. Reporting Entity (Cont'd)

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

The requirements in this statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the accounting principles generally accepted in the United States of America (“GAAP”) hierarchy; thus, providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature.

This statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015 and should be applied retroactively. The City implemented this statement in fiscal year 2016. The adoption of this statement did not have an impact on the City’s financial statements.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68

This statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this statement extend the approach to accounting and financial reporting established in GASB Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in GASB Statement No. 68 should not be considered pension plan assets. It also requires information similar to that required by GASB Statement No. 68 be included in notes to the financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This statement also clarifies the application of certain provisions of GASB Statements No. 67 and 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation

The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The City implemented this statement in fiscal year 2016 for the amendment to certain provision of GASB Statement No. 67 and 68. The adoption of this statement did not have an impact on the City’s financial statements.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

A. Reporting Entity (Cont'd)

Future GASB Statement Implementations

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

This statement is effective for fiscal years beginning after June 15, 2017.

The City has not fully determined the effects that implementation of these statements will have on the City's 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. Governmental activities are supported by taxes and intergovernmental revenues, whereas business-type activities are normally supported by user fees and charges for services. Long term assets, such as capital assets, long-term obligations, such as debt, and any deferred inflows and outflows, are now reported in the governmental activities. 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 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 reports on the financial condition and results of operations 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, 2016

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 and similar items 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 Fund 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 as soon as they are both measurable and available. Revenues are considered to be available by the City when they are received and thus available to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. 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 and become measurable. 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 invested in capital assets net of related debt, restricted for capital improvements, and unrestricted net position.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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 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 proprietary fund:

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

In addition, the City reports the following fund types:

Governmental Funds:

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

Agency Funds - are used to account for resources held for others in a custodial capacity. The City's agency fund is the Other Post Employment Benefits Fund (Retiree Health Insurance).

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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

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.

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 cost or amortized cost. The City's policy is to report local government investment pools, and Securities and Exchange Commission ("SEC") registered money market mutual funds in accordance with requirements of GASB Statement No. 31 and No. 72. The local government investment pools held by the City are carried at NAV as reported by the pool administrator which are based on amortized cost as the pools meet 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, prepayment speeds, and credit risk. The City carries investments on debt securities with original maturities of one year or less 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.

Restricted Assets

Certain assets of the Enterprise Fund are classified as restricted assets because their use is restricted for capital improvements.

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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

CITY OF KYLE, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

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

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

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:

<u>Assets</u>	<u>Years</u>
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 of Kyle 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 straight-line method, which approximates 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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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

Fund Equity

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.

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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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

At September 30, 2016, the City has the following fund balance classifications:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total
Fund Balance					
Non Spendable Prepaids	\$ 274	\$ -	\$ -	\$ -	\$ 274
Restricted:					
Capital Projects-Road Improvements	\$ -	\$ -	\$ 27,362,472	\$ -	\$ 27,362,472
Debt Service	-	1,085,907	-	-	1,085,907
Park Development	-	-	-	530,104	530,104
Road Improvements	-	-	-	971,055	971,055
	<u>\$ -</u>	<u>\$ 1,085,907</u>	<u>\$ 27,362,472</u>	<u>\$ 1,501,159</u>	<u>\$ 29,949,538</u>
Assigned:					
Public Safety	\$ -	\$ -	\$ -	\$ 26,633	\$ 26,633
Court	-	-	-	209,841	209,841
Economic Development, HOT	-	-	-	140,389	140,389
Other Purposes	-	-	-	-	-
Bunton Creek	-	-	-	21,020	21,020
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,883</u>	<u>\$ 397,883</u>
Unassigned:					
Unassigned	\$ 10,579,829	\$ -	\$ -	\$ (32,935)	\$ 10,546,894
	<u>\$ 10,580,103</u>	<u>\$ 1,085,907</u>	<u>\$ 27,362,472</u>	<u>\$ 1,866,107</u>	<u>\$ 40,894,589</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.

The City Charter has a formal minimum fund balance policy. Equal to at least 25% of operating budget.

Net position represent the difference between assets and liabilities. 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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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

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.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources Deferred Inflows of Resources, and Net Position*, 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 related items in accordance with applicable pension standards as noted under Note V.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

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 beginning of the year were as follows:

	Historic Cost	Accumulated Depreciation	Net Value Beginning of Year	Change in Net Position
Deferred Outflow of Resources - Unamortized Loss			\$ 2,328,830	\$ 2,328,830
<u>Capital Assets - Beginning of Year</u>				
Non-Depreciable Assets	\$ 9,369,196		\$ 9,369,196	
Depreciable Assets	128,552,720	33,920,013	94,632,707	
Change in Net Position	\$ 137,921,916	\$ 33,920,013	\$ 104,001,902	104,001,902
<u>Long-term Debt - Beginning of Year</u>				
Bonds Payable			\$ 99,734,536	
Change in Net Position			\$ 99,734,536	(99,734,536)
Net Adjustment to Net Position				\$ 6,596,196

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

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

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	Amount	Adjustment to	
		Change in Net Position	Net Position
<u>Current Year Capital Outlay Amount</u>			
Depreciable Assets	\$ 9,574,476		
Non-Depreciable Assets	-		
Total Capital Outlay	<u>\$ 9,574,476</u>	\$ 9,574,476	\$ 9,574,476
<u>Debt Principal Payments</u>			
Bond Principal	\$ 4,400,000		
Loan Principal	-		
Total Principal Payments	<u>\$ 4,400,000</u>	4,400,000	4,400,000
Total Adjustment to Net Position		<u>\$ 13,974,476</u>	<u>\$ 13,974,476</u>

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:

	Amount	Adjustment to	
		Net Position	Change in Net Position
Reclassify Proceeds of 2016 GO Refunding			
New Bond Issues	\$ 8,520,000	\$ (8,520,000)	\$ (8,520,000)
Refunding Payment on Bonds	9,418,419	9,418,419	9,418,419
Net Offering Premiums	1,048,866	(1,048,866)	(1,048,866)
Deferred Gains/Losses	300,351	(300,351)	300,351
Compensated Absences Payable - GF Only	246,662	-	(246,662)
Amortization of Bond Premiums	352,393	254,325	352,393
GF Contributed Capital	5,466,007	5,466,007	5,466,007
Pension Plan Deferred Outflows	1,285,483	(1,285,483)	685,773
Pension Plan Deferred Inflows	49,068	-	(49,068)
Pension Plan Liability	620,544	(620,544)	(620,544)
Deferred Inflows Property Tax	275,914	275,914	275,914
Pension Expense	16,161	16,161	(16,161)
Misc. Other	-	(80,382)	(135,591)
		<u>\$ 3,575,200</u>	<u>\$ 5,861,965</u>

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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-l.

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.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2016, the City had the following investments:

	Governmental Activities	Enterprise	Restricted Enterprise	Fiduciary	Total
TexPool	\$ 13,653,295	\$ 3,763,447	\$ 6,651,358	\$ -	\$ 24,068,100
TexSTAR	28,113,228	-	-	-	28,113,228
VSR, Mutual Fund	149,898	-	85,671	-	235,569
Wells Fargo holdings	13,380	-	-	-	13,380
Mutual Fund	108,242	-	-	-	108,242
Corporate CP	5,986,681	-	-	-	5,986,681
Agency Securities	7,071,680	-	-	-	7,071,680
Total Cash Equivalent and Investments	\$ 55,096,404	\$ 3,763,447	\$ 6,737,029	\$ -	\$ 65,596,981
LESS					
Pooled cash	\$ (13,622,941)	\$ 6,383,143	\$ 6,745,351	\$ 151,809	\$ (342,638)
Total cash, cash equivalent and investments	\$ 41,473,463	\$10,146,590	\$ 13,482,380	\$ 151,809	\$ 65,254,343

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

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 which is not significantly different from fair value.

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.

TexSTAR 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 which is not significantly different from fair value.

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 may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

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, 2016

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, 2016, investment of \$5,986,681 in commercial paper and \$7,071,680 in agency securities are measured at amortized cost, as the original maturity of date of purchase was less than one year. Accordingly, the City is not required to disclose its investments within the established hierarchy for investments at amortized cost.

Interest Rate Risk In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolio to a maximum of 180 days. The City holds \$5,986,000 in corporate commercial paper with weighted average maturity of 15 days and \$7,071,000 of US Agency securities at September 30, 2016, with a weighted average maturity of 140 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, 2016, 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.

Credit Risk 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 were rated AAAm by Standard & Poor's Investors Service and government securities were rated AA+ and Commercial Paper were rated AA- by Standard & Poor's Investors Service.

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		Enterprise Fund	Total
	General	Other	Water and Wastewater	
Receivables:				
Accounts:				
Customers	\$ 654,479	\$ -	\$ 1,823,558	\$ 2,478,037
Court Warrants Receivable	2,396,771	-	-	2,396,771
Developers	285,636	-	-	285,636
Property Tax	118,116	180,033	-	298,149
Sales Tax	1,147,577	-	-	1,147,577
Other	134,561	900	-	135,461
Gross Receivables	\$ 4,737,140	\$ 180,933	\$ 1,823,558	\$ 6,741,631
Less: Allowance for Uncollectibles	(2,532,657)	-	(526,906)	(3,059,563)
Net Total Receivables	\$ 2,204,483	\$ 180,933	\$ 1,296,652	\$ 3,682,067

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

C. Property Taxes

In accordance with State statutes, the City levies property taxes on October 1 (the assessment date) of each year based on the assessed values of the previous January 1 for all real and personal property located in the City. Taxes are due in January of the following year and become delinquent on February 1. The assessment date represents the date in which an enforceable legal claim to the assets arise.

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, 2016

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

D. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

<u>Governmental Activities:</u>	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 9/30/2016</u>
Capital assets not being depreciated:				
Land	\$ 3,282,742	\$ -	\$ -	\$ 3,282,742
Construction in progress	6,086,453	8,389,933	-	14,476,386
Total capital assets not being depreciated	<u>\$ 9,369,195</u>	<u>\$ 8,389,933</u>	<u>\$ -</u>	<u>\$ 17,759,128</u>
Capital assets being depreciated:				
Buildings	\$ 16,207,706	\$ 1,014,481	\$ -	\$ 17,222,188
Improvements other than buildings	3,918,963	300,422	-	4,219,386
Infrastructure	104,008,392	4,766,253	-	108,774,644
Machinery and equipment	4,417,658	569,393	(7,435)	4,979,617
Total capital assets being depreciated	<u>\$ 128,552,720</u>	<u>\$ 6,650,550</u>	<u>\$ (7,435)</u>	<u>\$ 135,195,835</u>
Accumulated depreciation:				
Buildings	\$ (2,728,734)	\$ (456,352)	\$ -	\$ (3,185,086)
Improvements other than buildings	(1,852,471)	(301,991)	-	(2,154,463)
Infrastructure	(26,951,310)	(3,525,569)	-	(30,476,879)
Machinery and equipment	(2,387,497)	(405,687)	7,435	(2,785,750)
Total accumulated depreciation	<u>\$ (33,920,013)</u>	<u>\$ (4,689,600)</u>	<u>\$ 7,435</u>	<u>\$ (38,602,178)</u>
Total capital assets being depreciated (net)	<u>\$ 94,632,707</u>	<u>\$ 1,960,950</u>	<u>\$ -</u>	<u>\$ 96,593,657</u>
Governmental activities capital assets (net)	<u><u>\$ 104,001,902</u></u>	<u><u>\$ 10,350,883</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 114,352,785</u></u>
<u>Business Type Activities:</u>	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 9/30/2016</u>
Capital assets not being depreciated:				
Land	\$ 691,935	\$ -	\$ -	\$ 691,935
Construction in progress	1,785,053	1,274,566	-	3,059,618
Total capital assets not being depreciated	<u>\$ 2,476,988</u>	<u>\$ 1,274,566</u>	<u>\$ -</u>	<u>\$ 3,751,553</u>
Capital assets being depreciated:				
Buildings	\$ 5,434,442	\$ 3,000,000	\$ (5,320,819)	\$ 3,113,623
Improvements other than buildings	66,313,387	1,717,379	-	68,030,766
Machinery and equipment	1,414,022	126,259	(65,347)	1,474,934
Total capital assets being depreciated	<u>\$ 73,161,852</u>	<u>\$ 4,843,638</u>	<u>\$ (5,386,165)</u>	<u>\$ 72,619,324</u>
Accumulated depreciation:				
Buildings	\$ (2,006,024)	\$ (32,355)	\$ 1,993,016	\$ (45,363)
Improvements other than buildings	(19,294,469)	(1,670,953)	-	(20,965,422)
Machinery and equipment	(1,089,975)	(92,254)	65,347	(1,116,882)
Total accumulated depreciation	<u>\$ (22,390,468)</u>	<u>\$ (1,795,563)</u>	<u>\$ 2,058,363</u>	<u>\$ (22,127,668)</u>
Total capital assets being depreciated (net)	<u>\$ 50,771,384</u>	<u>\$ 3,048,075</u>	<u>\$ (3,327,803)</u>	<u>\$ 50,491,655</u>
Business type activities capital assets (net)	<u><u>\$ 53,248,371</u></u>	<u><u>\$ 4,322,640</u></u>	<u><u>\$ (3,327,803)</u></u>	<u><u>\$ 54,243,209</u></u>

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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	\$ 145,990
Public safety	417,075
Public works	3,720,943
Culture and recreation	<u>410,171</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 4,694,179</u></u>
Business Type activities:	
Water and Wastewater	<u>\$ 1,795,562</u>
Total Depreciation Expense - Business Type Activities	<u><u>\$ 1,795,562</u></u>

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and wastewater	<u><u>\$ 272,467</u></u>

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 transfers during the year ended September 30, 2016, are as follows:

	Transfers Out			Total
	General Fund	Nonmajor Governmental	Enterprise Fund	
Transfers In				
General Fund	\$ -	\$ 77,494	\$ 1,300,000	\$ 1,377,494
Debt Service Fund	-	36,503	665,939	702,442
Capital Projects	850,000	-	1,076,730	1,926,730
Nonmajor governmental funds	21,965	-	-	21,965
Enterprise Fund	-	-	-	-
	<u><u>\$ 871,965</u></u>	<u><u>\$ 113,997</u></u>	<u><u>\$ 3,042,669</u></u>	<u><u>\$ 4,028,631</u></u>

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 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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

F. Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Balance 10/1/2015	Additions	Reduction	Balance 9/30/2016	Due Within One Year
<u>Governmental Activities:</u>					
Bonded Indebtedness	\$ 47,425,000	\$ -	\$ 5,085,000	\$ 42,340,000	\$ 1,845,000
Premium on Bond Issuance	4,379,536	1,048,866	352,393	5,076,009	-
Refunding Bonds	47,930,000	8,520,000	8,335,000	48,115,000	3,035,000
Pension Liability	2,639,813	1,662,617	1,042,073	3,260,357	-
Total Governmental Activities	<u>\$ 102,374,349</u>	<u>\$ 11,231,483</u>	<u>\$ 14,814,466</u>	<u>\$ 98,791,366</u>	<u>\$ 4,880,000</u>
	Balance 10/1/2015	Additions	Reduction	Balance 9/30/2016	Due Within One Year
<u>Business Type Activities:</u>					
Capital Lease Obligation	\$ 2,650,491	\$ -	\$ 2,650,491	\$ -	\$ -
Pension Liability	665,557	419,183	262,726	822,014	-
Total Business Type Activities	<u>\$ 3,316,048</u>	<u>\$ 419,183</u>	<u>\$ 2,913,217</u>	<u>\$ 822,014</u>	<u>\$ -</u>

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 service by the governmental activities and the Water and Wastewater Funds are not expected to service the general obligation debt. Accordingly, all of 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:

Governmental Activities:

\$9,910,000 Combination Tax and Revenue Certificates of Obligation - Series 2007, principal due annually in series through 2027, interest due semi-annually at 4.00%.	\$ 505,000
\$22,800,000 Combination Tax and Revenue Certificates of Obligation - Series 2008, principal due annually in series through 2033, interest due semi-annually at 3.50% to 5.00%.	1,380,000

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

F. Long-term Liabilities (Cont'd)

Bonded Indebtedness (Cont'd)

\$15,315,000 General Obligation Refunding Bonds - Series 2009, principal due annually in series through 2025, interest due semi-annually at 4.125%.	\$ 5,360,000
\$4,290,000 Combination Tax and Revenue Certificates of Obligation - Series 2010, principal due annually in series through 2030, interest due semi-annually at 3.00% to 4.05%.	3,595,000
\$3,390,000 General Obligation Refunding Bonds - Series 2011, principal due annually in series through 2024, interest due semi-annually at 1.4% to 3.40%.	2,520,000
\$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%	13,470,000
\$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%	5,000,000
\$1,875,000 Tax Notes - Series 2014, principal due annually in series through 2021, interest due semi-annually at 2.0% to 3.0%	1,380,000
\$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%.	41,755,000
\$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%.	8,520,000
	\$ 90,455,000

On August 2, 2016, the City issued \$8,520,000 in General Obligation Refunding Bonds, Series 2016. The refunded bonds included a premium of \$1,048,867 which was used to fund an escrow account for the redemption, discharge, and defeasance of the refunded obligations. As a result of defeasing the debt, the City will realize a total decrease of \$1,107,968 in debt service payments. Through this defeasance, the City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$916,968. The Bonds have maturities ranging from 2016 to 2031, with interest rates ranging from 3.0% to 4.0%.

The refunded bonds resulted in a deferred outflow of resources in the amount of \$300,000.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

F. Long-term Liabilities (Cont'd)

Capital Lease Obligation

On February 15, 1999, the City entered into an agreement with AquaSource Services and Technologies, Inc. to finance, design, construct, operate, maintain and manage a new wastewater collection and treatment facility. The City would bear the cost of right-of-way acquisitions for the transmission lines and 50 percent of the costs to secure the necessary permits from the TNRCC. AquaSource's compensation consists of a monthly fee ranging from \$20,758 to \$56,150. This fee will be determined by multiplying the number of 1,000 gallon units of wastewater effluent treated during the calendar month by the applicable costs per 1,000 gallons. At the end of 23 years of payments, the facilities will become the property of the City without any additional payments. The City will recoup its costs through user charges. The City is treating the agreement as a capital lease and has imputed interest of 10%. The City had previously reported this obligation as a note payable. During 2008, the obligation was reclassified as a capital lease obligation to more accurately reflect the nature of the transaction. Effective October 1, 2015, the capital lease was terminated and the City paid \$3 million to take ownership of the facility.

Debt Service Requirements

Annual debt service requirements to maturity for certificates of obligation and tax notes are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2017	\$ 4,880,000	\$ 3,258,430	\$ 8,138,430
2018	5,045,000	3,115,730	8,160,730
2019	5,235,000	2,931,468	8,166,468
2020	5,430,000	2,738,118	8,168,118
2021	5,630,000	2,545,912	8,175,912
2022-2026	28,505,000	9,688,445	38,193,445
2027-2031	22,215,000	4,910,110	27,125,110
2032-2035	13,515,000	1,011,300	14,526,300
	<u>\$ 90,455,000</u>	<u>\$ 30,199,513</u>	<u>\$ 120,654,513</u>

G. 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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

C. Benefit Plans

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Texas Municipal Retirement System (TMRS), an Agent multiple employer plan, and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by the TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Retirement Plan

Plan Description

The City provides pension benefits for all of 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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

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, 2015, the following employee were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	68
Active employees	<u>155</u>
Total	247

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).

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

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 11.52% for 2016. The City's contributions to TMRS for the year ended September 30, 2016, were \$1,127,276 and were equal to the required contributions.

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, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.0% 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 RP2000 Combined Healthy Mortality Table, white blue collar adjustments, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated 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 2015 valuation.

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:

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Rate of Return Target Allocation

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
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.

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 / (Asset) (a) – (b)
Balance at 12/31/2014	\$ 15,036,461	\$ 11,731,091	\$ 3,305,370
Changes for the year:			-
Service cost	1,315,411	-	1,315,411
Interest	1,090,180	-	1,090,180
Change of benefit terms	6,942	-	6,942
Difference between expected and actual experience	(82,587)	-	(82,587)
Changes of assumptions	6,064	-	6,064
Contributions - employer	-	969,980	(969,980)
Contributions - employee	-	582,777	(582,777)
Net investment income	-	17,316	(17,316)
Benefit payments, including refunds of employee contributions	(254,208)	(254,208)	-
Administrative expense	-	(10,543)	10,543
Other changes	-	(521)	521
Net changes	2,081,802	1,304,801	777,001
Balance at 12/31/2015	\$ 17,118,263	\$ 13,035,892	\$ 4,082,371

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

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	\$ 7,293,429	\$ 4,082,371	\$ 1,522,251

Pension Plan Fiduciary Net Position

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

Pension Expense

For the year ended September 30, 2016, the City recognized pension expense of \$1,203,873, comprised as follows:

Total Service Cost	\$ 1,315,411
Interest on the Total Pension Liability	1,090,180
Current-Period Benefit Changes	6,940
Employee Contributions (Reduction of Expense)	(582,777)
Projected Earnings on Plan Investments (Reduction of Expense)	(821,176)
Administrative Expense	10,543
Other Changes in Fiduciary Net Position	521
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(11,370)
Recognition of Current Year Outflow (Inflow) of Resources - Assets	160,772
Amortization of Current Year Outflow (Inflow) of Resources - Liabilities	8,876
Amortization of Current Year Outflow (Inflow) of Resources - Assets	25,953
Total Pension Expense	<u>\$ 1,203,873</u>

The funds used to liquidate the net pension obligations have been the general fund and the water/wastewater fund at a rate of 78% and 22% respectively, of the annual required contribution.

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

At September 30, 2016 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	\$ 41,628	\$ (63,226)
Changes in actuarial assumptions	5,163	-
Difference between projected and actual investment earnings	720,947	-
Contributions subsequent to the measurement date	841,846	-
Total	<u>\$ 1,609,584</u>	<u>\$ (63,226)</u>

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

The City reported \$841,846 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. 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 December 31:		
2015	\$	184,231
2016		184,231
2017		184,231
2018		158,278
2019		(5,245)
Thereafter (4)		(1,214)
		\$ 704,512

Supplemental Death Benefits Fund

Plan Description

The City participates in the cost sharing multiple-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.

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 years ended September 30, 2016, 2015, and 2014 were \$12,796, \$11,020, and \$7,849, respectively, which equaled the required contributions each year.

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.

Post Retirement Health Insurance Plan

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. This plan is an "other postemployment benefit," or OPEB.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

As a small employer with less than 200 plan members, GASB 45 requires an actuarial valuation of the City of Kyle's OPEB Plan every three years. The City's OPEB Plan was established by City Ordinance No. 281-4 effective March 2, 1997.

Other Post Employment Benefits (OPEB)

The following is the participant summary as of September 30, 2013 (the most recent actuarial valuation date):

Active Employees	66
Retired Employees	1
Total	67

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City has funded all obligations arising under this plan on a pay-as-you-go basis, except for a one-time contribution in 2015 of \$596,822. Funds in the Trust must be used for the exclusive purpose of providing benefits to eligible retirees and their dependents. The City intends to make subsequent annual contributions to the OPEB Trust in accordance with a plan that results in fully funding the actuarially determined annual required contributions for those benefits over a period of time.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contributions of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a 30 year period. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan and changes in the net OPEB obligation for the year ended September 30, 2016.

	2015	Wide	Type
Annual Required Contribution (ARC)	\$ 153,071	\$ 114,803	\$ 38,268
Interest on OPEB	(13,520)	(10,140)	(3,380)
Adjustment to ARC	17,057	12,793	4,264
Annual OPEB Costs	\$ 156,608	\$ 117,456	\$ 39,152
Contributions made	126,000	94,500	31,500
Increase in net OPEB obligation	\$ 30,608	\$ 22,956	\$ 7,652
Net OPEB obligation	(225,327)	(168,995)	(56,332)
Net OPEB Asset at end of year	\$ (194,719)	\$ (146,039)	\$ (48,680)

The annual OPEB contributions used to liquidate the OPEB obligations are made from the general fund and water/wastewater fund at a rate of approximately 75% and 25% respectively of the annual contribution.

The City's annual OPEB cost and the percentage cost contributed to the plan for fiscal year ended September 30, 2016:

Year Ended September 30	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)	Percent of Annual OPEB Contribution
2013	\$ 116,929	4,591	\$ 116,974	4.00%
2014	121,565	4,636	239,167	3.90%
2015	121,565	596,822	(225,327)	400.90%
2016	156,608	126,000	(194,719)	80.50%

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Funded Status

Although the City contributed \$596,822 to the OPEB benefits as of September 30, 2015, no contributions had been made to a trust as of the last valuation. The funded status of the City's OPEB plan as of the last actuarial valuation performed on September 30, 2013 is as follows:

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) (b)	AAL (UAAL) (b-a)	Fund Ratio (a/b)	Payroll (c)	Percent of Covered Payroll ((b-a)/c)
10/1/2012	\$ -	\$ 877,418	\$ 877,418	0.00%	\$ 3,282,000	27%
10/1/2013	-	979,908	979,908	0.00%	3,253,000	30%
10/1/2015	552,563	1,106,326	553,763	49.95%	3,195,000	17%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the 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 exceptions and new estimates are made about the future. In accordance with GASB 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, the City will obtain new actuarial valuations for its OPEB plan at least every three years.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

Actuarial Methods and Assumptions

Actuarial Valuation Date	September 30, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	30 Years - Open
Actuarial Assumptions	
Inflation Rate	2.50%
Discount Rate	4.50%
Healthcare trends and Contributions increases	4.62 in 2013 Graded to 4.87% in 2060
Acceptance rate - medical (civilian and police)	100%
Mortality	RP 200p
Turnover and retirement rates	Municipal experience

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

V. OTHER INFORMATION (Cont'd)

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, 2016, the City of Kyle abated sales and use taxes totaling \$761,474 and property taxes totaling \$0.00 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 \$328,534
- A 33 percent sales and use tax abatement to Seton Family of Hospitals for development of facility and increasing employment. The abatement amounted to \$396,121.
- A 67 percent sales and use tax abatement to Nomoland to promote commercial development and increase employment. The abatement amounted to \$36,819.
- A 380 agreement with RR HPI includes Sales Tax and Property Tax abatements. No payments were made in Fiscal Year 2016.



**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, 2016

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 4,582,451	\$ 4,582,451	\$ 4,668,157	\$ 85,706
General Sales and Use Taxes	6,700,000	6,700,000	6,540,475	(159,525)
Franchise Tax	1,195,000	1,195,000	1,210,935	15,935
Other Taxes	292,200	292,200	68,016	(224,184)
Licenses and Permits	1,410,500	1,410,500	1,288,899	(121,601)
Intergovernmental Revenue and Grants	776,458	776,458	21,173	(755,285)
Charges for Services	3,755,250	3,755,250	3,706,420	(48,830)
Fines	772,400	772,400	536,490	(235,910)
Investment Earnings	15,000	15,000	59,611	44,611
Rents and Royalties	13,000	13,000	9,990	(3,010)
Contributions & Donations from Private Sources	65,000	65,000	57,000	(8,000)
Other Revenue	35,000	35,000	218,654	183,654
Total Revenues	<u>19,612,259</u>	<u>19,612,259</u>	<u>18,385,820</u>	<u>(1,226,439)</u>
EXPENDITURES:				
Current:				
General Government	6,125,246	6,596,389	6,396,541	199,848
Public Safety	6,472,672	6,711,718	5,619,183	1,092,535
Public Works	3,423,155	3,541,410	3,268,313	273,097
Culture and Recreation	2,381,241	2,375,789	2,111,124	264,665
Capital Outlay:				
Capital Outlay	3,124,302	3,236,594	1,762,755	1,473,839
Total Expenditures	<u>21,526,616</u>	<u>22,461,900</u>	<u>19,157,916</u>	<u>3,303,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,914,357)</u>	<u>(2,849,641)</u>	<u>(772,096)</u>	<u>2,077,545</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	4,383,614	4,383,614	4,342,614	(41,000)
Transfers Out (Use)	(3,837,085)	(3,837,085)	(3,837,085)	-
Total Other Financing Sources (Uses)	<u>546,529</u>	<u>546,529</u>	<u>505,529</u>	<u>(41,000)</u>
Net Change	(1,367,828)	(2,303,113)	(266,567)	2,036,546
Fund Balance - October 1 (Beginning)	<u>10,792,574</u>	<u>10,792,574</u>	<u>10,792,574</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 9,424,746</u>	<u>\$ 8,489,462</u>	<u>\$ 10,526,007</u>	<u>\$ 2,036,546</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLANS
SEPTEMBER 30, 2016**

**Schedule of Funding Progress for Other Post-Employment Benefits
for the Employees of City of Kyle**

Other Post Employment Benefit Plan:						
Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability ("AAL")	(3) Unfunded AAL ("UAAL") (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll*	(6) UAAL as a % of Covered Payroll ((2)-(1))/(5)
10/1/2012	\$ -	\$ 877,418	\$ 877,418	0.00%	\$ 3,282,000	26.73%
10/1/2013	-	949,908	949,908	0.00%	3,253,000	29.20%
10/1/2015	552,563	1,106,326	553,763	49.95%	3,195,000	17.33%

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SEPTEMBER 30, 2016

Schedule of Changes in Net Pension Liability and Related Ratios

	2016	2015
Total pension liability		
Service Cost	\$ 1,315,411	\$ 1,137,933
Interest (on the Total Pension Liability)	1,090,180	950,075
Changes of benefit terms	6,942	-
Difference between expected and actual experience	(82,587)	59,381
Change of assumptions	6,064	-
Benefits Payments, including refunds of employee contributions	(254,208)	(228,929)
Net Change in Total Pension Liability	<u>2,081,802</u>	<u>1,918,460</u>
Total Pension Liability - Beginning	<u>15,036,461</u>	<u>13,118,001</u>
Total Pension Liability - Ending (a)	<u><u>\$ 17,118,263</u></u>	<u><u>\$ 15,036,461</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 969,980	\$ 691,539
Contributions - Employee	582,777	528,470
Net Investment Income	17,316	581,772
Benefits Payments, including refunds of employee contributions	(254,208)	(228,929)
Administrative Expense	(10,543)	(6,071)
Other	(521)	(499)
Net Change in Plan Fiduciary Net Position	<u>1,304,801</u>	<u>1,566,282</u>
Plan Fiduciary Net Position - Beginning	<u>11,731,091</u>	<u>10,164,809</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 13,035,892</u></u>	<u><u>\$ 11,731,091</u></u>
 Net Pension Liability - Ending (a) - (b)	<u>\$ 4,082,371</u>	<u>\$ 3,305,370</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.15%	78.02%
 Covered Employee Payroll	<u>\$ 8,325,383</u>	<u>\$ 8,071,984</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	49.04%	40.95%

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SEPTEMBER 30, 2016

Schedule of Contributions

	<u>2015</u>	<u>2016</u>
Actuarially Determine Contribution	\$ 953,338	\$ 1,060,869
Contributions in relation to the actuarially determined	\$ 936,923	\$ 1,116,031
Contribution deficiency (excess)	\$ (16,415)	\$ 55,162
Covered employee payroll	\$ 8,686,216	\$ 9,207,541
Contributions as a percentage of covered employee payroll	10.8%	12.1%

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	29 Years
Asset Valuation Method	10 Year smoothed market: 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rate that are specific to the City's plan of benefits. Last update for the 2010 valuation pursuant to an experience study of the Period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.



COMBINING STATEMENTS



CITY OF KYLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	Police Forfeiture	Police Special Revenue	Court Special Revenue	Library Building
ASSETS				
Cash and Cash Equivalents	\$ 13,180	\$ 13,454	\$ 209,942	\$ -
Restricted - Cash and Cash Equivalents	-	-	-	-
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 13,180</u>	<u>\$ 13,454</u>	<u>\$ 209,942</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 101	\$ -
Wages and Salaries Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>101</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Restricted Fund Balance - Special Revenue	13,179	13,454	209,841	-
Restricted Fund Balance - Capital Projects	-	-	-	-
Total Fund Balances	<u>13,179</u>	<u>13,454</u>	<u>209,841</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 13,179</u>	<u>\$ 13,454</u>	<u>\$ 209,942</u>	<u>\$ -</u>

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

General Government Grants	Hotel Occupancy	Bunton Creek PID	Total Nonmajor Special Revenue Funds	2009 Tax Notes Fund	2010 CO Bond Fund	CIP Park Development Fund	Road Improvement Fund
\$ (24,220)	\$ 169,901	\$ 21,019	\$ 403,276	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	532,209	971,055
900	-	-	900	-	-	-	-
<u>\$ (23,320)</u>	<u>\$ 169,901</u>	<u>\$ 21,019</u>	<u>\$ 404,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,209</u>	<u>\$ 971,055</u>
\$ 7,440	\$ 29,512	\$ -	\$ 37,053	\$ -	\$ -	\$ 2,105	\$ -
2,175	-	-	2,175	-	-	-	-
<u>9,615</u>	<u>29,512</u>	<u>-</u>	<u>39,228</u>	<u>-</u>	<u>-</u>	<u>2,105</u>	<u>-</u>
(32,935)	140,389	21,020	364,948	-	-	-	-
-	-	-	-	-	-	530,104	971,055
<u>(32,935)</u>	<u>140,389</u>	<u>21,020</u>	<u>364,948</u>	<u>-</u>	<u>-</u>	<u>530,104</u>	<u>971,055</u>
<u>\$ (23,320)</u>	<u>\$ 169,901</u>	<u>\$ 21,020</u>	<u>\$ 404,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,209</u>	<u>\$ 971,055</u>

CITY OF KYLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	Total Non-Major Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 403,276
Restricted - Cash and Cash Equivalents	1,503,264	1,503,264
Receivables (Net)	-	900
Total Assets	\$ 1,503,264	\$ 1,907,440
LIABILITIES		
Accounts Payable	\$ 2,105	\$ 39,158
Wages and Salaries Payable	-	2,175
Total Liabilities	2,105	41,333
FUND BALANCES		
Restricted Fund Balance:		
Restricted Fund Balance - Special Revenue	-	364,948
Restricted Fund Balance - Capital Projects	1,501,159	1,501,159
Total Fund Balances	1,501,159	1,866,107
Total Liabilities and Fund Balances	\$ 1,503,264	\$ 1,907,440

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

CITY OF KYLE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Police Forfeiture	Police Special Revenue	Court Special Revenue	Library Building
REVENUES:				
Taxes:				
Other Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	3,055	-	-
Charges for Services	-	-	27,425	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	-
Other Revenue	3,431	-	-	-
Total Revenues	<u>3,431</u>	<u>3,055</u>	<u>27,425</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	-	-	7,627	-
Public Safety	-	250	-	-
Culture and Recreation	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>250</u>	<u>7,627</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,431</u>	<u>2,805</u>	<u>19,798</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	(18,600)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(18,600)</u>	<u>-</u>
Net Change in Fund Balance	3,431	2,805	1,198	-
Fund Balance - October 1 (Beginning)	<u>9,748</u>	<u>10,649</u>	<u>208,643</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 13,179</u>	<u>\$ 13,454</u>	<u>\$ 209,841</u>	<u>\$ -</u>

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

General Government Grants	Hotel Occupancy	Bunton Creek PID	Total Nonmajor Special Revenue Funds	2009 Tax Notes Fund	2010 CO Bond Fund	CIP Park Development Fund	Road Improvement Fund
\$ -	\$ 199,134	\$ -	\$ 199,134	\$ -	\$ -	\$ -	\$ -
110,079	-	-	113,134	-	-	-	-
-	1,990	-	29,415	-	-	520,300	-
-	-	150,019	150,019	-	-	-	480,349
-	358	-	358	-	-	-	1,413
-	-	-	3,431	-	-	-	-
<u>110,079</u>	<u>201,482</u>	<u>150,019</u>	<u>495,491</u>	<u>-</u>	<u>-</u>	<u>520,300</u>	<u>481,762</u>
-	-	139,629	147,256	-	-	-	-
160,152	-	-	160,402	-	-	-	-
16,898	115,906	-	132,804	-	-	116,319	-
45,114	-	-	45,114	-	-	146,559	-
<u>222,164</u>	<u>115,906</u>	<u>139,629</u>	<u>485,576</u>	<u>-</u>	<u>-</u>	<u>262,878</u>	<u>-</u>
<u>(112,085)</u>	<u>85,576</u>	<u>10,390</u>	<u>9,915</u>	<u>-</u>	<u>-</u>	<u>257,422</u>	<u>481,762</u>
21,965	-	-	21,965	-	-	-	-
-	(95,396)	-	(113,996)	-	-	-	-
<u>21,965</u>	<u>(95,396)</u>	<u>-</u>	<u>(92,031)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(90,120)	(9,820)	10,390	(82,116)	-	-	257,422	481,762
<u>57,185</u>	<u>150,209</u>	<u>10,630</u>	<u>447,064</u>	<u>-</u>	<u>-</u>	<u>272,682</u>	<u>489,293</u>
<u>\$ (32,935)</u>	<u>\$ 140,389</u>	<u>\$ 21,020</u>	<u>\$ 364,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,104</u>	<u>\$ 971,055</u>

CITY OF KYLE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Total Non-Major Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
Other Taxes	\$ -	\$ 199,134
Intergovernmental Revenue and Grants	-	113,134
Charges for Services	520,300	549,715
Special Assessments	480,349	630,368
Investment Earnings	1,413	1,771
Other Revenue	-	3,431
Total Revenues	<u>1,002,062</u>	<u>1,497,553</u>
EXPENDITURES:		
Current:		
General Government	-	147,256
Public Safety	-	160,402
Culture and Recreation	116,319	249,123
Capital Outlay:		
Capital Outlay	146,559	191,673
Total Expenditures	<u>262,878</u>	<u>748,454</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>739,184</u>	<u>749,099</u>
OTHER FINANCING SOURCES (USES):		
Transfers In	-	21,965
Transfers Out (Use)	-	(113,996)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(92,031)</u>
Net Change in Fund Balance	739,184	657,068
Fund Balance - October 1 (Beginning)	<u>761,975</u>	<u>1,209,039</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,501,159</u>	<u>\$ 1,866,107</u>

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

CITY OF KYLE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BALANCE OCTOBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2016
AGENCY FUND				
Assets:				
Cash and Cash Equivalents	\$ 121,136	\$ 287,364	\$ 256,691	\$ 151,809
Other Receivables	4,864	8,950	8,691	5,123
Total Assets	<u>\$ 126,000</u>	<u>\$ 296,314</u>	<u>\$ 265,382</u>	<u>\$ 156,932</u>
Liabilities:				
Other Noncurrent Liabilities	<u>\$ 126,000</u>	<u>\$ 287,623</u>	<u>\$ 256,691</u>	<u>\$ 156,932</u>

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



STATISTICAL SECTION



STATISTICAL SECTION (Unaudited)

This part of the City of Kyle, Texas' comprehensive annual financial report presents multiple years of data to provide a historical perspective for understanding the information available in the financial statements, note, disclosures, and required supplementary information and for assessing the City's overall financial condition.

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain trend information to help the reader assess the City's most significant local revenue resources. Property tax, sales tax and charges for services are the largest revenue sources for governmental activities. Water and wastewater charges are the largest sources for business-type activities

Debt Capacity

These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Indicators

These schedules contain economic and demographic data to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services and activities performed by the City.

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

CITY OF KYLE, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net Investment in Capital Assets	\$ 5,517,430	\$ 4,424,922	\$ 22,793,304	\$ 22,165,260	\$ 19,916,516	\$ 23,683,097	\$ 14,671,989	\$ 22,888,184	\$ 35,630,219	\$ 49,390,461
Restricted	1,412,009	1,164,038	14,885,094	7,675,097	8,732,402	9,356,577	12,634,224	11,015,147	1,765,670	1,450,855
Unrestricted	1,848,511	2,526,906	(2,145,906)	2,755,182	5,623,227	3,780,819	6,125,545	8,394,091	13,019,607	9,455,449
Total governmental activities net assets	\$ 8,777,950	\$ 8,115,866	\$ 35,532,492	\$ 32,595,539	\$ 34,272,145	\$ 36,820,493	\$ 33,431,758	\$ 42,297,422	\$ 50,415,496	\$ 60,296,765
Business-type activities:										
Net Investment in Capital Assets	\$ 19,086,953	\$ 21,821,334	\$ 46,381,859	\$ 47,161,919	\$ 47,325,520	\$ 46,132,410	\$ 47,840,753	\$ 48,085,808	\$ 50,597,881	\$ 54,243,210
Restricted	11,461,408	6,313,624	5,172,176	4,392,111	6,019,545	6,491,073	6,513,500	8,470,600	10,854,507	13,482,480
Unrestricted	2,698,333	6,430,049	6,559,611	5,509,710	2,397,371	1,490,060	3,384,379	6,520,462	8,906,182	9,305,819
Total business-type activities net assets	\$ 33,246,694	\$ 34,565,007	\$ 58,113,646	\$ 57,063,740	\$ 55,742,436	\$ 54,113,543	\$ 57,738,632	\$ 63,076,870	\$ 70,358,570	\$ 77,031,509
Primary government:										
Net Investment in Capital Assets	\$ 24,604,383	\$ 26,246,256	\$ 69,175,163	\$ 69,327,179	\$ 67,242,036	\$ 69,815,507	\$ 62,512,742	\$ 70,973,992	\$ 86,228,100	\$ 103,633,671
Restricted	12,873,507	7,477,662	20,057,270	12,067,208	14,751,947	15,847,650	19,147,724	9,858,328	12,620,177	14,933,335
Unrestricted	4,546,844	8,956,955	4,413,705	8,264,892	8,020,598	5,270,879	9,509,924	24,541,972	21,925,789	18,761,268
Total primary government net position	\$ 42,024,734	\$ 42,680,873	\$ 93,646,138	\$ 89,659,279	\$ 90,014,581	\$ 90,934,036	\$ 91,170,390	\$ 105,374,292	\$ 120,774,066	\$ 137,328,274

Source: Annual Financial Reports

* GASB 34 implemented 2004

* Statement of Net Assets on Audit Report

* Reported as Net Position beginning 2013

**CITY OF KYLE, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EXPENSES										
Governmental activities:										
General government	\$ 3,955,568	\$ 4,403,797	\$ 3,908,523	\$ 4,394,186	\$ 3,904,284	\$ 4,538,616	\$ 4,995,981	\$ 5,939,271	\$ 7,265,995	\$ 6,749,251
Public safety	2,105,733	2,980,223	3,002,585	3,551,788	3,982,409	4,282,402	4,918,997	5,052,323	5,687,000	6,196,660
Public Works	988,707	1,176,879	3,781,337	4,571,021	4,820,597	4,622,523	4,820,247	5,363,579	6,648,193	6,989,256
Transportation	N/A	N/A	11,792	14,556	-	-	-	-	-	-
Culture and Recreation/ Community services	1,621,687	1,537,534	1,618,947	1,613,611	1,711,714	1,873,292	2,032,591	2,095,111	2,497,592	2,765,839
Term Debt	687,860	1,363,409	2,648,190	2,900,787	2,735,822	2,916,954	2,194,889	2,873,587	2,167,498	3,640,280
Other Debt Service Fees	N/A	23,672	60,525	150,630	163,138	73,507	122,958	(3,842)	492,049	151,273
Total governmental activities expenses	\$ 9,359,555	\$ 11,485,514	\$ 15,031,899	\$ 17,196,579	\$ 17,317,964	\$ 18,307,294	\$ 19,085,663	\$ 21,320,029	\$ 24,758,327	\$ 26,492,559
Business-type activities:										
Water & Wastewater	4,689,867	4,775,204	7,164,119	7,709,085	7,986,821	7,986,821	9,743,280	10,340,478	10,728,373	10,524,295
Total business-type activities expenses	4,689,867	4,775,204	7,164,119	7,709,085	7,986,821	7,986,821	9,743,280	10,340,478	10,728,373	10,524,295
Total primary government program expenses	\$ 14,049,422	\$ 16,260,718	\$ 22,196,018	\$ 24,905,664	\$ 25,304,785	\$ 27,740,468	\$ 28,828,943	\$ 31,660,507	\$ 35,486,699	\$ 37,016,853
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General Government	\$ 1,315,568	\$ 2,152,923	\$ 2,626,500	\$ 2,366,033	\$ 2,533,733	\$ 3,398,356	\$ 3,243,742	\$ 3,628,935	\$ 4,299,587	\$ 3,878,720
Public Safety	38,142	3,844	-	-	-	-	-	-	-	12,214
Public Works	846,010	699,252	-	-	-	85,006	100,154	163,715	62,544	630,368
Culture and Recreation/ Community services	327,743	367,110	353,948	298,203	494,822	297,231	281,481	263,493	449,310	815,430
Operating grants and contributions	68,617	112,761	7,972	73,623	44,987	179,766	99,722	271,053	135,308	129,307
Capital grants and contributions	1,482,413	0	6,661,522	1,225,852	3,264,029	564,882	6,537,651	-	-	-
Total governmental activities program revenues	4,078,493	3,335,890	9,649,942	3,963,711	6,337,571	4,525,241	\$ 10,262,750	\$ 4,327,196	\$ 4,946,749	\$ 5,466,039
Business-type activities:										
Charges for services:										
Water & Sewer	\$ 4,482,197	\$ 6,263,208	\$ 6,403,308	\$ 6,092,391	\$ 7,208,355	\$ 10,533,330	\$ 12,761,147	\$ 15,523,262	\$ 16,226,692	\$ 17,675,893
Operating grants and contributions	N/A	-	-	-						
Capital grants and contributions	1,647,156	1,256,918	3,249,687	1,117,699	1,504,003	357,518	2,660,316	1,563,847	3,509,187	1,717,379
Total business-type activities program revenues	6,129,353	7,520,126	9,652,995	7,210,090	8,712,358	10,890,848	15,421,463	17,087,109	19,735,879	19,393,272
Total primary government program revenues	\$ 10,207,846	\$ 10,856,016	\$ 19,302,937	\$ 11,173,801	\$ 15,049,929	\$ 15,416,089	\$ 25,684,213	\$ 21,414,305	\$ 24,682,628	\$ 24,859,311

* GASB 34 implemented 2004

* Statement of Net Assets on Audit Report

* Reported as Net Position beginning 2013

CITY OF KYLE, TEXAS
CHANGES IN NET POSITION
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NET (EXPENSE) REVENUES										
Governmental activities	\$ (5,281,062)	\$ (5,281,062)	\$ (5,381,957)	\$ (13,232,868)	\$ (10,980,393)	\$ (13,782,053)	\$ (8,822,913)	\$ (16,992,833)	\$ (19,811,577)	\$ (21,026,520)
Business-type activities	1,439,486	1,439,486	2,488,876	(498,995)	725,537	1,477,674	5,678,183	6,746,631	9,007,506	8,868,978
Total primary government net expense	(3,841,576)	(3,841,576)	(2,893,081)	(13,731,863)	(10,254,856)	(12,304,379)	(3,144,730)	(10,246,202)	(10,804,071)	(12,157,542)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes										
Property	\$ 2,672,547	\$ 2,672,547	\$ 4,740,009	\$ 6,020,859	\$ 6,198,567	\$ 7,280,721	\$ 8,013,734	\$ 8,919,432	\$ 9,753,418	\$ 12,548,983
Sales Taxes	1,916,203	1,916,203	2,641,752	2,462,043	3,160,944	3,540,287	4,008,733	4,611,401	6,676,810	6,540,475
Occupancy Tax/ Other	82,172	82,172	131,950	95,351	132,580	142,301	175,615	200,753	244,065	267,150
Franchise Taxes	382,440	382,440	636,961	701,786	764,347	912,112	973,391	1,042,212	1,149,213	1,210,935
Grants and Contributions Not Restricted	N/A	N/A	N/A	N/A	N/A	534	311,942	9,241,337	9,182,145	5,528,007
Miscellaneous Revenue	57,883	57,883	387,510	261,351	182,388	142,433	828,499	1,391,064	1,495,354	1,607,235
Investment Earnings	619,830	619,830	472,503	258,120	87,766	33,008	65,014	19,761	27,734	162,335
Transfers In (Out)	1,354,860	1,354,860	1,046,255	634,323	1,046,255	2,542,575	2,267,055	2,011,505	1,359,611	3,042,671
Total Governmental Activities	\$ 7,085,935	\$ 7,085,935	\$ 10,056,940	\$ 10,397,833	\$ 11,572,847	\$ 14,593,971	\$ 16,643,983	\$ 27,437,465	\$ 29,888,350	\$ 30,907,791
Business-type activities:										
Investment earnings	\$ 641,310	\$ 641,310	\$ 297,500	\$ 72,358	\$ 36,957	\$ 17,221	\$ 12,201	\$ 9,109	\$ 9,602	\$ 31,606
Miscellaneous Revenue	-	-	-	11,054	19,708	78,194	98,402	268,519	118,034	815,026
Transfers	(1,354,860)	(1,354,860)	(1,046,225)	(634,323)	(1,653,506)	(2,542,575)	(2,267,055)	(2,011,505)	(1,359,610)	(3,042,670)
Total business-type activities	\$ (713,550)	\$ (713,550)	\$ (748,725)	\$ (550,911)	\$ (1,596,841)	\$ (2,447,160)	\$ (2,156,452)	\$ (1,733,877)	\$ (1,231,974)	\$ (2,196,038)
Total primary government	\$ 6,372,385	\$ 6,372,385	\$ 9,308,215	\$ 9,846,922	\$ 9,976,006	\$ 12,146,811	\$ 14,487,531	\$ 25,703,588	\$ 28,656,376	\$ 28,711,753
CHANGE IN NET POSITION										
Governmental activities	\$ 1,804,873	\$ 1,804,873	\$ 4,674,983	\$ (2,835,035)	\$ 1,226,606	\$ 811,918	\$ (3,388,731)	\$ 10,444,631	\$ 10,076,773	\$ 9,881,272
Business-type activities	725,936	725,936	1,740,121	(1,049,906)	(871,304)	(969,486)	3,521,731	5,012,753	7,775,532	6,672,940
Total primary government	\$ 2,530,809	\$ 2,530,809	\$ 6,415,104	\$ (3,884,941)	\$ 355,302	\$ (157,568)	\$ 133,000	\$ 15,457,384	\$ 17,852,305	\$ 16,554,212

* GASB 34 implemented 2004

* Statement of Activities - Audit Report

* Reported as Net Position beginning 2013

**CITY OF KYLE, TEXAS
FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,543	\$ 544	\$ 274
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	2,864,378	3,117,139	3,215,956	2,395,901	-	-	-	-	-	-
Unassigned	-	-	-	-	2,987,923	4,499,032	6,042,113	9,197,439	10,792,030	10,579,829
Total General Fund	\$ 2,864,378	\$ 3,117,139	\$ 3,215,956	\$ 2,395,901	\$ 2,987,923	\$ 4,499,032	\$ 6,042,113	\$ 9,198,982	\$ 10,792,574	\$ 10,580,103
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,470,548	\$ 9,911,757	\$ -	\$ -
Restricted	560,561	716,698	-	-	8,732,402	9,068,035	-	-	34,866,424	29,949,538
Committed	-	-	-	-	-	-	-	-	-	-
Assigned, reported in:										
Special revenue funds	9,595,402	617,224	247,978	(457,142)	-	-	2,163,676	1,103,400	447,064	397,883
Capital projects funds	(825,133)	13,728,465	14,885,084	7,463,344	-	-	-	-	-	-
Debt service funds	-	-	(10,863)	211,753	-	288,540	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(32,935)
Total all other governmental funds	\$ 9,330,830	\$ 15,062,387	\$ 15,122,199	\$ 7,217,955	\$ 8,732,402	\$ 9,356,575	\$ 12,634,224	\$ 11,015,157	\$ 35,313,488	\$ 30,314,486

CITY OF KYLE, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Taxes	\$ 5,042,524	\$ 5,914,126	\$ 8,180,272	\$ 9,324,804	\$ 10,256,438	\$ 11,875,421	\$ 13,171,473	\$ 14,773,798	\$ 17,742,969	\$ 20,291,629
Licenses and permits	843,800	661,828	535,815	385,522	433,095	490,914	658,889	1,133,789	1,364,274	1,288,899
Charges for services	1,202,839	1,600,513	1,532,085	1,672,470	2,080,721	2,526,263	2,877,317	3,057,051	3,732,620	4,256,135
Fines	480,824	923,903	912,548	606,244	514,739	708,864	708,003	900,574	1,082,343	536,490
Intergovernmental	57,793	112,761	666,474	47,301	1,668,149	438,887	-	-	-	-
Claims and Reimbursements	-	-	183,319	-	-	-	-	-	-	-
Impact Fees	687,017	37,424	-	-	-	-	-	-	-	-
Investment Earnings	619,830	618,253	472,503	258,120	87,766	33,008	65,014	19,761	27,734	162,331
Rents and Royalties	-	-	-	55,964	103,230	77,020	10,170	9,541	12,193	9,990
Contributions	202,762	-	150	26,322	26,900	354,746	196,974	270,600	157,900	57,000
Grants	-	-	-	-	-	-	154,391	271,054	135,309	134,307
Special Assessments	-	-	-	-	-	85,005	100,154	163,715	62,543	630,368
Other revenues	57,883	243,893	204,197	205,387	79,158	34,960	99,343	182,537	52,822	222,085
Total revenues	\$ 9,195,272	\$ 10,112,701	\$ 12,687,363	\$ 12,582,134	\$ 15,250,196	\$ 16,625,088	\$ 18,041,728	\$ 20,782,420	\$ 24,370,707	\$ 27,589,234
EXPENDITURES										
General government	\$ 3,978,837	\$ 4,237,304	\$ 3,833,254	\$ 4,128,677	\$ 3,483,039	\$ 4,164,638	\$ 4,625,183	\$ 4,775,580	\$ 7,945,117	\$ 6,619,422
Public Safety	2,019,279	2,460,281	2,844,383	3,381,478	3,747,172	4,032,622	4,585,521	4,688,313	5,301,677	5,779,585
Public Works	907,296	1,176,879	2,052,671	2,277,370	2,309,052	2,078,689	2,271,857	2,516,122	3,190,093	3,268,313
Planning	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	11,792	14,556	-	-	-	-	-	-
Culture and Recreation	1,264,682	1,427,982	1,481,231	1,469,421	1,529,912	1,652,530	1,635,161	1,759,972	2,080,956	2,360,247
Other - Non Departmental	-	-	-	-	-	-	-	-	-	-
Capital outlay	4,454,382	14,955,670	5,100,327	7,442,027	4,363,776	1,818,360	2,444,921	3,824,684	6,098,985	9,574,476
Debt service	-	-	-	-	-	-	-	-	-	-
Interest	601,591	1,556,971	2,739,522	2,225,634	2,275,777	2,439,260	2,214,346	2,907,943	2,212,231	3,894,605
Principal	485,000	1,093,894	1,605,688	2,145,000	2,390,000	2,630,000	3,045,000	2,735,000	3,490,000	4,400,000
Other Fees	-	882,995	2,071	85,300	1,990	3,000	494,036	(3,842)	492,049	151,273
Total expenditures	\$ 13,711,067	\$ 27,791,976	\$ 19,670,939	\$ 23,169,463	\$ 20,100,718	\$ 18,819,099	\$ 21,316,025	\$ 23,203,772	\$ 30,811,108	\$ 36,047,921

CITY OF KYLE, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (4,515,795)	\$ (17,679,275)	\$ (6,983,582)	\$ (10,587,329)	\$ (4,850,522)	\$ (2,194,011)	\$ (3,274,297)	\$ (2,421,351)	\$ (6,440,401)	\$ (8,458,687)
OTHER FINANCING SOURCES (USES)	\$ 9,910,000	\$ 22,800,000	\$ 5,600,000	\$ -	\$ 4,290,000	\$ -	\$ 19,240,000	\$ 1,875,000	\$ 49,665,000	\$ 8,520,000
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Bond sales	87,661	25,604	-	-	-	-	511,683	72,641	3,795,604	1,048,867
Proceeds from capital leases	-	-	-	-	-	-	-	-	(22,487,886)	(9,418,419)
Premium or Discount on debt issued	-	-	-	-	-	-	-	-	4,285,338	8,482,551
Payment to refunded bond escrow agent	2,093,271	2,806,506	2,009,695	3,673,032	3,108,550	3,573,832	3,854,840	4,429,076	-	-
Transfers in	738,411	(932,556)	(963,440)	(1,212,128)	(1,455,044)	(1,031,257)	(1,587,785)	(2,417,571)	(2,925,727)	(5,439,881)
Transfers out	-	-	-	-	-	-	(13,923,709)	-	-	-
Other (Uses)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	11,352,521	24,699,554	6,646,255	2,460,904	5,943,506	2,542,575	8,095,029	3,959,146	32,332,329	3,193,118
NET CHANGES IN FUND BALANCES	\$ 6,836,726	\$ 7,020,279	\$ (337,327)	\$ (8,126,425)	\$ 1,092,984	\$ 348,564	\$ 4,820,732	\$ 1,537,795	\$ 25,891,928	\$ (5,265,569)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	12%	28%	30%	28%	30%	30%	30%	26%	23%	31%

CITY OF KYLE, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

FISCAL YEAR	Real Property Estimated Actual Value	Personal Property Estimated Actual Value	Less: Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Collected
2006	\$ 794,837,155	\$ 23,480,984	\$ 36,063,458	\$ 782,254,681	\$ 0.277700	\$ 2,172,321
2007	\$ 905,927,940	\$ 30,486,826	\$ 38,234,100	\$ 898,180,666	\$ 0.272400	\$ 2,446,644
2008	\$ 1,118,790,278	\$ 37,347,727	\$ 57,621,607	\$ 1,079,609,015	\$ 0.270700	\$ 2,922,502
2009	\$ 1,289,040,523	\$ 54,271,922	\$ 81,818,725	\$ 1,240,437,167	\$ 0.373100	\$ 4,628,071
2010	\$ 1,360,483,304	\$ 45,995,398	\$ 119,010,849	\$ 1,287,467,853	\$ 0.424000	\$ 5,458,864
2011	\$ 1,453,209,263	\$ 90,011,627	\$ 196,362,851	\$ 1,346,858,039	\$ 0.415399	\$ 5,594,835
2012	\$ 1,485,776,573	\$ 92,074,324	\$ 194,548,307	\$ 1,383,302,590	\$ 0.484500	\$ 6,702,101
2013	\$ 1,561,358,772	\$ 96,042,503	\$ 224,334,342	\$ 1,433,066,933	\$ 0.524400	\$ 7,515,003
2014	\$ 1,628,227,793	\$ 99,641,364	\$ 227,393,506	\$ 1,500,475,651	\$ 0.548300	\$ 8,227,108
2015	\$ 1,806,482,931	\$ 107,149,372	\$ 273,333,638	\$ 1,640,298,665	\$ 0.548300	\$ 8,993,758
2016	\$ 2,091,111,878	\$ 117,752,483	\$ 261,882,926	\$ 1,946,981,435	\$ 0.584800	\$ 11,385,947

Source: Hays County Appraisal District/ Assessment Roll Grand Totals Approved; City of Kyle Financial Services Department

**CITY OF KYLE, TEXAS
WATER UTILITY RATE COMPARISON
LAST TEN FISCAL YEARS**

Fiscal Year	Residential (5/8" and 3/4")		Multi-Family/ Commercial (2")		Irrigation (1 1/2")		Construction (3")	
	Base Charge	1000 gallon	Base Charge	1000 gallon	Base Charge	1000 gallon	Charge	1000 gallon
2007	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2008	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2009	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2010	\$ 17.75	\$ 2.35	\$ 88.73	\$ 4.24	\$ 44.36	\$ 4.95	\$ 141.96	\$ 4.24
2011	\$ 17.75	\$ 2.35	\$ 88.73	\$ 4.24	\$ 44.36	\$ 4.95	\$ 141.96	\$ 4.24
2012	\$ 23.08	\$ 3.06	\$ 115.35	\$ 5.51	\$ 57.76	\$ 6.44	\$ 184.55	\$ 5.51
2013	\$ 27.69	\$ 3.67	\$ 138.42	\$ 6.61	\$ 69.20	\$ 7.72	\$ 221.46	\$ 6.61
2014	\$ 33.23	\$ 4.40	\$ 166.10	\$ 7.94	\$ 83.04	\$ 9.27	\$ 265.75	\$ 7.94
2015	\$ 33.23	\$ 4.40	\$ 166.10	\$ 7.94	\$ 83.04	\$ 9.27	\$ 265.75	\$ 7.94
2016	\$ 33.23	\$ 4.40	\$ 166.10	\$ 7.94	\$ 83.04	\$ 9.27	\$ 265.75	\$ 7.94

CITY OF KYLE, TEXAS
WATER UTILITY
ANNUAL BILLED AMOUNT COMPARISON
LAST TEN FISCAL YEARS

FISCAL YEAR	Residential	Commercial	Total Billed
2007	\$ 1,321,424	\$ 128,378	\$ 1,449,802
2008	\$ 2,534,102	\$ 692,774	\$ 3,226,876
2009	\$ 2,857,468	\$ 740,075	\$ 3,597,543
2010	\$ 2,711,226	\$ 746,337	\$ 3,457,563
2011	\$ 3,348,985	\$ 1,082,257	\$ 4,431,242
2012	\$ 4,142,899	\$ 1,321,486	\$ 5,464,385
2013	\$ 4,041,171	\$ 1,583,061	\$ 5,624,231
2014	\$ 2,683,000	\$ 1,625,286	\$ 4,308,286
2015	\$ 2,620,354	\$ 1,305,255	\$ 3,925,610
2016	\$ 2,709,726	\$ 1,548,330	\$ 4,258,056

CITY OF KYLE, TEXAS
WATER UTILITY
TOTAL BILLED CONSUMPTION COMPARISON
LAST TEN FISCAL YEARS
(Totals in Gallons)

FISCAL YEAR	Residential	Commercial	Total Billed Consumption
2007	11,430,218	625,758	12,055,976
2008	437,364,754	167,554,289	604,919,043
2009	565,634,600	195,042,170	760,676,770
2010	492,748,500	178,422,903	671,171,403
2011	540,554,250	211,750,300	752,304,550
2012	523,772,450	207,926,400	731,698,850
2013	537,766,800	206,600,100	744,366,900
2014	511,808,500	189,038,400	700,846,900
2015	495,135,628	164,364,300	659,499,928
2016	525,859,900	180,930,600	706,790,500

**CITY OF KYLE, TEXAS
WASTEWATER UTILITY RATE COMPARISON
LAST TEN FISCAL YEARS**

Fiscal Year	Residential		Multi-Family/ Commercial	
	Base Charge	Wastewater per 1000 gallon	Base Charge	Wastewater per 1000 gallon
2007	\$ 9.08	\$ 1.76	\$ 9.08	\$ 1.98
2008	\$ 9.08	\$ 1.76	\$ 9.08	\$ 1.98
2009	\$ 9.08	\$ 1.76	\$ 9.08	\$ 1.98
2010	\$ 9.08	\$ 1.76	\$ 9.08	\$ 1.98
2011	\$ 10.90	\$ 2.11	\$ 10.90	\$ 2.11
2012	\$ 13.63	\$ 2.64	\$ 13.63	\$ 2.98
2013	\$ 16.35	\$ 3.17	\$ 16.35	\$ 3.57
2014	\$ 17.99	\$ 3.48	\$ 17.99	\$ 3.93
2015	\$ 17.99	\$ 3.48	\$ 17.99	\$ 3.93
2016	\$ 17.99	\$ 3.48	\$ 17.99	\$ 3.93

**CITY OF KYLE, TEXAS
WASTEWATER UTILITY
ANNUAL BILLED AMOUNT COMPARISON
LAST TEN FISCAL YEARS**

FISCAL YEAR	Residential	Commercial	Total Billed
2007	\$ 1,386,736	\$ 110,492	\$ 1,497,228
2008	\$ 1,713,192	\$ 268,675	\$ 1,981,867
2009	\$ 1,912,803	\$ 223,424	\$ 2,136,227
2010	\$ 1,922,014	\$ 213,776	\$ 2,135,789
2011	\$ 2,006,249	\$ 322,319	\$ 2,328,568
2012	\$ 2,268,508	\$ 512,167	\$ 2,780,675
2013	\$ 3,164,765	\$ 615,426	\$ 3,780,191
2014	\$ 2,571,502	\$ 675,661	\$ 3,247,163
2015	\$ 2,673,836	\$ 556,597	\$ 3,230,432
2016	\$ 2,939,865	\$ 633,991	\$ 3,573,856

CITY OF KYLE, TEXAS
TEN LARGEST WATER CUSTOMERS
September 30, 2016

Customer	Consumption (in gallons)	Amount Billed	% of Total Consumption
KYLE CORRECTIONAL CENTER	24,953,600	\$ 198,132	3.56%
SETON MEDICAL CENTER - HAYS	16,977,600	\$ 134,802	2.42%
VISTA AT PLUM CREEK	10,858,800	\$ 86,219	1.55%
KYLE BLUEBONNET, MHP, LLC	8,435,000	\$ 66,974	1.20%
TXKY AZTEC OAKHILL MHP, LLC	8,244,200	\$ 65,459	1.18%
SADDLECREEK APARTMENTS	5,998,000	\$ 47,624	0.86%
WATER WORKS AUTO SPA	5,166,500	\$ 41,022	0.74%
HCISD-LEHMAN HS	5,049,600	\$ 40,094	0.72%
RATCLIFF SENIOR CARE, LLC ORCHARD PARK	3,953,600	\$ 26,885	0.56%
HEB GROCERY CO	3,282,500	\$ 26,063	0.47%

CITY OF KYLE, TEXAS
SALES TAX COLLECTIONS BY MONTH
LAST TEN FISCAL YEARS

Fiscal Year	October	November	December	January	February	March	April	May	June	July	August	September	Total
2007	\$ 123,391	\$ 149,643	\$ 131,032	\$ 117,783	\$ 151,746	\$ 116,440	\$ 140,560	\$ 185,877	\$ 146,027	\$ 146,272	\$ 219,894	\$ 162,659	\$ 1,791,324
2008	\$ 175,097	\$ 220,841	\$ 178,492	\$ 158,377	\$ 219,687	\$ 164,544	\$ 141,720	\$ 222,905	\$ 181,993	\$ 170,570	\$ 206,162	\$ 180,536	\$ 2,220,923
2009	\$ 152,824	\$ 293,362	\$ 202,720	\$ 163,713	\$ 244,361	\$ 194,190	\$ 175,689	\$ 291,357	\$ 191,341	\$ 189,912	\$ 293,591	\$ 212,424	\$ 2,605,483
2010	\$ 190,866	\$ 287,557	\$ 193,086	\$ 198,193	\$ 329,379	\$ 183,839	\$ 186,005	\$ 307,208	\$ 227,390	\$ 250,891	\$ 322,535	\$ 224,068	\$ 2,901,017
2011	\$ 216,921	\$ 333,590	\$ 216,162	\$ 226,155	\$ 377,557	\$ 199,597	\$ 179,339	\$ 316,730	\$ 257,077	\$ 249,528	\$ 380,685	\$ 202,592	\$ 3,155,933
2012	\$ 269,861	\$ 334,179	\$ 237,532	\$ 245,372	\$ 393,544	\$ 224,751	\$ 237,156	\$ 368,315	\$ 269,170	\$ 295,375	\$ 377,378	\$ 287,654	\$ 3,540,287
2013	\$ 304,269	\$ 366,291	\$ 299,073	\$ 286,436	\$ 440,059	\$ 275,360	\$ 270,778	\$ 413,730	\$ 302,670	\$ 318,477	\$ 418,723	\$ 312,867	\$ 4,008,733
2014	\$ 306,735	\$ 439,337	\$ 321,293	\$ 334,830	\$ 492,820	\$ 299,643	\$ 320,355	\$ 505,339	\$ 405,019	\$ 315,129	\$ 496,713	\$ 374,188	\$ 5,016,420
2015	\$ 362,331	\$ 521,872	\$ 416,690	\$ 387,232	\$ 597,254	\$ 383,110	\$ 338,851	\$ 576,976	\$ 493,472	\$ 446,136	\$ 642,442	\$ 485,237	\$ 5,651,604
2016	\$ 424,152	\$ 601,054	\$ 450,182	\$ 477,871	\$ 722,526	\$ 448,593	\$ 444,310	\$ 661,516	\$ 506,314	\$ 508,767	\$ 653,235	\$ 519,583	\$ 6,418,104

**CITY OF KYLE, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

FISCAL YEAR	City Direct Rates				Overlapping Rates							Total Direct & Overlapping Rate
	Operating	Debt Service	Total	School District	County	Special Road	Emergency Services	ACC	Plum Creek Conservation	Plum Creek Groundwater		
2007	0.179000	0.093400	0.272400	1.778000	0.037900	0.071000	0.077000	0.000000	0.017800	0.018000	0.018000	2.272100
2008	0.120000	0.150700	0.270700	1.461300	0.371400	0.086000	0.077000	0.000000	0.018000	0.018000	0.018000	2.302400
2009	0.173100	0.200000	0.373100	1.461300	0.374900	0.080100	0.085000	0.000000	0.019500	0.095000	0.095000	2.488900
2010	0.183000	0.241000	0.424000	1.461300	0.418100	0.051100	0.092500	0.000000	0.018500	0.018500	0.018500	2.484000
2011	0.216073	0.199326	0.425399	1.461300	0.424800	0.044400	0.095300	0.094800	0.020000	0.020000	0.020000	2.585999
2012	0.236100	0.248400	0.484500	1.461300	0.425100	0.044000	0.100000	0.094800	0.020000	0.020000	0.020000	2.649700
2013	0.270300	0.254100	0.524400	1.461300	0.425200	0.043800	0.100000	0.094900	0.022000	0.022000	0.022000	2.693600
2014	0.270300	0.278000	0.548300	1.537700	0.425200	0.043800	0.100000	0.094200	0.220000	0.022000	0.022000	2.991200
2015	0.270300	0.278000	0.548300	1.537700	0.423200	0.043800	0.100000	0.100500	0.022500	0.021500	0.021500	2.797500
2016	0.230600	0.354200	0.584800	1.537700	0.416200	0.043800	0.100000	0.102000	0.023000	0.021500	0.021500	2.829000

**CITY OF KYLE, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND FIVE YEARS AGO**

Taxpayer	2016	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
SETTLEMENT BRES LLC &	\$ 34,730,100	2.42%
DDR DB KYLE LP	\$ 27,996,465	1.95%
BRE DDR BR KYLE TX LLC	\$ 25,977,660	1.81%
AM KYLE LLC	\$ 22,533,857	1.57%
MADRONE VENTURES LLC	\$ 20,753,975	1.45%
WAL-MART REAL ESTATE BUSINESS TRUST	\$ 12,931,290	0.90%
STRAND KYLE HOLDINGS LLC	\$ 12,033,351	0.84%
AM PLUM CREEK II LLC	\$ 10,367,295	0.72%
CINESTARZ ENTERTAINMENT LLC	\$ 10,016,260	0.70%
SCC KYLE PARTNERS LTD	\$ 9,019,420	0.63%
Total	<u>\$ 186,359,673</u>	<u>13.00%</u>

Taxpayer	2011	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
DDR DB KYLE LP	\$ 19,642,930	1.79%
KYLE MARKETPLACE LTD	\$ 16,819,250	1.53%
SCC KYLE PARTNERS LTD	\$ 10,388,020	0.95%
CREEK LLC	\$ 8,238,580	0.75%
BREMNER, DUKE	\$ 8,000,000	0.73%
LOWE'S HOME CENTERS INC	\$ 7,893,490	0.72%
TARGET CORPORATION	\$ 7,578,850	0.69%
HEB GROCERY CO LP	\$ 6,708,156	0.61%
KOHL'S ILLINOIS INC	\$ 6,424,250	0.58%
PROPERTIES LP	\$ 6,312,520	0.57%
Total	<u>\$ 98,006,046</u>	<u>9.08%</u>

Source: Hays County Appraisal District

**CITY OF KYLE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Taxes Levied for the Fiscal year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 2,175,118.49	\$ 2,138,652.20	98.32%	\$ 34,472.31	\$ 2,173,124.51	99.91%
2007	\$ 2,540,651.14	\$ 2,501,095.92	98.44%	\$ 37,369.89	\$ 2,538,465.81	99.91%
2008	\$ 2,972,355.89	\$ 2,936,623.44	98.80%	\$ 32,265.29	\$ 2,968,888.73	99.88%
2009	\$ 4,706,354.87	\$ 4,659,479.95	99.00%	\$ 40,185.28	\$ 4,699,665.23	99.86%
2010	\$ 5,657,998.02	\$ 5,602,149.59	99.01%	\$ 48,000.85	\$ 5,650,150.44	99.86%
2011	\$ 5,782,063.25	\$ 5,728,465.59	99.07%	\$ 42,067.15	\$ 5,770,532.74	99.80%
2012	\$ 6,928,118.28	\$ 6,881,454.44	99.33%	\$ 23,851.83	\$ 6,905,306.27	99.67%
2013	\$ 7,710,301.90	\$ 7,614,186.51	98.75%	\$ 7,733.64	\$ 7,621,920.15	98.85%
2014	\$ 8,468,076.05	\$ 8,418,435.10	99.41%	\$ 17,021.64	\$ 8,435,456.74	99.61%
2015	\$ 9,112,282.80	\$ 9,064,585.82	99.48%	\$ 6,301.96	\$ 9,070,887.78	99.55%
2016	\$ 11,834,067.14	\$ 11,764,070.36	99.41%	\$ 11,475.29	\$ 11,775,545.65	99.51%

Source: City of Kyle Internal Reports

Note: Subsequent years includes penalties

CITY OF KYLE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total	
	Certificates of Obligation	General Obligation Bonds	State Infrastructure Loan	Deferred Interest Payable	Capital Leases	Compensated Absences	Total Primary Government	Per Capita
2007	\$ 17,287,661	\$ 55,000	\$ 14,000,000	\$ 826,276	\$ 2,294,316	\$ 8,396	\$ 34,587,892	\$ 1,926.04
2008	\$ 39,628,882	\$ 30,000	\$ 13,446,441	\$ 790,941	\$ 3,850,775	\$ 12,851	\$ 57,911,980	\$ 2,709.97
2009	\$ 44,263,475	-	\$ 12,867,693	\$ 754,001	\$ 3,704,028	\$ 29,232	\$ 61,589,197	\$ 2,421.91
2010	\$ 41,073,068	\$ 15,290,000	\$ 11,000,000	\$ 175,300	\$ 3,548,230	\$ 66,792	\$ 71,086,598	\$ 2,537.36
2011	\$ 40,105,425	\$ 18,430,000	\$ 11,000,000	\$ 642,000	\$ 3,259,467	\$ 78,799	\$ 73,437,692	\$ 1,838.15
2012	\$ 37,885,750	\$ 18,010,000	\$ 11,000,000	\$ 1,130,169	\$ 2,952,895	\$ 93,124	\$ 71,165,888	\$ 2,099.29
2013	\$ 33,890,000	\$ 36,660,000	\$ 44,865	\$ -	\$ 2,952,895	\$ 64,514	\$ 73,612,274	\$ 2,165.07
2014	\$ 34,150,000	\$ 35,540,000	\$ -	\$ -	\$ 2,850,115	\$ -	\$ 72,540,115	\$ 2,133.53
2015	\$ 11,750,000	\$ 83,605,000	\$ -	\$ -	\$ 2,650,491	\$ -	\$ 98,005,491	\$ 2,882.51
2016	\$ 6,860,000	\$ 83,595,000	\$ -	\$ -	\$ -	\$ -	\$ 90,455,000	\$ 2,660.44

CITY OF KYLE, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding		
	Gross Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2007	\$ 19,095,853	2.13%	\$ 1,063.36
2008	\$ 53,237,400	4.93%	\$ 2,491.22
2009	\$ 60,921,157	4.91%	\$ 2,395.64
2010	\$ 61,860,798	4.80%	\$ 2,208.05
2011	\$ 70,837,951	5.26%	\$ 2,299.93
2012	\$ 68,207,951	4.93%	\$ 2,012.03
2013	\$ 70,550,000	4.92%	\$ 2,075.00
2014	\$ 69,690,000	4.86%	\$ 2,049.71
2015	\$ 95,355,000	6.65%	\$ 2,804.56
2016	\$ 90,455,000	6.31%	\$ 2,660.44

CITY OF KYLE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Average Household Income</u>	<u>Unemployment Rate</u>
2007	17,958	\$ 62,478	3.2%
2008	21,370	\$ 63,852	3.9%
2009	25,430	\$ 65,257	5.3%
2010	28,016	\$ 65,100	5.5%
2011	29,300	\$ 65,100	5.3%
2012	30,700	\$ 65,100	4.9%
2013	32,100	\$ 65,100	4.2%
2014	33,500	\$ 71,063	5.4%
2015	34,413	\$ 77,406	2.5%
2016	36,800	\$ 77,406	2.5%

Sources: Unemployment Rates: <http://www.tracer2.com/cgi/dataAnalysis/LabForceReport>;

Population: <http://kyleed.com/community-profile/population>

**CITY OF KYLE, TEXAS
PRINCIPAL EMPLOYERS
CURRENT**

Employer	2016	
	Employees	Percentage of Total City Employment
Hays Consolidated Independent School District	2,477	18.17%
Seton Medical Center Hays	582	4.27%
HEB Plus*	400	2.93%
Wal Mart	300	2.20%
City of Kyle	189	1.39%
EVO	170	1.25%
Kyle Correctional Facility	151	1.11%
Lowes*	108	0.79%
Home Depot*	100	0.73%
Target	81	0.59%
Austin Community College at Hays	80	0.59%
Kohl's	69	0.51%
RSI, Inc	61	0.45%
Total	<u>4,768</u>	<u>35%</u>
Total Employed within Kyle, Texas	13,633	

CITY OF KYLE, TEXAS
FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Administration	8.33	8.00	8.00	7.00	6.00	5.00	5.00	5.00	5.00	5.00
Human Resources	0.00	0.00	2.00	2.75	2.75	3.50	3.50	3.50	3.50	2.50
Finance	3.00	3.00	4.00	4.00	5.50	5.50	5.50	6.50	7.50	6.50
Municipal Court	3.50	3.50	3.50	3.50	4.00	4.50	4.50	4.00	4.00	4.00
IT	1.00	1.00	2.00	2.00	3.00	3.00	3.00	4.00	4.00	4.00
Planning	1.00	2.50	4.50	3.00	3.00	3.00	3.00	3.00	4.00	3.00
Economic Development	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Building	8.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00
Street Department	4.67	4.00	6.35	7.35	6.00	6.75	6.00	6.00	9.50	12.50
Police										
Administration	6.00	6.00	9.00	9.00	12.00	12.00	14.50	14.50	14.50	17.50
Operations	22.00	27.00	33.00	37.00	35.50	38.00	38.50	38.50	44.00	58.00
Public Works										
Administration	1.67	0.00	8.65	9.65	8.75	8.25	8.25	8.00	8.50	8.50
Water	5.00	9.00	5.00	7.00	14.00	14.50	12.50	12.50	12.50	12.50
Wastewater	2.00	4.00	6.00	7.00	5.00	5.50	5.50	5.50	5.50	8.50
Engineering	0.00	0.00	0.00	0.00	0.00	1.00	1.00	0.50	0.50	4.00
Parks and Recreation										
Administration	5.00	0.00	3.00	3.00	5.00	4.00	4.00	4.50	5.00	6.00
Parks Maintenance	6.00	10.00	10.50	12.00	12.00	12.00	12.00	12.00	12.00	14.00
Facilities Maintenance	4.00	5.00	3.00	3.00	3.50	4.00	4.00	4.00	4.00	4.00
Library	5.00	5.00	6.00	7.00	8.00	7.00	7.00	7.00	10.00	11.00
Utility Billing	0.00	4.00	4.00	5.00	5.00	5.00	7.00	7.00	7.00	7.00
Total	87.17	100.00	127.50	138.25	147.00	150.50	152.75	154.00	169.00	196.50

CITY OF KYLE, TEXAS
OPERATING INDICATORS BY FUNCTION/ PROGRAM
LAST TEN FISCAL YEARS

Function Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building permits issued	653	534	328	431	289	244	324	537	635	684
Police										
Violations	3,672	3,130	3,640	4,709	4,360	6,961	8,670	10,111	5,447	3,345
Citations	2,803	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Public Works										
Street resurfacing (miles)	N/A	N/A	N/A	N/A	N/A	N/A	16	10	2	3
Potholes repaired	N/A	N/A	N/A	N/A	672	718	926	1,053	2,007	3,253
Street Sweeping - Miles	N/A	574	4,037	2,623	2,613	343	1,898	1,970	2,308	1,619
Parks and Recreation										
Facility Rental Bookings (Guests)	18,992	26,375	28,902	13,786	15,512	42,791	36,092	45,602	52,447	52,533
Summer Camp	1,881	1,964	1,652	3,255	6,105	5,275	5,500	5,800	4,675	4,285
Pool (patron count)	17,283	33,909	36,508	30,254	32,078	36,511	37,000	37,000	41,813	31,852
Library										
Circulation Count	39,233	50,103	86,611	99,129	100,121	125,715	144,904	155,860	165,175	188,222
Patron Count	42,342	83,627	81,019	95,371	91,207	119,194	126,824	133,154	138,458	139,501
Library Cards Issued	1,912	1,974	2,021	1,799	1,746	3,730	2,218	3,200	2,784	2,837
Water										
New Connections	2,929	2,478	2,272	2,007	1,900	2,188	2,402	2,773	3,024	2,276
Water leaks	61	82	88	70	117	80	91	126	108	99
Average Daily Consumption (millions of gallons)	1.7221	2.1575	N/A	2.0891	1.6391	2.1225	2.443	1.9200	2.4190	2.5920
Wastewater										
Average Daily Sewage Treatment (millions of gallons)	1.3748	1.5012	N/A	1.5626	2.2684	1.7207	1.838	1.6950	2.3000	2.4570

Source: City of Kyle
 Departmental Reports, City of Kyle

Note: New Connections are by Calendar Year not Fiscal Year

CITY OF KYLE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/ PROGRAM
LAST TEN FISCAL YEARS

Function Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations/ Sub-Stations	1	1	1	1	1	1	2	2	2	2
Patrol Units	12	16	17	18	24	29	27	27	21	21
Fire										
Stations	1	1	1	1	2	2	2	2	2	2
Parks and Recreation										
Acreage	283	355	412	462	466	466	569	577	612	612
Streets										
Streets - Linear Feet	541,873	567,888	576,448	580,748	591,248	595,248	610,518	623,170	641,396	739,493
Water										
Fire Hydrants	750	783	829	833	847	859	891	905	936	993
New Water Lines - Linear Feet	28,730	15,084	35,592	7,142	2,653	1,894	6,703	9,963	16,950	28,080
Ground Water Storage	4	6	8	8	8	8	8	8	8	8
Elevated Water Storage	4	5	5	6	6	6	6	6	6	6
Wastewater										
New Wastewater Lines - Linear Ft	14,059	20,737	19,574	7,770	3,890	1,555	20,059	13,286	16,127	15,799
Storm Sewers (miles)	1,721	29,369	38,948	2,945	3,937	423	14,245	7,334	13,573	9,610
Lift Stations	11	10	10	10	10	9	9	9	11	11
Treatment Capacity (millions of gallons)	N/A	N/A	3	3	3	3	3	3	3	3