NEW ISSUE BOOK-ENTRY-ONLY

Rating: S&P "AA" (BAM Insured)
"BBB-" (Underlying)
(See: "OTHER PERTINENT INFORMATION – Rating" herein; "BOND INSURANCE" and "BONDINSURANCE GENERAL RISK" herein)

OFFICIAL STATEMENT
May 23, 2023

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, subject to the matters described in "TAX MATTERS" herein. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

$8,265,000
CITY OF KYLE, TEXAS
(Hays County, Texas)
TAX INCREMENT REVENUE BONDS, SERIES 2023
(TAX INCREMENT REINVESTMENT ZONE NUMBER TWO, CITY OF KYLE)

Dated: June 1, 2023 **Due: August 15, as shown below**
Interest to accrue from the Delivery Date.

Interest on the $8,265,000 City of Kyle, Texas, Tax Increment Revenue Bonds, Series 2023 (Tax Increment Reinvestment Zone Number Two, City of Kyle) (the "Bonds") will accrue from the Delivery Date (defined below), will be payable on February 15, 2024 and each August 15 and February 15 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry- Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS – Paying Agent/Registrar"). The Bonds are being authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the "State"), including particularly Chapter 311, Texas Tax Code, as amended (the "TIF Act"), and an ordinance (the "Ordinance") adopted by the City Council (the "City Council") of the City of Kyle, Texas (the "City") on May 16, 2023. See "THE BONDS - Authority for Issuance".

The City Council created Tax Increment Reinvestment Zone Number Two, City of Kyle ("TIRZ Number 2") and appointed 9 members of the board of directors of TIRZ 2 (the "TIRZ 2 Board"), pursuant to the provisions of the TIF Act, to facilitate development of land within the boundaries of TIRZ Number 2. In the ordinance creating TIRZ Number 2, the City contributed 50% of the annual tax increment revenues from property taxes levied by the City in TIRZ Number 2 (the "City's Tax Increment"). Pursuant to an interlocal agreement between the City and Hays County, Texas (the "County" and, together with the City, the "Participants" and each a "Participant"), in consideration for the County appointing two members to the TIRZ 2 Board, the County agreed to contribute 50% of the annual tax increment revenues from property taxes levied by the County in TIRZ Number 2 (the "County's Tax Increment" and, together with the City's Tax Increment, the "Tax Increment"). TIRZ Number 2 consists of approximately 1,480 acres of property as shown in Exhibit A hereto. See "OVERVIEW OF TAX INCREMENT REINVESTMENT ZONE NUMBER 2" herein.

Pursuant to the Ordinance, the City pledged the Pledged Property Tax Revenues (as defined herein), money on deposit in the Tax Increment Fund, and interest earnings on moneys deposited therein to the repayment of the Bonds, which consists primarily of the City's Tax Increment. **The County Tax Increment revenues are not pledged to the Bonds; however, the money can be used for any legal purposes determined by the City and TIRZ 2 Board**. See "SECURITY AND SOURCE OF PAYMENT."

The City has agreed to deposit to the tax increment fund established for TIRZ Number 2 (the "Tax Increment Fund") the Pledged Property Tax Revenues from the City Tax Increment. Pursuant to the Ordinance, the City will deposit into the Tax Increment Fund all of the Pledged Property Tax Revenues for the payment of debt service on the Bonds and any Additional Obligations (as defined herein) that may be subsequently issued under the Ordinance. Within five business days upon receipt of the Tax Increments from the Participants in each year after the issuance of the above-captioned Bonds, the City will set aside sufficient Pledged Property Tax Revenues in the Tax Increment Fund, to pay debt service for the succeeding August 15 and February 15, to pay the Paying Agent/Registrar's fees, and to replenish the Debt Service Reserve Fund (as defined herein), to the extent necessary. Thereafter the City may use any remaining Pledged Property Tax Revenues for any lawful purpose under the TIF Act and the Project and Finance Plan (as defined herein).

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE FROM THE PLEDGED PROPERTY TAX REVENUES, AND ARE NOT OBLIGATIONS OF THE COUNTY AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY (See "Risk Factors- Limited Obligations" herein) OR THE COUNTY. THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION, OR A LOAN OF CREDIT OF THE COUNTY, THE STATE OF TEXAS, OR ANY OTHER MUNICIPALITY, COUNTY, OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OF TEXAS. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT RISKS DESCRIBED HEREIN. SEE "RISK FACTORS."

The proceeds from the sale of the Bonds are being used to provide funds for the purposes of (1) constructing, acquiring, purchasing, renovating, equipping, enlarging and improvements City streets within TIRZ Number 2, (2) purchasing of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned projects, (3) making a deposit into the Debt Service Reserve Fund; and (4) paying professional services related to the design, construction, management and financing of the aforementioned projects.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (See "BOND INSURANCE" herein).

This cover page contains information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters identified below (the "Underwriters"), subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel (see APPENDIX C - "Form of Bond Counsel Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be delivered through the facilities of DTC on or about June 14, 2023 (the "Delivery Date").

RAYMOND JAMES **ESTRADA HINOJOSA & COMPANY, INC.**

$8,265,000
CITY OF KYLE, TEXAS
(Hays County, Texas)
TAX INCREMENT REVENUE BONDS, SERIES 2023
(TAX INCREMENT REINVESTMENT ZONE NUMBER TWO, CITY OF KYLE)

STATED MATURITY SCHEDULE

CUSIP No. Prefix [(1)] 501567

$1,380,000 Serial Bonds

Stated Maturity 8/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [(1)]
2024	$ 70,000	5.000%	3.540%	AA9
2025	135,000	5.000%	3.400%	AB7
2026	145,000	5.000%	3.350%	AC5
2027	150,000	5.000%	3.350%	AD3
2028	160,000	5.000%	3.320%	AE1
2029	165,000	5.000%	3.320%	AF8
2030	175,000	5.000%	3.320%	AG6
2031	185,000	5.000%	3.350%	AH4
2032	195,000	5.000%	3.400%	AJO

$6,885,000 Term Bonds

$410,000 5.000% Term Bonds Due August 15, 2034 and priced to Yield 3.500%[(2)] CUSIP AK7
$460,000 5.000% Term Bonds Due August 15, 2036 and priced to Yield 3.800%[(2)] CUSIP AL5
$775,000 5.000% Term Bonds Due August 15, 2039 and priced to Yield 4.000%[(2)] CUSIP AM3
$1,210,000 4.000% Term Bonds Due August 15, 2043 and priced to Yield 4.300% CUSIP AN1
$1,800,000 4.250% Term Bonds Due August 15, 2048 and priced to Yield 4.400% CUSIP AP6
$2,230,000 4.375% Term Bonds Due August 15, 2053 and priced to Yield 4.500% CUSIP AQ4

(Interest accrues from the Delivery Date)

The Bonds maturing on or after August 15, 2033 are subject to optional redemption prior to their scheduled maturities at the option of the City, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2032 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. In addition, the Bonds maturing on August 15, 2034, August 15, 2036, August 15, 2039, August 15, 2043, August 15, 2048 and August 15, 2053 are also subject to mandatory sinking fund redemption, as further described herein. (See "THE BONDS - Redemption Provisions " herein.)

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "APPENDIX F - Specimen Municipal Bond Insurance Policy".

[(1)] *CUSIP numbers are include solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Underwriters is responsible for the selection or the correctness of the CUSIP numbers set forth herein.*
[(2)] Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2032, the first optional call date for such bonds, at a redemption price of par plus accrued interest to the redemption date.

OFFICIAL STATEMENT SUMMARY

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

The City	The City of Kyle, Texas (the "Issuer" or the "City"), is located between the cities of Austin, Texas and San Marcos, Texas, on Interstate 35. The corporate limits are fully in Hays County and total approximately 31 square miles. The City is a political subdivision operating as a home-rule city under the laws of the State of Texas and the City's home-rule charter (the "Charter"), originally approved by the voters in 2000 and as amended in 2006, 2016, and 2018. The City operates under the Council/Manager form of government in which the Mayor and six councilmembers are elected for staggered three-year terms. The City Manager, appointed by the Mayor and the six-member elected City Council (the "City Council"), is the chief administrative officer of the City. (See "APPENDIX B – General Information Regarding the City of Kyle, Texas and Hays County, Texas" herein.)
TIRZ Number 2	The City Council of the City (the "City Council") created Tax Increment Reinvestment Zone Number Two, City of Kyle ("TIRZ Number 2") and appointed a board of directors of TIRZ Number 2 (the "TIRZ 2 Board") pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the "TIF Act"), to facilitate development of land within the boundaries of TIRZ Number 2. TIRZ Number 2 consists of approximately 1,480 acres of property as shown in page 8. (See "OVERVIEW OF TAX INCREMENT REINVESTMENT ZONE NUMBER 2, CITY OF KYLE" herein.)
The Bonds	The $8,265,000 City of Kyle, Texas, Tax Increment Revenue Bonds, Series 2023, dated June 1, 2023, are issued as serial bonds maturing on August 15 in each of the years 2024 through 2032 and as Term Bonds dated August 15, 2034, August 15, 2036, August 15, 2039, August 15, 2043, August 15, 2048 and August 15, 2053.
Payment of Interest	Interest on the Bonds accrues from the Delivery Date (defined below) and will be paid on February 15, 2024, and on each August 15 and February 15 thereafter until maturity or prior redemption. (See "THE BONDS - General").
Authority for Issuance	The Bonds are being authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the "State"), including the TIF Act, an ordinance (the "Ordinance") adopted by the City Council of the City on May 16, 2023. (See "THE BONDS - Authority for Issuance").
Security for the Bonds	Pursuant to the Ordinance, the City has pledged the "Pledged Property Tax Revenues" to payment of the Bonds and any Additional Obligations (as defined herein). Pledged Property Tax Revenues consist of (i) the Property Tax Increments received from the City; (ii) all interest earnings and investment income therefrom, other than any amount required to be rebated to the United States under Section 148(t) of the Code and deposited to the Rebate Fund; and (iii) any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered as additional security under the Ordinance by the City, or anyone on behalf of the City, or which pursuant to any of the provisions of the Ordinance may come into the possession or control of the City as security under the Ordinance, or of a receiver lawfully appointed under the Ordinance, all of which property the City is authorized to receive, hold and apply according to the terms hereof. The County's Tax Increment is an annual appropriation and therefore cannot be pledged to the Bonds. Once appropriated by the County Commissioners, the County's Tax Increment can be used for any lawful purpose, including the payment of the Bonds, as determined by the TIRZ 2 Board and the City Council. See "SECURITY AND SOURCE OF PAYMENT".

Redemption	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). In addition, the Bonds maturing on August 15, 2034, August 15, 2036, August 15, 2039, August 15, 2043, August 15, 2048 and August 15, 2053 are also subject to mandatory sinking fund redemption, as further described herein. (see "THE BONDS – Mandatory Redemption").
Tax Exemption	In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, subject to the matters described in "TAX MATTERS" herein. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.
Use of Proceeds	The proceeds from the sale of the Bonds are being used to provide funds for the purposes of (1) constructing, acquiring, purchasing, renovating, equipping, enlarging and improvements City streets within TIRZ Number 2, (2) purchasing materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned projects, (3) making a deposit to the Debt Service Reserve Fund; and (4) paying professional services related to the design, construction, management and financing of the aforementioned projects.
Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by BAM. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Ratings	The Bonds are rated "AA" by S&P Global Ratings, a division of S&P Global ("S&P"), by virtue of a municipal bond insurance policy to be issued by Build America Mutual ("BAM"). S&P has assigned an underlying, unenhanced rating of "BBB-" to the Bonds without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P (See "OTHER PERTINENT INFORMATION - Rating" herein.)
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").
Payment Record	The City has never defaulted in the payment of its bonded indebtedness.
Delivery Date	When issued, anticipated to occur on or about June 14, 2023.

[The remainder of this page intentionally left blank]

CITY OF KYLE, TEXAS

ELECTED OFFICIALS

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

TIRZ 2 Board

Name	Position
Debbie Ingalsbe	Chair
Travis Mitchell	Vice Chair
Michelle Cohen	Board member
Bear Heiser	Board member
Yvonne Flores-Cale	Board member
Dr. Miguel Zuniga	Board member
Ashlee Bradshaw	Board member
Daniela Parsley	Board member
Michael Tobias	Board member

Appointed Officials

Name	Position	Length of Service (Years)
Bryan Langley	City Manager(1)	
Jerry Hendrix	Interim City Manager	15
Amber Schmeits	Assistant City Manager	1
Perwez Moheet, CPA	Director of Finance	11
Jennifer Kirkland	City Secretary	7
Paige Saenz	City Attorney	4

(1) On April 18, 2023 City Council hired a new City Manager. Mr. Langley's official start date is May 22, 2023.

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

Certified Public Accountants .... RSM US LLP
Austin, Texas

Financial Advisor .... SAMCO Capital Markets, Inc.
San Antonio, Texas

City Attorney .... The Knight Law Firm, LLP
Austin, Texas

For Additional Information Please Contact:

Mr. Perwez A. Moheet, CPA
Director of Finance
City of Kyle
100 West Center Street
Kyle, Texas 78640
Telephone: (512) 262-1010
pmoheet@cityofkyle.com

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com

Mr. Andrew T. Friedman
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
afriedman@samcocapital.com

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

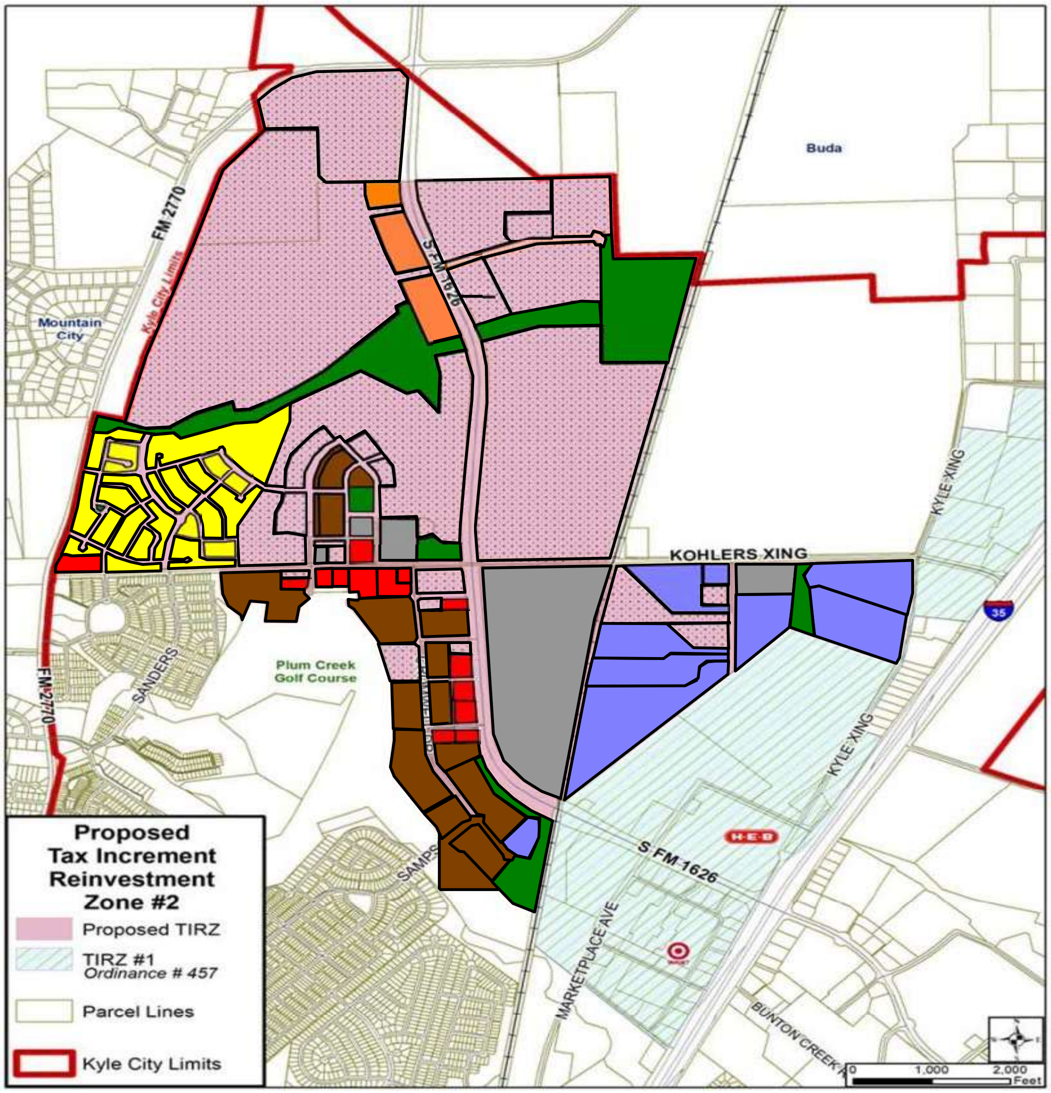
IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

[The Remainder of this page intentionally left blank]

CITY OF KYLE TAX INCREMENT REINVESTMENT ZONE #2 BOUNDARIES



Undeveloped	Retail/Office	Multifamily
Government	Multifamily/VMU	Single Family
Green Space/Drainage	Warehouse Light Industrial	

CITY OF KYLE, TEXAS
(HAYS COUNTY, TEXAS)

$8,265,000
TAX INCREMENT REVENUE BONDS, SERIES 2023
(TAX INCREMENT REINVESTMENT ZONE NUMBER TWO, CITY OF KYLE)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information regarding the issuance of City of Kyle, Texas (the "Issuer" or "City") $8,265,000 Tax Increment Revenue Bonds, Series 2023 (Tax Increment Reinvestment Zone Number Two, City of Kyle) (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined below) except as otherwise indicated.

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

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

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

OVERVIEW OF TAX INCREMENT REINVESTMENT ZONE NUMBER TWO, CITY OF KYLE

The City

The City of Kyle, Texas (the "Issuer" or the "City"), is located between the cities of Austin, Texas and San Marcos, Texas, on Interstate 35. The corporate limits are fully in Hays County and total approximately 31 square miles. The City is a political subdivision operating as a home-rule city under the laws of the State of Texas and the City's home-rule charter (the "Charter"), originally approved by the voters in 2000 and as amended in 2006, 2016, and 2018. The City operates under the Council/Manager form of government in which the Mayor and six councilmembers are elected for staggered three-year terms. The City Manager, appointed by the Mayor and the six-member elected City Council (the "City Council"), is the chief administrative officer of the City. (See "APPENDIX B –General Information Regarding the City of Kyle, Texas and Hays County, Texas" herein.)

TIRZ Number 2

Reinvestment Zone Number 2, City of Kyle (the "TIRZ 2") is located on approximately 1480 acres of contiguous land area within the City's corporate limits as shown on page 8.

On December 18, 2018, the City Council adopted Ordinance 1022 creating TIRZ Number 2 (the "City Creation Ordinance") by designating a geographic area in the jurisdiction of the City as a reinvestment zone to promote development and redevelopment in TIRZ Number 2. The City Creation Ordinance established the boundaries of TIRZ Number 2, created a board of directors for TIRZ Number 2 (the "TIRZ 2 Board"), established the Tax Increment Fund and found that the improvements to be undertaken in TIRZ Number 2 would significantly enhance the value of all taxable real property in TIRZ Number 2 and would be of general benefit to the City. In the City Creation Ordinance, the City contributed 50% of the annual tax increment revenues from property taxes levied by the City in TIRZ Number 2 (the "City's Tax Increment"). Pursuant to an interlocal agreement (the "Interlocal Agreement") between the City and Hays County, Texas (the "County" and, together with the City, the "Participants" and each a "Participant"), in consideration for the County appointing two members to the TIRZ 2 Board, the County agreed to contribute 50% of the annual tax increment revenues from property taxes levied by the County in TIRZ Number 2 (the "County's Tax Increment" and, together with the City's Tax Increment, the "Tax Increment").

The table below shows the participation rates of each of the Participants.

Participant	Property Tax Participation Rate
City of Kyle	50%
Hays County	50%

Receipt of the County's Tax Increment is subject to an annual appropriation by the County's Commissioners Court and therefore is not pledged to the repayment of the Bonds. However, once appropriated, the County Tax Increment can be used for any lawful purpose, including the repayment of the Bonds, determined by the TIRZ 2 Board and the City Council.

TIRZ Number 2 was originally set to terminate December 31, 2037. On April 18, 2023, the City Council extended the termination date of TIRZ Number 2 to December 31, 2057. Pursuant to an amendment to the Interlocal Agreement, the County's participation in TIRZ Number 2 is also set to terminate on December 31, 2057. The Original Creation Ordinance, as modified by the ordinance adopted on April 18, 2023 is referred to herein as the "TIF Ordinance."

Pursuant to the TIF Ordinance, during the term of TIRZ Number 2, the TIRZ 2 Board will consist of nine (9) members, inclusive of any members appointed by the participating taxing jurisdictions. Not less than seven (7) members shall be appointed by the City Council. City Council members shall be eligible for appointment to the Board of Directors. Two (2) members may be appointed by the County, consistent with Section 311.009 of the Texas Tax Code, as amended. All members of the TIRZ 2 Board shall meet eligibility requirements as set forth in Chapter 311 of the Texas Tax Code. As of the date of this Official Statement, the TIRZ 2 Board consists of the representatives reflected on page 5 hereto.

The Project and Financing Plan, and Recent Economic Developments

The City Council approved a project and finance plan for TIRZ Number 2 on December 3, 2019 and amended the project and finance plan on April 18, 2023 (the project and finance plan, as amended, , the "Project and Finance Plan").

The goal of TIRZ Number 2 is to continue funding the construction of public infrastructure within TIRZ Number 2 and to encourage private development that will yield additional tax revenue to all local taxing jurisdictions. TIRZ Number 2 will promote the creation of commercial development consisting of a mix of uses including retail, office, multifamily, and hotels. The Project and Finance Plan considers the added annual valuation and revenue projections through the extended term, updates the proposed public improvements, and reallocates project funding to align with the City's vision for TIRZ Number 2. The Tax Increments generated within TIRZ 2 will be used to fund project costs identified in the Project and Finance Plan, including water, sanitary sewer and stormwater facilities, parking improvements, street and intersection improvements, open space, parks and recreational facilities and improvements, public facilities and administrative costs.

The 2018 base property value in TIRZ Number 2 was $121,367,726. Projections show that property value within TIRZ Number 2 is estimated to grow to $1.169 billion by 2034, creating in excess of $3,200,000 annually of potential TIRZ Number 2 revenue from the City Tax Increment (assuming 50% City participation) and an additional $2,000,000 annually from the County Tax Increment (assuming 50% County participation), although the County Tax Increment revenues are not pledged for the repayment of the Bonds.

SECURITY AND SOURCE OF PAYMENT

General

The Bonds are limited special obligations of the City payable solely from the sources described herein and are not obligations of the County, the State, or any entity other than the City. The City is not obligated to pay principal of and interest on the Bonds from monies of the City other than the Pledged Property Tax Revenues as defined herein under "Pledged Property Tax Revenues".

General Statutory Requirements for Tax Increment Zones

A tax increment reinvestment zone under Chapter 311 of the Texas Tax Code (the "TIF Act") may be created by a city or a county, which also approves a project plan and a financing plan for the zone. The TIF Act provides that each participating taxing unit is required to pay into the tax increment funds for the zone the collected Property Tax Increments and/or Sales Tax Increments that it has agreed to pay under its agreement with the city and in accordance with the project plan and financing plan. In the case of a city, the ordinance creating the zone and the project plan and financing plan must provide that the city will deposit its Property Tax Increments (as defined below) into a tax increment fund established by the City for the zone (the "Tax Increment Fund"). Other taxing units which tax property in the zone may agree with the City that they will also deposit a portion of their Property Tax Increments into the Tax Increment Fund established for the zone. Tax Increment Fund

The amount of a taxing unit's property tax increment for a year (the "Property Tax Increment") is the amount of property taxes levied and assessed by the taxing unit for that year on the captured appraised value in the zone (as defined below, the "Captured Appraised Value"). The Captured Appraised Value of real property taxable by a taxing unit for a year is the total taxable value of all real property taxable by the taxing unit and located in the tax increment reinvestment zone for that year less the total taxable value of all real property taxable by the unit and located in the tax increment reinvestment zone for the year in which the zone was designated as such under the TIF Act (the "Property Tax Increment Base"). If the boundaries of a zone are enlarged, the Property Tax Increment Base is increased by the taxable value of the real property added to the zone for the year in which the property was added. If the boundaries of a zone are reduced, the Tax Increment Base is reduced by the taxable value of the real property removed from the zone for the year in which the property was originally included in the zone's boundaries. The boundary of TIRZ Number 2 will not be reduced as long as the Bonds or any Additional Obligations remain outstanding.

The amount of a taxing unit's sales tax increment, if any, for a year (the "Sales Tax Increment") is the amount of sales and uses taxes levied and assessed by the taxing unit for that year less the sales tax based established under the TIF Act (the "Sales Tax Increment Base").

The TIF Act provides that a reinvestment zone terminates on the earlier of: (1) the termination date designated in the ordinance designating the zone or a later date designated by a subsequent ordinance after complying with the procedures in the TIF Act, and (2) the date on which all project costs, tax increment bonds (such as the Bonds) and interest on those bonds, and other obligations have been paid in full. Notwithstanding any termination of the zone under (1) above and unless otherwise specified by an agreement between a taxing unit and the city that created the zone, the TIF Act provides that a taxing unit is required to make a payment of Property Tax Increments into the Tax Increment Fund not later than the 90th day after the later of: (1) the delinquency date for the unit's property taxes, or (2) the date the city that created the zone submits an invoice to the taxing unit.

In addition, the TIF Act provides that a reinvestment zone may be terminated if the city that created the zone defeases all of the zone's tax increment bonds. See "THE BONDS—Defeasance."

Hays County's Interlocal Agreement with Respect to Property Tax Increments

The County, acting through its Commissioners Court, approved the Interlocal Agreement, which initially became effective in 2018 with the first payment of Property Tax Increments by the County for taxes levied by the County in tax year 2019. Pursuant to the Interlocal Agreement, the County agreed to participate in TIRZ Number 2 by contributing 50% of the taxes collected by the County on the Captured Appraised Value in TIRZ Number 2 (the "County's Tax Increment"). Pursuant to the Interlocal Agreement, as amended, the County's participation in TIRZ Number 2 is set to terminate on December 31, 2057. Pursuant to the Interlocal Agreement, the use of the County's Property Tax Increments may be limited to projects approved by its representatives of the TIRZ 2 Board. Receipt of the County's Tax Increment is subject to an annual appropriation by the County's Commissioners Court and therefore is not pledged to the repayment of the Bonds. However, once appropriated, the County Tax Increment can be used for any lawful purpose, including the repayment of the Bonds, determined by the TIRZ 2 Board and the City Council.

Property Tax Increments

The TIF Ordinances designate the boundaries, the eligible real properties for the calculation of the Property Tax Increment for TIRZ Number 2 and the specific participation level of the City.

The Property Tax Increment deposited into the Tax Increment Fund by the Participants shall be used to pay project costs for purposes as set forth and identified in the Project and Finance Plan. All Tax Increment Fund allocations, including but not limited to any management and administrative costs, must be approved by the TIRZ 2 Board in accordance with the Project and Finance Plan.

As defined, TIRZ Number 2 shall include real properties located within the boundaries as described in the TIF Ordinance. If TIRZ Number 2 is expanded, the Participants are not required to deposit into the Tax Increment Fund any Tax Increment generated from properties in the expanded area unless participation in the expanded boundary area is approved by the governing bodies of the Participants as an amendment to the Interlocal Agreement. Additionally, the Tax Increment deposited into the Tax Increment Fund by the Participants may not be used for any permissible project costs in any portion of the expanded area of TIRZ Number 2 unless approved by the governing bodies of the Participants. Currently, the County is the only Participant in TIRZ Number 2.

No representation can be made regarding the future likelihood of a Participant's approval of amendments to the TIF Ordinance.

The only Participant which will produce Property Tax Increments pledged to the Bonds is the City. The County Tax Increment revenues are subject to annual appropriation and therefore cannot be pledged for the repayment of the Bonds. Once the funds have been appropriated from the County, the TIRZ 2 Board and the City can use the funds for any lawful purpose outlined in the Project and Finance Plan, including repayment of the Bonds.

Calculation of Property Tax Increments

The certified appraised value in a zone is supplied to all the taxing units participating in the zone by the applicable appraisal district based on the appraisal district's identification of all real property accounts within such zone boundaries. The Hays Central Appraisal District (the "Appraisal District") appraises the property in TIRZ Number 2 for the Participants. Each Participant uses the certified appraised taxable value in TIRZ Number 2 obtained from the Appraisal District, but then modifies it based on the various exemptions from taxation granted by the particular Participant. See "TAXING PROCEDURES OF THE PARTICIPANTS—Property Subject to Taxation by the Participants." Each Participant then determines Captured Appraised Value by subtracting the Tax Increment Base of TIRZ Number 2 from the current year's taxable value in TIRZ Number 2.

The Appraisal District may issue a "correction roll," which may affect previously certified values. Value changes can be positive or negative depending on the cause. Omitted property adds value while protest settlements, exemptions and error corrections can add or subtract value. Value changes typically are larger in dollar amount and number in the years just following the current tax year and tend to diminish in amount and number over time.

Each Participant's determination of Captured Appraised Value will depend on the timing of its calculation (that is, what Appraisal District roll it uses) and its exemptions. The Participants' individual determinations resulted in the Captured Appraisal Values shown under "FINANCIAL INFORMATION—Table 6 – Property Tax Increment Collections." For an explanation of the different exemptions of the Participants, see "TAXING PROCEDURES OF THE PARTICIPANTS—Property Subject to Taxation by the Participants."

Collection of Property Tax Increments

Each taxing unit participating in a zone is to pay Property Tax Increments into the Tax Increment Fund that are equal to the amount arrived at by multiplying the Captured Appraised Value in the zone by the taxing unit's contributed tax rate per $100 of valuation for the tax year and then multiplying that product by the taxing unit's collection percentage, subject to any aggregate limitation. The collection percentage is determined by comparing the taxes collected from all taxable real property in the zone to the total taxes due to the taxing unit for the tax year from all real property in the zone. Each taxing unit's collection percentage is shown in "TAX AND INCREMENT DATA—Table 6 – Property Tax Increment Collections." The TIF Act provides that payment of Property Tax Increments by participating taxing units is to be made by the 90th day after the later of either the delinquency date for the taxing unit's property taxes, or the date the city or county that created the zone submits to the taxing unit an invoice specifying the Property Tax Increment produced by the taxing unit and the amount the taxing unit is required to pay into the Tax Increment Fund for the zone.

Pursuant to the TIF Ordinance and the Interlocal Agreement, the City and TIRZ Number 2 agree to continuously collect the Property Tax Increments during the term of the Interlocal Agreement, and to the extent legally permitted to do so, they agree that they will not permit a reduction in the Property Tax Increments paid by the Participants, except to the extent provided in the Interlocal Agreements. In addition, the City has agreed not to grant any tax abatements to property located within TIRZ Number 2 as of the date of each issue of bonds if such tax abatement would cause the property value (as determined by the Appraisal District) of the subject property to be less than the property value of the subject property on the date such bonds were issued.

The parties to the Interlocal Agreement agree that all payments due and payable pursuant to the Interlocal Agreement for the period prior to the termination date of the Interlocal Agreement will be paid to the City in the year following termination of the Interlocal Agreement. See "OVERVIEW OF TAX INCREMENT REINVESTMENT ZONE NUMBER TWO, CITY OF KYLE — TIRZ Number 2" and "SECURITY AND SOURCE OF PAYMENT – Hays County's Interlocal Agreement with Respect to Property Tax Increments".

Pledged Property Tax Revenues

Pursuant to the Ordinance, the City has pledged the "Pledged Property Tax Revenues" to payment of the Bonds and any Additional Obligations (as defined herein). Pledged Property Tax Revenues consist of (i) the Property Tax Increments received from the City and all of the City's right, title and interest thereto under the Interlocal Agreement; (ii) the City Tax Increment deposited or required to be deposited in the Tax Increment Fund and all interest earnings and investment income therefrom, other than any amount required to be rebated to the United States under Section 148(t) of the Code and deposited to the Rebate Fund; and (iii) any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered as additional security under the Ordinance by the City, or anyone on behalf of the City, or which pursuant to any of the provisions of the Ordinance may come into the possession or control of the City as security under the Ordinance, or of a receiver lawfully appointed under the Ordinance, all of which property the City is authorized to receive, hold and apply according to the terms hereof. The Property Tax Increments consist solely of the property tax increment payments received from the City and the County. **However, the County's Tax Increment is an annual appropriation and therefore cannot be pledged to the repayment of the Bonds. Once appropriated by the County Commissioners, the County Tax Increment can be used for any lawful purpose, including the repayment of the Bonds, as determined by the TIRZ 2 Board and the City Council.**

Pursuant to the Ordinance, the City has pledged the Pledged Property Tax Revenues to payment of debt service on the Bonds and any Additional Obligations that may be subsequently issued. Within five (5) Business Days of receipt thereof, all Property Tax Increments received from the Participants shall be deposited, transferred and credited to the "Tax Increment Fund".

The Bonds and the Additional Obligations, if any, are secured by a first lien on and pledge of the Pledged Property Tax Revenues on an equal and ratable basis.

Sales Tax Increment

The City has not authorized the or agreed to any portion or amount of tax increment generated from municipal sales and use taxes attributable to TIRZ Number 2. Therefore, there are no sales tax increment revenues pertaining to TIRZ Number 2 and no such revenues are pledged to the repayment of the Bonds.

THE BONDS

General

The Bonds will be issued in the aggregate principal amount, will mature on the dates and in the amounts, and will bear interest at the rates per annum set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will accrue from the Delivery Date. Interest on the Bonds is payable on February 15, 2024 and August 15 and February 15 of each year thereafter, until the earlier of maturity or redemption. The Bonds are issued in fully registered form, in principal denominations of $5,000 or any integral multiple thereof.

Authority for Issuance

The Bonds are being authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the "State"), including the TIF Act, and an ordinance (the "Ordinance") adopted by the City Council.

Use of Proceeds

As outlined in the Project and Finance Plan, the proceeds from the sale of the Bonds are being used to provide funds for the purposes of (1) constructing, acquiring, purchasing, renovating, equipping, enlarging and improvements City streets within TIRZ Number 2, (2) purchasing materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned projects, (3) making a deposit to the Debt Service Reserve Fund; and (4) paying professional services related to the design, construction, management and financing of the aforementioned projects.

Method of Payment of Principal and Interest

In the Ordinance, the City has appointed BOKF, NA as the initial Paying Agent/Registrar for the Bonds (together with any successors, the "Paying Agent/Registrar"). The principal of the Bonds will be payable to the registered owners of the Bonds (the "Registered Owners"), initially Cede & Co., without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. So long as the book-entry- only system described above is used with respect to the Bonds, the Registered Owners will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds in accordance with the book-entry-only system. In the event the book-entry-only system is discontinued, interest on each Bond will be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the last calendar day of the month immediately preceding each Interest Payment Date (each a "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of principal of or interest on any Bond is not a business day, then the date for such paying will be the next succeeding business day, as defined in the Ordinance. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty days or more thereafter, the Paying Agent/Registrar is required to establish a new record date for the payment of such interest (a "Special Record Date") when funds to make such payment are received from or on behalf of the City. Such Special Record Date is required to be fifteen days prior to the date fixed for payment of such past due interest.

The Funds

As specified in the Ordinance, five (5) Business Days of receipt thereof, all Property Tax Increments received from the Participants shall be deposited, transferred and credited to the Tax Increment Fund of the Pledged Revenue Fund.

Money deposited in the Tax Increment Fund of the Pledged Revenue Fund will be applied in the following manner and order of priority:

(i) First, to the Debt Service Fund, amounts necessary to make the amounts on deposit in the Debt Service Fund equal to the Debt Service due and payable with respect to the Bonds and any Additional Obligations for the next Bond Year;

(ii) Second, to the Debt Service Reserve Fund, the amount required to cause the amount on deposit in the Debt Service Reserve Fund to be equal to the Debt Service Reserve Requirement, plus any amount required to restore or replenish any deficiencies in the Debt Service Reserve Fund to the Debt Service Reserve Requirement is on deposit therein when, as and in the amounts therein required;

(iii) Third, to the Administrative Expenses Fund, an amount necessary to pay Administrative Expenses of which the City has actual notice;

(iv) Fourth, to any funds and accounts established pursuant to a Supplemental Ordinance, for the benefit of Subordinate Lien Obligations;

Thereafter, until the following year's Property Tax Increments are received, the City may use any remaining Pledged Property Tax Revenues for any lawful purpose under the TIF Act and as provided in the Project and Finance Plan.

In the event that there are insufficient amounts on deposit in the Debt Service Fund to pay Debt Service on all Obligations Similarly Secured, including the Bonds, on the dates such payments are due, Pledged Property Tax Revenues shall be applied to the payment of the Bonds and any Additional Obligations on a pro rata basis.

Prior to each date of payment for the Bonds and any Additional Obligations, the Paying Agent/Registrar shall determine and shall notify the City in writing of (i) the amount of Debt Service then due with respect to each series of Obligations Similarly Secured and (ii) the basis on which such determination is made. Notwithstanding the other provisions of the Ordinance, the City shall not be required to set aside or pay any amounts to a Credit Provider or to the Paying Agent/Registrar with respect to Administrative Expenses except as requested by such Persons and approved by an Authorized Official.

The Ordinance further provides in the event that the amount of the remaining debt service payments due and outstanding on the Obligations Similarly Secured is less than or equal to the Debt Service Reserve Requirement (as defined herein), the City may utilize remaining funds deposited in either the Debt Service Fund or the Debt Service Reserve Fund to make debt service payments for the Obligations Similarly Secured, so long as any amounts collectively remaining in the Debt Service Fund and the Debt Service Reserve Fund are sufficient to make all remaining debt service payments on the Obligations Similarly Secured. Once the Obligations Similarly Secured have been paid in full, the City may freely utilize remaining amounts on deposit in the Project Fund (as defined herein), the Debt Service Fund, and the Debt Service Reserve Fund, in any, for any lawful purpose under the TIF Act.

Project Fund

The Project Fund and any accounts or subaccounts thereof shall initially be funded as provided in the Ordinance. The money and securities in the Project Fund shall be held by the City and applied as provided in the Ordinance and until such application, the money and securities in such fund shall be subject to a lien and charge in favor of the Owners of the Obligations Similarly Secured.

The City is authorized and directed to make disbursements from the Project Fund and to issue its checks therefor or otherwise pay upon receipt of a Payment Certificate in accordance with the Ordinance. The City shall keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom. The City shall use money in the Project Fund solely to pay or reimburse Project Costs allowable in the Project and Finance Plan including the repayment of any advances, loans, notes or other obligations used to finance Project Costs.

Tax Increment Fund

The Tax Increment Fund and any accounts or subaccounts thereof shall initially be funded as provided in the Ordinance. The money and securities in the Tax Increment Fund as a result of the deposit of the Pledged Property Tax Increments are pledged to the payment of debt service on the Bonds and any Additional Obligations and shall be held by the City and applied as provided in the Ordinance and until such application, the money and securities in such fund shall be subject to a lien and charge in favor of the Owners of the Bonds.

Debt Service Reserve Fund

The Debt Service Reserve Fund will be funded to the Debt Service Reserve Requirement. The "Debt Service Reserve Requirement" means, with respect to Obligations Similarly Secured, Maximum Annual Debt Service on the Obligations Similarly Secured as of the date of issuance; provided, however, that the Debt Service Reserve Requirement shall be recalculated each year on a date determined by the City and as a result of a redemption conducted pursuant to the provisions of a Supplemental Ordinance or the payment of principal due in a given year, the Debt Service Reserve Requirement may be reduced to the amount calculated above; provided, however, that such reduction of the Debt Service Reserve Requirement pursuant to such redemption, shall not reduce the amount on deposit in the Debt Service Reserve Fund below an amount equal to Maximum Annual Debt Service on the Obligations Similarly Secured.

Moneys on deposit in the Debt Service Reserve Fund, shall be used solely and exclusively for the purposes of making transfers to the Debt Service Fund in the event that the moneys on deposit in said fund are not sufficient to pay Debt Service on the Bonds and any Additional Obligations when due, on the dates and in the full amounts required by the Ordinance, or by any Supplemental Ordinance.

In lieu of funding the Debt Service Reserve Fund, from the proceeds of Bonds or with Pledged Property Tax Revenues to the amount of the Debt Service Reserve Requirement pursuant to a Letter of Instructions the City shall accept a Debt Service Reserve Fund Policy providing amounts up to the Debt Service Reserve Requirement. Such Debt Service Reserve Fund Policy must provide for the payment of the principal of and interest on the Bonds when due, and in order to avoid a default thereof, up to an amount equal to the Debt Service Reserve Requirement to the extent cash and investment in the respective subaccounts of the Debt Service Reserve Fund do not equal such Debt Service Reserve Requirement. The total dollar amount of the Debt Service Reserve Fund Policy with respect to the payment of such Obligations Similarly Secured shall be deemed for all purposes of the Ordinance to satisfy a corresponding amount of the Debt Service Reserve Requirement. A determination by the City that the terms and provisions of a particular Debt Service Reserve Fund Policy is in compliance with the requirements of this subsection shall be conclusive absent manifest error. To the extent Debt Service Reserve Fund Policies are entered into, the City shall pay, pursuant to a Letter of Instructions, the costs thereof from amounts that would otherwise be deposited to the Debt Service Reserve Fund. A Debt Service Reserve Fund Policy entered into for the purpose of providing all or a part of the amount equal to the Debt Service Reserve Requirement shall constitute a Credit Agreement under the Ordinance.

If, at any time, a transfer is required from the Debt Service Reserve Fund for the purposes stated above, the City shall make such transfer on the dates on which transfers are required to be made to the Paying Agent/Registrar under the Ordinance or a Supplemental Ordinance; provided, that cash and investments on deposit in the Debt Service Reserve Fund shall be applied for such purposes prior to making demand under a Credit Agreement for such purpose.

Amounts on deposit in the Debt Service Reserve Fund shall be calculated by the City as of September 30 in each fiscal year and upon the redemption of Obligations Similarly Secured pursuant to the provisions of a Supplemental Ordinance. After such calculations, any funds on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be transferred to the Debt Service Fund for further deposits pursuant to; provided, however, that no transfers from the Debt Service Reserve Fund shall be made pursuant to this section that would reduce the amount on deposit in the Debt Service Reserve Fund to an amount that is less than the Maximum Annual Debt Service on the Obligations Similarly Secured.

Should the Debt Service Reserve Fund or any other fund or account contain less than the amount required to be on deposit in the accounts therein, then any such deficiency shall be restored from the first available Pledged Property Tax Revenues pursuant to the priority set forth in the Ordinance and further transfers to any other accounts shall be suspended until such deficiency has been restored. If such amounts are insufficient to cure any deficiencies, amounts on deposit in the Surplus Fund, for which notice has not been given with respect to the redemption of Obligations, shall be transferred to the Debt Service Fund to restore any such deficiency.

Upon issuance of the Bonds, the total amount to be accumulated and maintained in the Debt Service Reserve Fund shall be $509,462.50 (the "Debt Service Reserve Requirement"). The Debt Service Reserve Fund will be funded, in part, with lawfully available funds on hand on the initial delivery date of the Bonds in the amount of $254,731.25, and, in part, with a Surety Policy (in the amount of half of Debt Service Reserve Requirement) purchased from the Insurer on the initial delivery date of the Bonds in the amount of $7,641.94.

Additional Obligations

The City has reserved the right to issue additional obligations on a parity with the Bonds (the "Additional Obligations") on the terms set out in the Ordinance for the purposes set forth in the Project and Finance Plan as it may be amended from time to time. Prior to issuing Additional Obligations, the following conditions must be met:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any Ordinance authorizing the issuance of Obligations Similarly Secured or such Additional Obligations; and

(ii) The Director of Finance of the City has executed a certification that (A) the Pledged Property Tax Revenues for either the completed fiscal year next preceding the date of issuance of the Additional Obligations or (B) the Property Tax Increments billed (but not yet received) by the City to the Participants on the billing date that is immediately prior to the date of issuance of the Additional Obligations is equal to at least 1.25 times the Maximum Annual Debt Service (calculated on a fiscal year basis and net of capitalized interest to be used in that year, if any) of all Obligations which will be outstanding after the issuance of the proposed Additional Obligations, and Additional Subordinate Lien Obligations may be issued pursuant to the terms and conditions set forth in a Supplemental Ordinance authorizing Subordinate Lien Obligations.

The City reserves the right to issue Refunding Obligations under the Ordinance for the purpose of refunding Obligations Similarly Secured (of the same or lower priority) in principal amount, after giving effect to any premiums received on the sale thereof, sufficient to provide for the payment thereof. Each series of Refunding Obligations shall be authorized and issued pursuant to a Supplemental Ordinance which shall prescribe the terms of such Refunding Obligations and the security therefor. Refunding Obligations shall not be subject to the provisions above if they produce a net present value savings or reduce the Maximum Annual Debt Service. The lien of the Ordinance and payment of Refunding Obligations issued pursuant to this subparagraph (b) shall be subordinate to the lien and payment of Obligations or Credit Agreement Obligations issued under the Ordinance for any purpose specified in the Ordinance.

See "RISK FACTORS—Risk of Additional Bonds, Including Additional Obligations."

Sources and Uses

The sources and uses of funds for the Bonds are approximately as follows:

Sources of Funds	**The Bonds**
Par Amount	$ 8,265,000.00
Net Reoffering Premium	128,626.90
Total Sources of Funds	$ 8,393,626.90
Uses of Funds	
Deposit to Project Fund	$ 8,000,000.00
Costs of Issuance (including bond insurance and surety premiums)	331,628.15
Underwriters' Discount	61,998.75
Total Uses of Funds	$ 8,393,626.90

Payment Record

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

Paying Agent/Registrar

Payments of principal and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC or its nominee, Cede & Co., which will then remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described herein under "BOOK-ENTRY-ONLY SYSTEM."

The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar (see "Registration, Transfer, Exchange – Successor Paying Agent/Registrar" herein).

In the event use of the Book-Entry-Only System should be discontinued, interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (See "Registration, Transfer, Exchange – Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original payment date. So long as Cede & Co. is the registered owner of the Bonds, principal and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM".

Amendments

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, as applicable, amend, add to, or rescind any of the provisions of the Ordinance, except that, without the consent of the registered owners of all of the Bonds, as applicable, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal on any installment of interest is due payable, reduce the principal amount or the rate of interest, or in any other way modify the terms of their payment, (2) give any preference to any Bonds, as applicable, over any other Bonds or (3) reduce the aggregate principal amount required to be held by owners for consent to any amendment, addition or rescission.

Redemption Provisions

Optional Redemption. The City reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2033 on August 15, 2032, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption: The Bonds maturing on August 15, 2034, August 15, 2036, August 15, 2039, August 15, 2043, August 15, 2048 and August 15, 2053 (the "Term Bonds") are also subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

Term Bonds August 15, 2034		Term Bonds August 15, 2036		Term Bonds August 15, 2039	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
2033	$ 200,000	2035	$ 225,000	2037	$ 245,000
2034*	210,000	2036*	235,000	2038	260,000
				2039*	270,000

Term Bonds August 15, 2043		Term Bonds August 15, 2048		Term Bonds August 15, 2053	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
2040	$ 285,000	2044	$ 330,000	2049	$ 410,000
2041	295,000	2045	345,000	2050	425,000
2042	310,000	2046	360,000	2051	445,000
2043*	320,000	2047	375,000	2052	465,000
		2048*	390,000	2053*	485,000

*Maturity

Selection of Bonds for Redemption

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

Notice of Redemption

Not less than 30 days prior to the redemption date, the Paying Agent/Registrar shall send a notice of redemption by United States mail, first class postage prepaid, to each registered owner (the "Owner") of a Bond to be redeemed in whole or in part at the address of the Owner as shown on the records of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any bonds subject to conditional redemption if such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY AN OWNER. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BONDS OR PORTION THEREOF, SHALL CEASE TO ACCRUE.

Redemption Procedures While Bonds Held by DTC

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of a portion of Bonds by the City will reduce the outstanding principal amount, as applicable, of such Bonds held by DTC.

In such event, DTC may implement, through its Book-Entry-Only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act a nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds selected for redemption (see "Book-Entry-Only System")

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Holders' Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court (the "Court") ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

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

In Wasson Interests, Ltd., v. City of Jacksonville, 489 S.W. 3d 427 (Tex. 2016), ("Wasson") the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary at the time of conception of the contractual relationship.

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

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

Registration, Transfer and Exchange

Registration and Payment. The Bonds will be initially issuable only in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. Principal and semiannual interest on the Bonds will be paid by the Paying Agent/Registrar to Cede & Co., as nominee for DTC, which shall disburse such payments to the DTC Participants who will distribute such payments to the Beneficial Owners as described herein.

For so long as DTC is the securities depository for the Bonds, then the term "Owner" shall refer solely to DTC. In the event that DTC is no longer the securities depository for the Bonds, the term "Owner" shall refer to a successor securities depository or the Beneficial Owners of the Bonds which are shown as registered Owners on the registration books of the Paying Agent/Registrar.

Future Registration. In the event that DTC is no longer the securities depository for the Bonds and a successor securities depository is not appointed by the City printed certificates for the Bonds will be delivered to the owners thereof, and thereafter, the Bonds may be transferred, registered, and assigned only on the registration books of the Paying Agent/Registrar and such registration shall be at the expense of the City except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. An Obligation may be assigned by execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Bonds in accordance with the provisions of the respective Ordinance. Such new Obligation must be in the denomination of $5,000 for any one maturity or any integral multiple thereof. The last assignee's claim of title to the Obligation must be proved to the satisfaction of the Paying Agent/Registrar.

Record Date for Interest Payment. The record date ("Record Date") for the interest payment on the Bonds on an interest payment date means the close of business on the last business day of the preceding month.

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

Successor Paying Agent/Registrar. Provision is made in the Ordinance for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying

Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. The Paying Agent/Registrar selected by the City shall be a commercial bank, a trust company organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds. A successor Paying Agent/Registrar, if any, shall be determined by the City. Upon a change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond or portion thereof, called for redemption prior to maturity, within 45 days prior to the date fixed for redemption.

RISK FACTORS

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE PLEDGED PROPERTY TAX REVENUES AND ARE NOT OBLIGATIONS OF THE COUNTY AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY OR THE COUNTY.

THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION, OR A LOAN OF CREDIT OF THE COUNTY, THE STATE, OR ANY OTHER MUNICIPALITY, COUNTY, OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. THE CITY IS NOT OBLIGATED TO MAKE PAYMENTS ON THE BONDS EXCEPT FROM THE PLEDGED PROPERTY TAX REVENUES.

For a variety of reasons, as described below, a decrease or reduction in Pledged Property Tax Revenues may occur. These Bonds are subject to special investment considerations as set forth below.

Impact of Economic Conditions

Each year the then current market value of all real property and improvements in TIRZ Number 2 will determine Captured Appraised Value which will produce Pledged Property Tax Revenues. The market value of the real property and improvements within TIRZ Number 2 is affected by the demand for such improvements. Demand is affected by many factors, such as interest rates, credit availability, construction costs, energy availability, mobility and the general economic conditions and demographic characteristics of the U.S. economy and the specific economic conditions and demographic characteristics of the area along Interstate 35 between Austin, Texas and San Antonio, Texas.

Dependence on Principal Taxpayers

Approximately 71% of the 2022 total certified taxable value was derived from the top 10 taxpayers. See "FINANCIAL INFORMATION – Table 4 - Principal Taxpayers in TIRZ Number 2." If a principal taxpayer were to default in the payment of its taxes, the amount of Pledged Property Tax Revenues available for payment of debt service on the Bonds could be adversely affected. Collection of delinquent taxes can be a time- consuming process. See "Limitations on Tax Collections and Foreclosure Remedies" in this section.

Future Taxable Values in TIRZ Number 2 May Decline

The Appraisal District determines the taxable value in TIRZ Number 2 annually based on the then current market value of all taxable real property and improvements in TIRZ Number 2.

Captured Appraised Value is derived from the taxable value of real property and improvements within TIRZ Number 2 from year to year, not from any increase in the appraised value of personal property (such as equipment and inventory).

The Appraisal District may use cost data, cost comparisons and/or an analysis of the income being produced by an apartment project, office building or retail establishment to determine its taxable value. Residential or commercial buildings that are not occupied or are only partially occupied may be appraised at a lower value than occupied facilities. Under certain circumstances, residential real property inventory held by a person in the trade or business will be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Reduced taxable values of the improvements in TIRZ Number 2 will affect Captured Appraised Value used to determine the Property Tax Increments received by the City.

The use of a particular method or combination of methods of appraisal with respect to property in TIRZ Number 2 may, over time, cause a decrease in the Captured Appraised Value in TIRZ Number 2 and, therefore, result in a reduction in the Pledged Property Tax Revenues.

Property owners have the right to protest the appraised value of their property in TIRZ Number 2 annually and are not required to render their property for ad valorem taxation at any agreed upon level, unless required by a development agreement with the City. Owners in TIRZ Number 2 may sell their properties to entities which do not pay ad valorem taxes on their property or convert their property to a use which is exempt from ad valorem taxes. Property owners have the right to seek tax abatements. Property values may also be adversely affected by natural or other disasters resulting in the destruction of property in TIRZ Number 2. See "Weather Events" below. The appraised value of the property and improvements will be determined and certified by the Appraisal District in accordance with the procedures described above and in "TAXING PROCEDURES OF THE PARTICIPANTS" and may be at a value lower than projected.

Weather Events

If a future weather event significantly damaged all or part of the improvements within TIRZ Number 2, the assessed value of property within TIRZ Number 2 could be substantially reduced, which could result in a decrease in Pledged Property Tax Revenues. Further, there can be no assurance that a casualty loss to taxable property within TIRZ Number 2 will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligations to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within TIRZ Number 2. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within TIRZ Number 2 could be adversely affected.

The Property Tax Code (defined herein) provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon the market value as of January 1, of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Future weather events could also significantly reduce the amount of Pledged Property Tax Revenues to the extent that economic activity within TIRZ Number 2 is reduced.

Flood Plain

Approximately 71 acres of the 1,480 acres in TIRZ Number 2 are located in the 100-year flood plain.

Tax Rates and Collection Rates May Decline

The amount of Pledged Property Tax Revenues available to pay principal of and interest on the Bonds is determined by the appraised value of taxable real property and improvements in TIRZ Number 2, the tax rate of the Participants, and the percentage of taxes actually collected from taxpayers in TIRZ 2 and paid into the Tax Increment Fund.
A Participant is not required under Texas law or any contract to set a tax rate sufficient to assure any certain dollar amount of Property Tax Increments; rather, Texas law, and the Interlocal Agreement only requires the Participants to contribute the Property Tax Increments actually collected by them and only to the extent provided in the Interlocal Agreement and the Project and Finance Plan. The City does acknowledge in the Interlocal Agreement, however, that a reduction in a Participant's tax rate may impair the City's ability to pay its debt or pay other obligations.

Each Participant will set its tax rate in accordance with the Property Tax Code, which allows voters to limit an increase in the tax rate. In the 86th Legislative Session of the Texas Legislature which ended in May 2019, the Texas Legislature amended the Property Tax Code to further reduce a Participant's ability to increase its tax rate without holding an election. See "TAXING PROCEDURES OF THE PARTICIPANTS— State Law Limitations on Setting the Annual Tax Rate." In addition, the Texas Legislature could change the process for setting the rates or establish more stringent limits on the tax rates that may be set by a political subdivision than those currently in effect.

The City's tax rate for the 2022 tax year is $0.5092 per $100 taxable value and the County's tax rate for the 2022 tax year is $0.2950 per $100 taxable value. See "TAX AND TAX INCREMENT DATA—Table 6 – Property Tax Increment Collections" for tax rates from 2018 through 2022. If the tax rate of the Participants declines, the amount of Pledged Property Tax Revenues available to pay debt service on the Bonds may decrease.

If the percentage of taxes collected by the Participants in TIRZ Number 2 declines, the amount of Pledged Property Tax Revenues available to pay debt service on the Bonds may decrease. Historic tax collection rates may not accurately predict future tax collection rates.

The collection of, and accounting for, Property Tax Increments involve extensive administration and are subject to error. Moreover, detailed procedures for calculation and collection of Property Tax Increments are not set forth in the TIF Act and are implemented at the discretion of each taxing unit participating in a tax increment reinvestment zone.

Limitations on Tax Collections and Foreclosure Remedies

The City's ability to make debt service payments on the Bonds may be adversely affected by the Participants' inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien on the property against which taxes are levied and such lien may be enforced by foreclosure. Foreclosure must be effected through a judicial proceeding. A Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or economic and market conditions affecting the marketability of taxable property within TIRZ Number 2 and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within TIRZ Number 2 available to pay debt service on the Bonds may be limited by the current aggregate tax rate being levied against the property and by other factors, including the taxpayers' right to redeem property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for other property. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within TIRZ 2 pursuant to the United States Bankruptcy Code (the "Bankruptcy Code") could stay any attempt by a Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years, and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. The City has no control over the collection of property taxes by the Participants.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (1) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (2) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (3) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed. These provisions may affect the timeliness of collection of taxes on property which may be owned in the future by the FDIC in TIRZ 2 and may prevent the collection of penalties and interest on such taxes.

Limited Remedies After Default and Risk of Bankruptcy

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the City and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Ordinance. Except for mandamus, the Ordinance does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

Although the Registered Owners could obtain a judgment against the City, such a judgment could not be enforced by a direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within TIRZ Number 2 or sell property within TIRZ Number 2 in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of entities such as the City. In this regard, should the City file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Risk of Additional Bonds, Including Additional Obligations

The City has reserved the right to issue additional series of Additional Obligations which are secured by the Pledged Property Tax Revenues on an equal basis with the then-outstanding Bonds. The issuance of Additional Obligations may adversely affect the investment security of the outstanding Bonds. For a description of the circumstances under which Additional Obligations may be issued and the City's issuance plans, see "THE BONDS - Additional Obligations" and "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER –Plans to Issue Additional Obligations." Additionally, the City may incur debt subordinate to the payment of Additional Obligations or may incur other obligations through development agreements and related agreements.

Dependence on Contract Performance

In order for owners of the Bonds to receive principal of and interest as due, several governmental units must perform their obligations under the contracts described herein. The Participants must perform their obligations under the Interlocal Agreement, and the City must perform its obligations under the TIF Ordinance, which includes transferring the Property Tax Increments to the City on the schedule set forth in the Interlocal Agreements. TIRZ Number 2 and the City also have obligations under the TIF Ordinance. Any of these parties could default in their obligations, and enforcement would be dependent upon judicial redress, which is subject to discretion and delay. In addition, enforcement may be limited or prohibited if the defaulting party files for bankruptcy under the Bankruptcy Code or similar state laws. Moreover, each of the Participants in TIRZ Number 2 may be reluctant to pursue judicial redress against another Participant, with which it may be engaged in many transactions.

Risk of Failure to Comply with Certain Covenants

Failure of the City to comply with certain covenants contained in the on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

Changes in Law

Current law may change so as to directly or indirectly reduce Property Tax Increments available to TIRZ Number 2. The Texas Legislature meets biennially in odd numbered years and frequently makes changes to the TIF Act and the Property Tax Code.

The 88th Regular Legislative Session convened on January 10, 2023 and will conclude on May 29, 2023. Thereafter, the Governor may call one or more additional special sessions, at the Governor's discretion each of which may last no more than thirty days and for which the Governor sets the agenda. Changes to the Property Tax Code can also affect the valuation of property in the TIRZ Number 2. TIRZ Number 2 has no control over these changes.

Changes in Tax Legislation

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Limited Marketability of the Bonds

The City has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Reliance on Debt Service Reserve Fund

A Debt Service Reserve Fund in the amount of the Debt Service Reserve Requirement will be established in connection with the issuance of the Bonds. Available funds in the Debt Service Reserve Fund are required to be used to fund debt service on the Bonds when there are insufficient funds in the Debt Service Fund to do so. However, the amount in the Debt Service Reserve Fund may not be sufficient to pay debt service on the Bonds, depending upon the amount, duration and frequency of the shortage in Pledged Property Tax Revenues. If the Debt Service Reserve Fund is accessed to pay debt service on the Bonds, the City may not have sufficient Pledged Property Tax Revenues to replenish the fund.

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
Restricting the manner in which wastes are treated and released into the air, water and soils;
Restricting or regulating the use of wetlands or other properties; or
Requiring remedial action to prevent or mitigate pollution.

Sanctions against a governmental entity for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within TIRZ Number 2. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact TIRZ Number 2.

Impact of COVID-19 or Other Infectious Disease Outbreak

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State.

The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. The City has not experienced any decrease in property values or unusual tax delinquencies as a result of COVID-19; however, the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX F to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $476.6million, $196.7 million and $279.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE GENERAL RISKS

General

If a Policy is purchased, the following are risk factors relating to the bond insurance. In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non- payment do exist (see "THE BONDS - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable from the ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City as further described under "THE BONDS – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds. If a Policy is acquired, the enhanced long-term rating on the Bonds will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the

Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. (See the disclosure described in "OTHER PERTINENT INFORMATION – Ratings" herein.) The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Underwriters, or the City's Financial Advisor have made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Underwriters.

Effect of Termination of Book-Entry-Only System

In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the City, printed certificates will be issued to the respective holders of the Bonds, as the case may be, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance, summarized under "Registration."

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

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

Legal Investment

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

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

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

Investment Policies

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

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

Plans to Issue Additional Obligations

The City does not plan to issue Additional Obligations within the next 12 months.

The City may issue Additional Obligations when it can meet the debt service coverage requirement for issuance of Additional Obligations. It may also issue bonds secured by the Pledged Property Tax Revenues on a subordinate basis to the Bonds. See "THE BONDS - Additional Obligations."

TAXING PROCEDURES OF THE PARTICIPANTS

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "CITY'S APPLICATION OF PROPERTY TAX CODE" herein.

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

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

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

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

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

"adjusted" means (i) lost values are not included in the calculation of the prior year's taxes and (ii) new values are not included in the current year's taxable values.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Tax Rate Limitations

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

The 88th Legislative Session

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

CITY'S APPLICATION OF THE PROPERTY TAX CODE

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

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

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

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

The City permits split payments; discounts are not allowed.

The City does not tax Freeport Property

The City does tax Goods-in-Transit.

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

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

The City has adopted a tax abatement policy.

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City made the following agreement for the benefit of the owners and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rule Making Board (the "MSRB"). This information will be available free of charge via the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org.

Annual Reports

The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information described in Tables 1 through 7 of APPENDIX A, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, within six months after the end of each fiscal year. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix B hereto or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within six months after any such fiscal year end, then the City shall file unaudited financial statements within such 6-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Securities and Exchange Commission Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide updated information included in the above-referenced tables by March 31 in each year and financial statements by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

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

The City shall also provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, notice of a failure by the City to provide required annual financial information and notices of material events. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the past five years, the City has complied in all material respects with continuing disclosure agreements made by it in accordance with Rule 15c2-12.

Although the City timely filed annual financial information in compliance with its other outstanding obligations, due to an administrative oversight, the City inadvertently did not associate the filed information with certain CUSIPs for bonds for which the City was an obligated person. On May 2, 2023, the City updated its previously filed required financial information to associate these CUSIPs. As the annual filings were in fact timely filed and readily available on EMMA, the City does not believe this administrative oversight is a material event within the meaning of the Rule.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

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

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

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

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

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

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

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

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

OTHER INFORMATION

Rating

The Bonds are rated "AA" by S&P Global Ratings, a division of S&P Global ("S&P"), by virtue of a municipal bond insurance policy to be issued by Build America Mutual ("BAM"). S&P has assigned an underlying, unenhanced rating of "BBB-" to the Bonds without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflect only the views of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

Litigation

In the opinion of certain officials of the Issuer, the Issuer is not a party to any litigation or other proceeding pending or to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition or operations of the Issuer.

Legal Matters

Delivery of the Bonds will be subject to and accompanied by (i) the unqualified approving legal opinion of the Attorney General of Texas to the effect that, based upon his examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State of Texas payable from the Pledged Property Tax Revenues, and (ii) the unqualified approving legal opinion of Bond Counsel to like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "SECURITY AND SOURCE OF PAYMENT – General"; " - General Statutory Requirements for Tax Increment Zones"; " - Establishment of TIRZ Number2: Participants"; and " - Pledged Property Tax Revenues", "THE BONDS" (exclusive of the subcaptions "Sources and Uses" and "Holders' Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION – Registration and Qualification " and "OTHER INFORMATION–Legal Matters" (exclusive of the last two sentences of the second paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinions will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

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

Registration and Qualification

The sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon exemptions provided therein; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities act of any jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemptions from securities registration or qualification provisions.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price of $8,331,628.15 (representing the par amount of the Bonds of $8,265,000.00, plus a net reoffering premium of $128,626.90, and less an Underwriters' discount of $61,998.75), and no accrued interest.

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

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

Financial Advisor

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

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

Forward - Looking Statements

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

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

Miscellaneous

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

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

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

CITY OF KYLE, TEXAS
/s/ Travis Mitchell
Mayor
City of Kyle, Texas

ATTEST:

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

(this page intentionally left blank)

APPENDIX A

FINANCIAL INFORMATION

(this page intentionally left blank)

SELECTED FINANCIAL INFORMATION FOR TIRZ 2 **TABLE 1**

	The City	The County [1]	Total
2022 Total Certified Taxable Assessed Valuation	$ 523,969,471	$ 523,969,471	$ 523,969,471
Less Tax Increment Base	121,367,726	121,367,726	121,367,726
2022 Captured Appraised Value	$ 402,601,745	$ 402,601,745	$ 402,601,745
Participant's Tax Rate [2]	$ 0.5082	$ 0.2950	
Participation Rate	50%	50%	50%
Tax Rate Contribution used to produce Tax Increments	$ 0.5082	$ 0.2950	
Estimated Tax Collection Rate	100%	100%	100%
Projected Pledged Property Tax Revenues from Property Tax Increments	$ 1,023,011	$ 593,838	$ 1,616,849
Direct Debt Outstanding (including the Bonds)	$ 8,265,000	n/a	$ 8,265,000
Average Annual Debt Service (2024 - 2054)	$ 506,635	n/a	$ 506,635
Coverage of Available Revenues to Average Annual Debt Service	2.02X	n/a	3.19X
Maximum Annual Debt Service (2032)	$ 509,463	n/a	$ 509,463
Coverage of Available Revenues to Maximum Annual Debt Service	2.01X	n/a	3.17X
Increment Expiration Date	12/31/2057	12/31/2057	12/31/2057
Year Final Payment to be Received for Expiration Year	2057	2057	2057

(1) The County's tax increment is not pledged toward the repayment of the Bonds since it is an annual appropriation by the Commissioners Court of the County. Once appropriated the County Tax Increment can be used for any lawful puprose determined by the TIRZ Board and the City Council.

(2) The feasibility study included as Exhibit E to the Project and Financing Plan projects an increase in the City's tax rate due to the City's anticiated issuance of general obligation bonds approved in November 2022. See "Appendix C - Project and Finance Plan

TIRZ 2 DEBT SERVICE REQUIREMENTS **TABLE 2**

	Existing Debt	The Bonds			% of Principal
FYE (9/30)	Service	Principal	Interest	Total	Retired
2024	$ -	$ 70,000	$ 437,036	$ 507,036	1%
2025	-	135,000	370,213	505,213	2%
2026	-	145,000	363,463	508,463	4%
2027	-	150,000	356,213	506,213	6%
2028	-	160,000	348,713	508,713	8%
2029	-	165,000	340,713	505,713	10%
2030	-	175,000	332,463	507,463	12%
2031	-	185,000	323,713	508,713	14%
2032	-	195,000	314,463	509,463	17%
2033	-	200,000	304,713	504,713	19%
2034	-	210,000	294,713	504,713	22%
2035	-	225,000	284,213	509,213	24%
2036	-	235,000	272,963	507,963	27%
2037	-	245,000	261,213	506,213	30%
2038	-	260,000	248,963	508,963	33%
2039	-	270,000	235,963	505,963	37%
2040	-	285,000	222,463	507,463	40%
2041	-	295,000	211,063	506,063	44%
2042	-	310,000	199,263	509,263	47%
2043	-	320,000	186,863	506,863	51%
2044	-	330,000	174,063	504,063	55%
2045	-	345,000	160,038	505,038	59%
2046	-	360,000	145,375	505,375	64%
2047	-	375,000	130,075	505,075	68%
2048	-	390,000	114,138	504,138	73%
2049	-	410,000	97,563	507,563	78%
2050	-	425,000	79,625	504,625	83%
2051	-	445,000	61,031	506,031	89%
2052	-	465,000	41,563	506,563	94%
2053	-	485,000	21,219	506,219	100%
	$ -	$ 8,265,000	$ 6,934,061	$ 15,199,061	

BREAKDOWN OF TAXABLE ASSESSED VALUE BY CATEGORY IN TIRZ 2 — TABLE 3

	2022	2021	2020	2019
Real, Residential, Single-Family	$ 8,196,630	$ -	$ -	$ -
Real, Residential, Multi-Family	302,161,009	193,891,561	151,150,666	134,646,629
Real, Vacant Lots/Tracts	14,684,864	9,724,354	2,880,580	2,157,920
Real, Acreage (Land Only)	31,674,790	17,285,120	24,327,580	18,833,850
Real, Farm and Ranch Improvements	1,076,050	7,185,280	1,281,120	1,967,600
Real, Commercial and Industrial	178,100,473	101,691,275	65,607,190	35,245,480
Real & Tangible, Personal Utilities	-	-	-	-
Real Inventory	23,991,610	4,476,150	-	-
Total Appraised Value	$ 559,885,426	$ 334,253,740	$ 245,247,136	$ 192,851,479
Less:				
Over 65 Local Exemption	$ 30,000	$ -	$ -	$ -
Pollution Control	4,320,125	278,144	274,020	-
Productive Valuation of Open Land	31,565,830	17,194,430	24,202,540	18,713,544
Net Taxable Assessed Valuation	$ 523,969,471	$ 316,781,166	$ 220,770,576	$ 174,137,935

PARTICIPANTS' TAX RATES **TABLE 4**

	The City			The County		
Tax Year	Tax Rate	Participation %	Participation Tax Rate	Tax Rate	Participation %	Participation Tax Rate
2018	$ 0.541600	50%	$ 0.270800	$ 0.433700	50%	$ 0.216850
2019	0.541600	50%	0.270800	0.389900	50%	0.194950
2020	0.520100	50%	0.260050	0.392400	50%	0.196200
2021	0.508200	50%	0.254100	0.362900	50%	0.181450
2022	0.508200	50%	0.254100	0.295000	50%	0.147500

PROPERTY TAX INCREMENT COLLECTIONS **TABLE 5**

Tax Year	Base Value	Taxable Value	Captured Appraised Value	City Property Tax Increment Collections [1]	County Property Tax Increment Collections [2]	Total Property Tax Increment Collections
2018	$ 121,367,726	$ 121,367,726	$ -	$ -	$ -	$ -
2019	121,367,726	174,137,935	52,770,209	142,902	102,876	245,777
2020	121,367,726	220,770,576	99,402,850	258,497	195,028	453,526
2021	121,367,726	316,781,166	195,413,440	496,546	354,578	851,123
2022	121,367,726	523,969,471	402,601,745	1,023,011	593,838	1,616,849

(1) The County's tax increment is subject to annual appropriation by the Commissioners Court of the County and therefor not pledged toward the repayment of the Bonds. The County's portion of the Tax Increment may be used for any lawful purpose once appropriated.

(2) The County's tax increment is subject to annual appropriation by the Commissioners Court of the County and therefor not pledged toward the repayment of the Bonds. The County's portion of the Tax Increment may be used for any lawful purpose once appropriated.

PRINCIPAL TAXPAYERS IN TIRZ 2 **TABLE 6**

Name	**Type of Business/ Property**	**2022 Net Taxable Assessed Valuation**	**% of 2022 Taxable Assessed Valuation**
Plum Creek Apartments LLC	Apartments/Multi-Family	$ 55,043,966	10.51%
Cromwell APC I LLC	Apartments/Multi-Family	47,307,964	9.03%
Majestic Kyle LLC	Industrial Business Park	39,013,940	7.45%
Plum Creek Apartments LLC	Apartments/Multi-Family	38,500,000	7.35%
Grey Forest Development LLC	Apartments/Multi-Family	37,637,959	7.18%
NP Austin Industrial 1 LLC	Industrial Business Park	37,530,126	7.16%
NP Austin Industrial 2 LLC	Industrial Business Park	34,953,405	6.67%
Sparrow Plum Creek Investors LLC	Senior Living Community	32,443,530	6.19%
Plum Creek Multifamily Partners LP	Apartments/Multi-Family	26,911,641	5.14%
MREF II Plum Creek LLC	Apartments/Multi-Family	24,936,538	4.76%
		$ 374,279,069	71.43% [1]

(1) Approximately 71% of the 2022 certified taxable assessed value was derived from the top 10 taxpayers. If a principal taxpayer were to default in the payment of its taxes, the amount of Pledged Property Tax Revenues available for the payment of debt service on the Bonds could be adversely affected.

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

(this page intentionally left blank)

GENERAL INFORMATION REGARDING THE CITY OF KYLE AND HAYS COUNTY

The City of Kyle

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

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

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

2022 Principal Employers

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

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

Labor Force Statistics

	2023(1)	2022	2021	2020
Civilian Labor Force	30,814	30,139	27,595	26,471
Total Employed	29,817	29,382	26,799	24,797
Total Unemployed	997	757	1176	1674
Kyle Unemployment Rate	3.2%	2.5%	4.20%	6.30%
Hays County Unemployment Rate	3.4%	2.7%	4.10%	6.30%
Texas Unemployment Rate	4.2%	3.5%	5.70%	7.70%

(1) Through March 2023

Source: The Texas Workforce Commission

Hays County, Texas

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

2022 Principal Employers

Employer	Employees	% of Total County Employment
Amazon Fulfillment Center	4,390	3.36
Texas State University	3,730	2.86
Hays CISD	3,430	2.63
Premium Outlets	1,600	1.23
Tanger Factory Outlet	1,540	1.18
San Marcos CISD	1,400	1.07
Hays County	1,100	0.84
Dripping Springs ISD	1,090	0.84
HEB Distribution Center	750	0.57
Christus Santa Rosa Hospital	700	0.54
Total	**19,730**	**18.07%**
Total County Employees	**130,476**	

Sources: Hays County Annual Comprehensive Financial Report for FYE September 30, 2022;
Bureau of Economic Analysis, Greater San Marcos Partnership, Buda EDC, and Hays County.

APPENDIX C
PROJECT AND FINANCE PLAN

(this page intentionally left blank)

TAX INCREMENT REINVESTMENT ZONE NUMBER TWO, CITY OF KYLE, TEXAS AMENDED AND RESTATED PROJECT AND FINANCE PLAN

MAY 8, 2023

TABLE OF CONTENTS

SECTION 1: DEFINITIONS

Capitalized terms used in this Amended Plan shall have the meanings given to them in **Section I** below unless otherwise defined in this Amended Plan or unless the context in which a term is used clearly requires a different meaning. Unless otherwise defined, a reference to a "Section," or an "Exhibit," shall be a reference to a Section of this Amended Plan or an Exhibit attached to and made a part of this Amended Plan for all purposes.

"**Act**" means Chapter 311, Texas Tax Code, Tax Increment Financing Act.

"**Administrative Costs**" means the actual, direct costs paid or incurred by or on behalf of the City to administer the Zone, including planning, engineering, legal services, organizational costs, publicizing costs, or implementations costs paid by or on behalf of the City that are directly related to the administration of the Zone.

"**Amended Plan**" means this *Tax Increment Reinvestment Zone Number Two, City of Kyle Amended and Restated Project and Finance Plan* approved by the City Council on April 18, 2023.

"Appraisal District" means the Hays Central Appraisal District.

"**Board**" means the Board of Directors for the Zone.

"**Captured Appraised Value**" means the new taxable value generated in addition to the Tax Increment Base on a parcel-by-parcel basis for each year during the term of the Zone, as calculated and confirmed annually by the Appraisal District.

"**City**" means the City of Kyle, Texas.

"**City Council**" means the governing body of the City.

"**City TIRZ Increment**" means fifty percent (50%) of the City's ad valorem real property taxes collected and received by the City on the Captured Appraised Value in the Zone, and deposited into the TIRZ Fund.

"**County**" means Hays County, Texas.

"**County Participation Agreement**" means that certain Interlocal Agreement to Participate in Tax Increment Reinvestment Zone Number Two, City of Kyle, Texas entered into by the City, and the County, on May 30[?], 2019, as amended from time to time, detailing the City and County's participation in the Zone.

"**County TIRZ Increment**" means the portion of the County's ad valorem tax increment equal to fifty percent (50%) of the ad valorem real property taxes collected and received by the County on the Captured Appraised Value in the Zone.

"**Creation Ordinance**" means Ordinance No. 1022 adopted by the City Council on December 18, 2018, as amended by Ordinance No. 1064 on December 3, 2019.

"**Feasibility Study**" means the economic feasibility study as evaluated over the term of the Zone and focused only on direct financial benefits, as shown on **Exhibit E**.

"Non-Project Costs" means those certain costs that will be spent to develop in the Zone, but will not be financed by the Zone, and will be financed by private funds, as described in **Section 6**, and shown on **Exhibit B**.

"**Original Plan**" means the *Tax Increment Reinvestment Zone Number Two, City of Kyle Project and Finance Plan* approved by the City Council on December 3, 2019.

"**Preliminary Plan**" means the *Tax Increment Reinvestment Zone Number Two, City of Kyle Preliminary Project and Finance Plan* approved by the City Council on December 18, 2018.

"**Project Costs**" means the total costs, including interest on obligations, for the Public Improvements in the Zone.

"**Property**" means 1,482.9 acres of land as depicted on **Exhibit A** and described on **Exhibit I**.

"**Public Improvements**" means the proposed public improvements to be financed by the Zone, as depicted on **Exhibit H**, and detailed on **Exhibit C**, which include:

a. Streetscapes, landscaping, roadways, transportation, roundabouts, underground waste receptacles and other applicable associated improvements;
b. Public art including water features
c. Parks, plazas and other public realm spaces dedicated exclusively for public gatherings, community events, and community celebrations;
d. Safe pedestrian crossings including pavement lit crosswalks and underpasses;
e. Under-the-road pedestrian crossings;
f. Public parking/parking garages;
g. Public buildings and other applicable facilities;
h. Wayfinding and Signage;
i. Safety and human comfort improvements including shade structures and lighting;
j. Ambiance and space making lighting such as tree lights, free hanging strung lights;
k. Trails connecting to Uptown to other areas within Plum Creek and adjacent developments;

l. Improvements deemed appropriate by the TIRZ Board to promote economic development within Plum Creek; and

m. Other improvements that is permissible under Chapter 311 of the Texas Tax Code and approved by the City Council and the Board of Directors.

"**Tax Increment Base**" means total appraised value of taxable real property in the Zone at the time of creation of the Zone, as calculated and certified by the Appraisal District.

"TIRZ Bonds – Series 2023" means those certain "City of Kyle, Texas Tax Increment Revenue Bonds, Series 2023" that are secured by the City TIRZ Increment. The schedule for the TIRZ Bonds – Series 2023 is detailed on **Exhibit F**.

"TIRZ Bonds – Series 2025" means those certain "City of Kyle, Texas Tax Increment Revenue Bonds, Series 2025" that are anticipated to be issued and secured by the City TIRZ Increment in the future. The proposed schedule for the TIRZ Bonds – Series 2025 is detailed on **Exhibit F**.

"**TIRZ Fund**" means the tax increment fund created by the City and segregated from all other funds of the City.

"**Zone**" means *Tax Increment Reinvestment Zone Number Two, City of Kyle*, *Texas*, as depicted on **Exhibit A**, and described on **Exhibit I**.

SECTION 2: INTRODUCTION

2.1 Authority and Purpose

The City has the authority under the Act to designate a contiguous or noncontiguous geographic area within the corporate limits or extraterritorial jurisdiction of the City as a tax increment reinvestment zone to promote development or redevelopment of the area because the City Council determined that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future, that the Zone is economically feasible, and that creation of the Zone is in the best interest of the City and the property in the Zone. The purpose of the Zone is to facilitate such development or redevelopment by financing the costs of public works, public improvements, programs, and other projects benefiting the Zone, plus other costs incidental to those expenditures, all of which costs are authorized by the Act.

2.2 Eligibility Requirements

An area is eligible under the Act to be designated as a tax increment reinvestment zone if the area:

1) substantially arrests or impairs the sound growth of the municipality designating the Zone, retard the provision of housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, morals, or welfare in its present condition; or
2) is predominantly open or undeveloped and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impairs or arrests the sound growth of the City; or
3) is in a federally assisted new community located in the City or in an area immediately adjacent to a federally assisted new community; or
4) is in an area described in a petition requesting that the area be designated as a reinvestment zone, if the petition is submitted to the governing body of the City by the owners of property constituting at least fifty percent (50%) of the appraised value of the property in the area according to the most recent certified appraisal roll for the county in which the area is located.

The City cannot, however, designate a zone if more than thirty percent (30%) of the property in the proposed zone, excluding property that is publicly owned, is used for residential purposes, or if the total appraised value of taxable real property in the proposed zone and in existing reinvestment zones exceeds fifty percent (50%) of the total appraised value of taxable real property in the City and in industrial districts created by the City.

2.3 Zone

The Property within the Zone is currently located within the corporate limits of the City. At the time of Zone creation, the Property was predominantly open, undeveloped or underdeveloped, and substantially impaired and arrested the sound growth of the City. Due to its size, location, and physical characteristics development would not occur solely through private investment in the foreseeable future. The Property lacks public infrastructure and requires economic incentive to attract development for the purpose of providing long-term economic benefits including, but not limited to, increased real property tax base for all taxing units in the Zone. If the Public Improvements are financed as contemplated by this Amended Plan, the City envisions that the Property will be developed to take full advantage of the opportunity to bring to the City, and the County, a quality development.

2.4 Preliminary Plan and Hearing

Before the City Council adopted the Creation Ordinance, the City Council prepared a Preliminary Plan in accordance with the Act and held a public hearing on the creation of the Zone and its benefits to the City and to the Property, at which public hearing interested persons were given the opportunity to speak for and against the creation of the Zone, the boundaries of the Zone and the concept of tax increment financing, and at which hearing the owners of the Property were given a reasonable opportunity to protest the inclusion of their Property in the Zone. The requirement of the Act for a preliminary reinvestment zone project and finance plan was satisfied by the Preliminary Plan, the purpose of which was to describe, in general terms, the Public Improvements that will be undertaken and financed by the Zone. A description of how such Public Improvements and projects will be undertaken and financed shall be determined by this Amended Plan, which requires approval by the Board and City Council.

2.5 Creation of the Zone

Upon the closing of the above referenced public hearing, the City Council considered the Creation Ordinance and the made following findings:

1) that development or redevelopment of the Property would not occur solely through private investment in the reasonably foreseeable future,
2) that the Zone was feasible,
3) that improvements in the Zone will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City, and
4) that the Zone meets the eligibility requirements of the Act.

Among other provisions required by the Act, the Creation Ordinance appointed the Board.

2.6 Board Recommendations

After the creation of the Zone, the Board reviewed the Preliminary Plan and recommend its approval by the City Council pursuant to which the City shall contribute the City TIRZ Increment into the TIRZ Fund to pay a portion of the Project Costs benefiting the Zone. Pursuant to the County Participation Agreement, the County shall contribute the County TIRZ Increment into the TIRZ Fund to pay a portion of the Project Costs benefitting the Zone. Likewise, the Board has reviewed this Amended Plan and recommended its approval by the City Council in order to extend the term of the Zone, include additional projects to Amended Plan, acknowledge the City's authority to issue tax increment revenue bonds.

SECTION 3: DESCRIPTION AND MAPS

3.1 Existing Uses and Conditions

The Property is currently zoned Plum Creek Residential 2, Plum Creek Mixed Use, Plum Creek Light Industrial, Plum Creek Employment, Plum Creek Open Space, Agriculture, Plum Creek Residential 3, Multifamily R-3-3, Retail Services, and Warehouse and is intended to be developed with residential, commercial, and industrial uses. The Property is undeveloped or underdeveloped, and there is limited public infrastructure to support development. Development requires extensive public infrastructure that: (1) the City could not provide, and (2) would not be provided solely through private investment in the foreseeable future.

3.2 Proposed Uses

The proposed uses of the Property in the City include residential, commercial, and industrial, as shown on **Exhibit G**.

SECTION 4: PROPOSED CHANGES TO ORDINANCES, PLANS, CODES, RULES, AND REGULATIONS

The Property is wholly located in the corporate limits of the City and is subject to the City's zoning regulations. The City has exclusive jurisdiction over the subdivision and platting of the property within the Property and the design, construction, installation, and inspection of water, sewer, drainage, roadway, and other public infrastructure. No proposed changes to zoning ordinances, comprehensive plan, building codes, subdivision rules, or other municipal ordinances are planned.

SECTION 5: RELOCATION OF DISPLACED PERSONS

No persons will be displaced and in need of relocation due to the creation of the Zone or implementation of this Amended Plan.

SECTION 6: ESTIMATED NON-PROJECT COSTS

Non-Project Costs are costs that will be spent to develop in the Zone but will not be financed by the Zone, and will be financed by private funds. The list of Non-Project Costs is shown on **Exhibit B** and are estimated to be approximately $227,820,000.

SECTION 7: PROPOSED PUBLIC IMPROVEMENTS

7.1 Categories of Public Improvements

All Public Improvements shall be designed and constructed in accordance with all applicable City standards and shall otherwise be inspected, approved, and accepted by the City. At the City's option, the Public Improvements may be expanded to include any other category of improvements authorized by the Act.

7.2 Locations of Public Improvements

The estimated locations of the proposed Public Improvements are depicted on **Exhibit H**. These locations may be revised, with the approval of the City, from time to time without amending this Amended Plan.

SECTION 8: ESTIMATED PROJECT COSTS

8.1 Project Costs

The total costs are estimated to be $100,114,565, as shown below and detailed on **Exhibit C**. The costs of Public Improvements are estimated to be $99,614,620, and the Administrative Costs are estimated to be $499,945.

8.2 Administrative Costs

The Administrative Costs are estimated to be $10,000 per year beginning 2023 and escalating at two percent (2%) thereafter. The Administrative Costs shall be paid each year from the TIRZ Fund before any other Project Costs are paid.

8.5 Estimated Timeline of Incurred Costs

The Administrative Costs will be incurred annually through the remaining duration of the Zone. It is estimated the costs for constructing the Public Improvements will be incurred between 2023 and 2057, as shown on **Exhibit D**.

SECTION 9: ECONOMIC FEASIBILITY

9.1 Feasibility Study

The Feasibility Study focuses on only direct financial benefits (i.e. ad valorem tax revenues from the development of Public Improvements in the Zone). Based on the Feasibility Study, during the term of the Zone, new development (which would not have occurred but for the Zone) will generate approximately $200,229,130 in total new real property tax revenue for the taxing entities. Approximately $100,114,565 will be deposited into the TIRZ Fund to pay for the Project Costs, over the life of the Zone. The remaining real property tax revenue over that period, estimated at $100,114,565 shall be retained by the taxing entities.

The Feasibility Study shows the cumulative City TIRZ Increment is estimated to be $66,673,458, which will be available to pay a portion of the Project Costs, until the term expires or is otherwise terminated. The remainder of the new City real property tax revenue generated within the Zone and retained by the City is estimated to be $66,673,458 over the term.

The Feasibility Study shows the cumulative County TIRZ Increment is estimated to be $33,441,107, which will be available to pay a portion of the Project Costs, until the term expires or is otherwise terminated. The remainder of the new County real property tax revenue generated within the Zone and retained by the County is estimated to be $33,441,107 over the term.

One hundred percent (100%) of all taxing revenues generated for other taxing entities by the new development within the Zone will be retained by the respective taxing entities. Based on the foregoing, the feasibility of the Zone has been demonstrated.

SECTION 10: ESTIMATED BONDED INDEBTEDNESS

The City shall be authorized to issue Tax Increment Revenue bonds which are secured by and payable from the City TIRZ Increment. The estimated bonded indebtedness of the Zone is anticipated to be $11,500,000, split between the TIRZ Bonds – Series 2023, and TIRZ Bonds – Series 2025, as shown on **Exhibit F**.

SECTION 11: APPRAISED VALUE

11.1 Tax Increment Base

The Tax Increment Base is $121,367,726, as confirmed by the Appraisal District. Each year, the Appraisal District shall confirm the Captured Appraised Value of the Zone.

11.2 Estimated Captured Appraised Value

It is estimated that upon expiration of the term of the Zone, the total Captured Appraised Value of taxable real property in the Zone will be approximately $1,015,580,601 as shown on **Exhibit E**. The actual Captured Appraised Value, as certified by the Appraisal District each year, will be used to calculate both the City TIRZ Increment and County TIRZ Increment, pursuant to this Amended Plan, and the County Participation Agreement.

SECTION 12: METHOD OF FINANCING

12.1 TIRZ Fund Contributions

This Amended Plan shall obligate the City to deposit the City TIRZ Increment into the TIRZ Fund. For example, in FY 2022, the City's ad valorem tax rate was $0.5082 per $100 of taxable value, therefore the City would contribute $0.2541 per $100 of the Captured Appraised Value of the Zone levied and collected, to the TIRZ Fund.

The County Participation Agreement obligates the County to deposit the County TIRZ Increment into the TIRZ Fund beginning in 2020. For example, in FY 2022, the County's ad valorem tax rate was $0.2950 per $100 of taxable value, therefore the County would contribute $0.1475 per $100 of the Captured Appraised Value of the Zone levied and collected, to the TIRZ Fund.

The funds deposited into the TIRZ Fund shall be prioritized and allocated on a parcel-by-parcel as follows:

1) For the reasonable Administrative Costs of the Zone; then
2) For the debt service payments of the TIRZ Bonds – Series 2023, funds available from the City Tax Increment only, as detailed on **Exhibit F**; then
3) Any remaining revenue in the TIRZ Fund may be used to fund any other Public Improvements, or in any other manner as authorized by the City and allowed pursuant to the Act and the County Participation Agreement.

All payments of Project Costs shall be made solely from the TIRZ Fund and from no other funds of the City or County, unless otherwise approved by the City or the County. The TIRZ Fund shall only be used to pay the Project Costs. The City may amend this Amended Plan in compliance with the Act and the County Participation Agreement, including but not limited to what is considered a Project Cost.

SECTION 13: DURATION OF THE ZONE, TERMINATION

13.1 Duration

The stated term of the Zone commenced upon the execution of the Creation Ordinance and shall continue until December 31, 2056, with the last payment being deposited by Fiscal Year Ending September 30, 2057, unless otherwise terminated in accordance with the Creation Ordinance.

13.2 Termination

The Zone shall terminate on the earlier of (i) December 31, 2057, or (ii) at such time that the obligations of the Zone, including all Project Costs, have been paid in full. If upon expiration of the stated term of the Zone, the obligations of the Zone have not been fully funded by the TIRZ Fund, the City and the County shall have no obligation to pay the shortfall and the term shall not be extended. Nothing in this Section is intended to prevent the City from extending the term of the Zone in accordance with the Act.

[Remainder of page left intentionally blank]

LIST OF EXHIBITS

Unless otherwise stated, all references to "Exhibits" contained in this Amended Plan shall mean and refer to the following exhibits, all of which are attached to and made a part of this Amended Plan for all purposes.

Exhibit A	Map of the Zone
Exhibit B	Non-Project Costs
Exhibit C	Project Costs
Exhibit D	Estimated Timeline of Incurred Costs
Exhibit E	Feasibility Study
Exhibit F	Debt Service Schedule
Exhibit G	Proposed Uses of the Property
Exhibit H	Map of the Public Improvements
Exhibit I	Legal Description of the Zone

EXHIBIT A – MAP OF THE ZONE

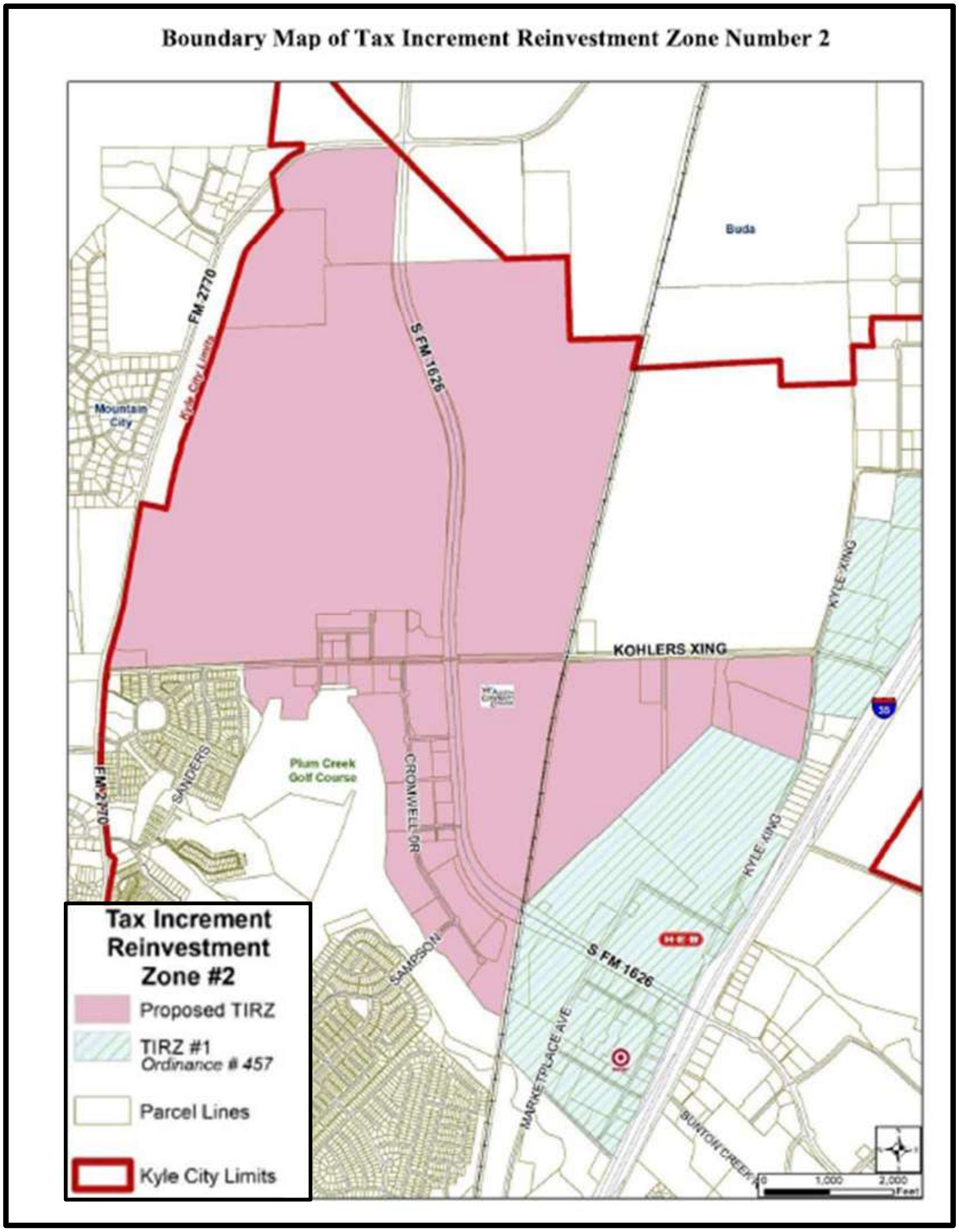


EXHIBIT B – NON-PROJECT COSTS

Tax Increment Reinvestment Zone Number Two, City of Kyle, Texas
Non-Project Costs

Base Taxable Value	Estimated New Value Added	Estimated Non-Project Costs[1,2]
$ 121,367,726	406,142,623	$ 227,820,000

(1) Shown for illustrative purposes only.
(2) Non-Project Costs estimated at approximately 80% of the new value added to the Zone.

EXHIBIT C – PROJECT COSTS

Tax Increment Reinvestment Zone Number Two, City of Kyle, Texas
Estimated Timeline of Incurred Costs

Project Costs		
Public Improvements		
Capital Parks Repayment to City	$	20,000,000
Park Maintenance (w/ Inflation)	$	38,937,584
Other Expenses	$	8,839,557
TIRZ Bonds - Series 2023 (Retail Roads)	$	16,409,225
TIRZ Bonds - Series 2025	$	7,648,700
Public Improvements[2]	$	7,779,554
Public Improvement Costs	**$**	**99,614,620**
Administrative Costs	**$**	**499,945**
Total Project Costs	**$**	**100,114,565**

(1) To be determined at the discretion of the City Council and TIRZ Board.

(2) Proposed improvements include convention center (including hotel and related facilities), regional sports complex, and cultural facilities (including libraries and museums). Improvements will be selected based upon TIRZ Board recommendation and City Council approval.

EXHIBIT D – ESTIMATED TIMELINE OF INCURRED COSTS

Tax Increment Reinvestment Zone Number Two, City of Kyle, Texas
Estimated Timeline of Incurred Costs[2]

Zone Year	FYE (9/30)[1]	Administrative Costs	Capital Parks Repayment to City	Park Maintenance (w/ Inflation)	Other Expenses	TIRZ Bonds - Series 2023[3]	TIRZ Bonds - Series 2025[4]	Public Improvements[2,5]
1 - Base	2018							
6	2023	$ 10,000	$ 250,000	$ 644,000	$ 146,200	$ -	$ -	$ 580,869
7	2024	$ 10,200	$ 400,000	$ 663,320	$ 150,586	$ 440,000	$ -	$ 180,289
8	2025	$ 10,404	$ 450,000	$ 683,220	$ 155,104	$ 475,000	$ -	$ 207,664
9	2026	$ 10,612	$ 450,000	$ 703,716	$ 159,757	$ 548,075	$ 215,000	$ -
10	2027	$ 10,824	$ 450,000	$ 724,828	$ 164,549	$ 577,025	$ 264,700	$ -
11	2028	$ 11,041	$ 475,000	$ 746,573	$ 169,486	$ 574,050	$ 261,400	$ -
12	2029	$ 11,262	$ 500,000	$ 768,970	$ 174,570	$ 575,800	$ 253,100	$ -
13	2030	$ 11,487	$ 500,000	$ 792,039	$ 179,808	$ 577,000	$ 265,100	$ -
14	2031	$ 11,717	$ 525,000	$ 815,800	$ 185,202	$ 572,650	$ 261,200	$ -
15	2032	$ 11,951	$ 550,000	$ 840,274	$ 190,758	$ 573,025	$ 257,300	$ -
16	2033	$ 12,190	$ 550,000	$ 865,482	$ 196,481	$ 572,850	$ 253,400	$ 9,682
17	2034	$ 12,434	$ 575,000	$ 891,447	$ 202,375	$ 577,125	$ 254,500	$ -
18	2035	$ 12,682	$ 600,000	$ 918,190	$ 208,446	$ 575,575	$ 255,300	$ -
19	2036	$ 12,936	$ 600,000	$ 945,736	$ 214,700	$ 573,475	$ 255,800	$ 8,015
20	2037	$ 13,195	$ 625,000	$ 974,108	$ 221,141	$ 575,825	$ 256,000	$ -
21	2038	$ 13,459	$ 625,000	$ 1,003,331	$ 227,775	$ 577,350	$ 255,900	$ 13,318
22	2039	$ 13,728	$ 650,000	$ 1,033,431	$ 234,608	$ 573,050	$ 255,500	$ 10,138
23	2040	$ 14,002	$ 650,000	$ 1,064,434	$ 241,646	$ 573,200	$ 254,800	$ 27,782
24	2041	$ 14,282	$ 650,000	$ 1,096,367	$ 248,896	$ 577,525	$ 253,800	$ 41,511
25	2042	$ 14,568	$ 675,000	$ 1,129,258	$ 256,363	$ 575,750	$ 257,500	$ 31,590
26	2043	$ 14,859	$ 700,000	$ 1,163,136	$ 264,053	$ 573,150	$ 255,600	$ 28,031
27	2044	$ 15,157	$ 700,000	$ 1,198,030	$ 271,975	$ 574,725	$ 253,400	$ 45,520
28	2045	$ 15,460	$ 725,000	$ 1,233,971	$ 280,134	$ 575,200	$ 255,900	$ 34,318
29	2046	$ 15,769	$ 750,000	$ 1,270,990	$ 288,538	$ 574,575	$ 257,800	$ 24,710
30	2047	$ 16,084	$ 750,000	$ 1,309,119	$ 297,194	$ 572,850	$ 254,100	$ 46,682
31	2048	$ 16,406	$ 775,000	$ 1,348,393	$ 306,110	$ 575,025	$ 255,100	$ 34,916
32	2049	$ 16,734	$ 800,000	$ 1,388,845	$ 315,294	$ 575,825	$ 255,500	$ 24,971
33	2050	$ 17,069	$ 800,000	$ 1,430,510	$ 324,752	$ 575,250	$ 255,300	$ 41,832
34	2051	$ 17,410	$ 800,000	$ 1,473,425	$ 334,495	$ 573,300	$ 254,500	$ 60,477
35	2052	$ 17,758	$ 800,000	$ 1,517,628	$ 344,530	$ 574,975	$ 258,100	$ 70,888
36	2053	$ 18,114	$ 800,000	$ 1,563,157	$ 354,866	$ -	$ 255,800	$ 663,620
37	2054	$ 18,476	$ 850,000	$ 1,610,052	$ 365,512	$ -	$ 252,900	$ 631,728
38	2055	$ 18,845	$ -	$ 1,658,353	$ 376,477	$ -	$ 254,400	$ 1,495,166
39	2056	$ 19,222	$ -	$ 1,708,104	$ 387,771	$ -	$ -	$ 1,764,209
40	2057	$ 19,607	$ -	$ 1,759,347	$ 399,405	$ -	$ -	$ 1,701,632
Total		**$ 499,945**	**$ 20,000,000**	**$ 38,937,584**	**$ 8,839,557**	**$ 16,409,225**	**$ 7,648,700**	**$ 7,779,554**

Footnotes

(1) As provided by City's Financial Advisor in model dated 02/06/2023.
(2) As determined by the City Council and TIRZ Board.
(3) Represents the debt service on the TIRZ Bond - Series 2023, as shonw on **Exhibit F**.
(4) Represents the debt service on the TIRZ Bond - Series 2025, as shonw on **Exhibit F**.
(5) Represents TIRZ Revenue available for additional Public Improvements.

EXHIBIT E – FEASIBILITY STUDY

Tax Increment Reinvestment Zone Number Two, City of Kyle, Texas
Feasibility Study

Zone Year	FYE (9/30)[1]	Growth/ Year[1]	New Taxable Value	Incremental Value[1]	City TIRZ Increment[1] Rate	City TIRZ Increment[1] %	City TIRZ Increment[1] Annual	City Retained Revenue Annual	County TIRZ Increment[1,2] Rate	County TIRZ Increment[1,2] %	County TIRZ Increment[1,2] Annual	County Retained Annual	Total TIRZ Contribution[1] Annual	Total TIRZ Contribution[1] Cumulative	Total Retained Revenue Annual	Total Retained Revenue Cumulative
1 - Base	*2018*		*$ 121,367,726*													
6	2023	5%	$ 527,510,349	$ 406,142,623	$ 0.5082	50%	$ 1,032,008	$ 1,032,008	$ 0.2950	50%	$ 599,060	$ 599,060	$ 1,631,069	$ 1,631,069	$ 1,631,069	$ 1,631,069
7	2024	5%	$ 547,817,480	$ 426,449,754	$ 0.5700	50%	$ 1,215,382	$ 1,215,382	$ 0.2950	50%	$ 629,013	$ 629,013	$ 1,844,395	$ 3,475,464	$ 1,844,395	$ 3,475,464
8	2025	5%	$ 569,139,968	$ 447,772,242	$ 0.5900	50%	$ 1,320,928	$ 1,320,928	$ 0.2950	50%	$ 660,464	$ 660,464	$ 1,981,392	$ 5,456,856	$ 1,981,392	$ 5,456,856
9	2026	5%	$ 591,528,580	$ 470,160,854	$ 0.5900	50%	$ 1,386,975	$ 1,386,975	$ 0.2950	50%	$ 693,487	$ 693,487	$ 2,080,462	$ 7,537,318	$ 2,080,462	$ 7,537,318
10	2027	5%	$ 615,036,623	$ 493,668,897	$ 0.5900	50%	$ 1,456,323	$ 1,456,323	$ 0.2950	50%	$ 728,162	$ 728,162	$ 2,184,485	$ 9,721,803	$ 2,184,485	$ 9,721,803
11	2028	2%	$ 624,910,001	$ 503,542,275	$ 0.5900	50%	$ 1,485,450	$ 1,485,450	$ 0.2950	50%	$ 742,725	$ 742,725	$ 2,228,175	$ 11,949,977	$ 2,228,175	$ 11,949,977
12	2029	2%	$ 634,980,846	$ 513,613,120	$ 0.5900	50%	$ 1,515,159	$ 1,515,159	$ 0.2950	50%	$ 757,579	$ 757,579	$ 2,272,738	$ 14,222,715	$ 2,272,738	$ 14,222,715
13	2030	2%	$ 645,253,108	$ 523,885,382	$ 0.5900	50%	$ 1,545,462	$ 1,545,462	$ 0.2950	50%	$ 772,731	$ 772,731	$ 2,318,193	$ 16,540,908	$ 2,318,193	$ 16,540,908
14	2031	2%	$ 655,730,816	$ 534,363,090	$ 0.5900	50%	$ 1,576,371	$ 1,576,371	$ 0.2950	50%	$ 788,186	$ 788,186	$ 2,364,557	$ 18,905,465	$ 2,364,557	$ 18,905,465
15	2032	2%	$ 666,418,078	$ 545,050,352	$ 0.5900	50%	$ 1,607,899	$ 1,607,899	$ 0.2950	50%	$ 803,949	$ 803,949	$ 2,411,848	$ 21,317,313	$ 2,411,848	$ 21,317,313
16	2033	2%	$ 677,319,085	$ 555,951,359	$ 0.5900	50%	$ 1,640,057	$ 1,640,057	$ 0.2950	50%	$ 820,028	$ 820,028	$ 2,460,085	$ 23,777,397	$ 2,460,085	$ 23,777,397
17	2034	2%	$ 688,438,112	$ 567,070,386	$ 0.5900	50%	$ 1,672,858	$ 1,672,858	$ 0.2950	50%	$ 836,429	$ 836,429	$ 2,509,286	$ 26,286,684	$ 2,509,286	$ 26,286,684
18	2035	2%	$ 699,779,520	$ 578,411,794	$ 0.5900	50%	$ 1,706,315	$ 1,706,315	$ 0.2950	50%	$ 853,157	$ 853,157	$ 2,559,472	$ 28,846,156	$ 2,559,472	$ 28,846,156
19	2036	2%	$ 711,347,756	$ 589,980,030	$ 0.5900	50%	$ 1,740,441	$ 1,740,441	$ 0.2950	50%	$ 870,221	$ 870,221	$ 2,610,662	$ 31,456,818	$ 2,610,662	$ 31,456,818
20	2037	2%	$ 723,147,356	$ 601,779,630	$ 0.5900	50%	$ 1,775,250	$ 1,775,250	$ 0.2950	50%	$ 887,625	$ 887,625	$ 2,662,875	$ 34,119,693	$ 2,662,875	$ 34,119,693
21	2038	2%	$ 735,182,949	$ 613,815,223	$ 0.5900	50%	$ 1,810,755	$ 1,810,755	$ 0.2950	50%	$ 905,377	$ 905,377	$ 2,716,132	$ 36,835,825	$ 2,716,132	$ 36,835,825
22	2039	2%	$ 747,459,253	$ 626,091,527	$ 0.5900	50%	$ 1,846,970	$ 1,846,970	*$ 0.2950*	*50%*	*$ 923,485*	$ 923,485	$ 2,770,455	$ 39,606,280	$ 2,770,455	$ 39,606,280
23	2040	2%	$ 759,981,084	$ 638,613,358	$ 0.5900	50%	$ 1,883,909	$ 1,883,909	*$ 0.2950*	*50%*	*$ 941,955*	$ 941,955	$ 2,825,864	$ 42,432,144	$ 2,825,864	$ 42,432,144
24	2041	2%	$ 772,753,351	$ 651,385,625	$ 0.5900	50%	$ 1,921,588	$ 1,921,588	*$ 0.2950*	*50%*	*$ 960,794*	$ 960,794	$ 2,882,381	$ 45,314,525	$ 2,882,381	$ 45,314,525
25	2042	2%	$ 785,781,064	$ 664,413,338	$ 0.5900	50%	$ 1,960,019	$ 1,960,019	*$ 0.2950*	*50%*	*$ 980,010*	$ 980,010	$ 2,940,029	$ 48,254,554	$ 2,940,029	$ 48,254,554
26	2043	2%	$ 799,069,330	$ 677,701,604	$ 0.5900	50%	$ 1,999,220	$ 1,999,220	*$ 0.2950*	*50%*	*$ 999,610*	$ 999,610	$ 2,998,830	$ 51,253,384	$ 2,998,830	$ 51,253,384
27	2044	2%	$ 812,623,362	$ 691,255,636	$ 0.5900	50%	$ 2,039,204	$ 2,039,204	*$ 0.2950*	*50%*	*$ 1,019,602*	$ 1,019,602	$ 3,058,806	$ 54,312,190	$ 3,058,806	$ 54,312,190
28	2045	2%	$ 826,448,475	$ 705,080,749	$ 0.5900	50%	$ 2,079,988	$ 2,079,988	*$ 0.2950*	*50%*	*$ 1,039,994*	$ 1,039,994	$ 3,119,982	$ 57,432,173	$ 3,119,982	$ 57,432,173
29	2046	2%	$ 840,550,090	$ 719,182,364	$ 0.5900	50%	$ 2,121,588	$ 2,121,588	*$ 0.2950*	*50%*	*$ 1,060,794*	$ 1,060,794	$ 3,182,382	$ 60,614,555	$ 3,182,382	$ 60,614,555
30	2047	2%	$ 854,933,737	$ 733,566,011	$ 0.5900	50%	$ 2,164,020	$ 2,164,020	*$ 0.2950*	*50%*	*$ 1,082,010*	$ 1,082,010	$ 3,246,030	$ 63,860,584	$ 3,246,030	$ 63,860,584
31	2048	2%	$ 869,605,058	$ 748,237,332	$ 0.5900	50%	$ 2,207,300	$ 2,207,300	*$ 0.2950*	*50%*	*$ 1,103,650*	$ 1,103,650	$ 3,310,950	$ 67,171,534	$ 3,310,950	$ 67,171,534
32	2049	2%	$ 884,569,804	$ 763,202,078	$ 0.5900	50%	$ 2,251,446	$ 2,251,446	*$ 0.2950*	*50%*	*$ 1,125,723*	$ 1,125,723	$ 3,377,169	$ 70,548,704	$ 3,377,169	$ 70,548,704
33	2050	2%	$ 899,833,846	$ 778,466,120	$ 0.5900	50%	$ 2,296,475	$ 2,296,475	*$ 0.2950*	*50%*	*$ 1,148,238*	$ 1,148,238	$ 3,444,713	$ 73,993,416	$ 3,444,713	$ 73,993,416
34	2051	2%	$ 915,403,168	$ 794,035,442	$ 0.5900	50%	$ 2,342,405	$ 2,342,405	*$ 0.2950*	*50%*	*$ 1,171,202*	$ 1,171,202	$ 3,513,607	$ 77,507,023	$ 3,513,607	$ 77,507,023
35	2052	2%	$ 931,283,877	$ 809,916,151	$ 0.5900	50%	$ 2,389,253	$ 2,389,253	*$ 0.2950*	*50%*	*$ 1,194,626*	$ 1,194,626	$ 3,583,879	$ 81,090,902	$ 3,583,879	$ 81,090,902
36	2053	2%	$ 947,482,200	$ 826,114,474	$ 0.5900	50%	$ 2,437,038	$ 2,437,038	*$ 0.2950*	*50%*	*$ 1,218,519*	$ 1,218,519	$ 3,655,557	$ 84,746,458	$ 3,655,557	$ 84,746,458
37	2054	2%	$ 964,004,490	$ 842,636,764	$ 0.5900	50%	$ 2,485,778	$ 2,485,778	*$ 0.2950*	*50%*	*$ 1,242,889*	$ 1,242,889	$ 3,728,668	$ 88,475,126	$ 3,728,668	$ 88,475,126
38	2055	2%	$ 980,857,225	$ 859,489,499	$ 0.5900	50%	$ 2,535,494	$ 2,535,494	*$ 0.2950*	*50%*	*$ 1,267,747*	$ 1,267,747	$ 3,803,241	$ 92,278,367	$ 3,803,241	$ 92,278,367
39	2056	2%	$ 998,047,015	$ 876,679,289	$ 0.5900	50%	$ 2,586,204	$ 2,586,204	*$ 0.2950*	*50%*	*$ 1,293,102*	$ 1,293,102	$ 3,879,306	$ 96,157,673	$ 3,879,306	$ 96,157,673
40	2057	2%	$ 1,015,580,601	$ 894,212,875	$ 0.5900	50%	$ 2,637,928	$ 2,637,928	*$ 0.2950*	*50%*	*$ 1,318,964*	$ 1,318,964	$ 3,956,892	$ 100,114,565	$ 3,956,892	$ 100,114,565
	Total						**$ 66,673,458**	**$ 66,673,458**			**$ 33,441,107**	**$ 33,441,107**	**$ 100,114,565**		**$ 100,114,565**	

Assumptions	
Base Taxable Value	$ 121,367,726
City Tax Rate	$ 0.5082000
County Tax Rate	$ 0.2950000

Footnotes

(1) As provided by City's Financial Advisor in model dated 03/31/2023.

(2) The increase in the City's tax rate for FYE 2024 is attributable to an increase in the City's debt service tax rate and it not subject to a voter approval tax rate election.

EXHIBIT F – DEBT SERVICE SCHEDULE

City of Kyle, Texas
TIRZ #2 Proforma Debt Capacity Analysis Based Upon $527,510,349 TIRZ #2 Value
April 10, 2023

Taxable Assessed Value Assumptions

TY 2022/FY 2023 Certified Values:	$527,510,349 *(all ARB is settled, per HCAD on 1/26/23)*
Less: TY 2018/ FY 2019 Base Values:	$121,367,726
TY 2022/ FY 2023 Increment:	$406,142,623
Growth Rate through 2027:	5%
Growth Rate after 2027:	2%

TIRZ #2 Structural Assumptions

City/County Participation Rates:	50%
Original TIRZ #2 Termination Date:	12/31/2037
Amended TIRZ #2 Termination Date:	12/31/2056

TIRZ #2 Expenditure Assumptions

City Capital Expenditures for Parks:	$ 20,000,000
Amortization (years):	30
Annual Repayment to City:	Varies
Annual Park Maintenace Expense:	$644,000
Other Expenses:	$146,200
Inflation Growth Rate:	3%

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
FYE (9/30)	TIRZ #2 Incremental Value	City of Kyle Tax Rate	City TIRZ #2 Revenues (50%) (B x C / 100 x .5)	Hays County Tax Rate	County TIRZ #2 Revenues (50%) (B x E / 100 x .5)	Projected TIRZ #2 Revenues (D + F)	Less: Annual Capital Parks Repayment to City	Less: Annual Park Maintenance (w/ Inflation)	Less: Other Expenses (w/ Inflation)	Available For Debt Service (G - H - I - J)	$8,000,000 Series 2023 [1]	$3,500,000 Series 2025 [2]	$11,500,000 Total Debt Service	Maximum Annual Debt Service (Max L or N)	Additional Bonds Test Coverage (D / O) > 1.25X	Debt Service Coverage Ratio [3] (D / N)	Excess Capacity After City Reimbursements (K - N)
2023	$ 406,142,623	$ 0.5082	$ 1,032,008	$ 0.2950	$ 599,060	$ 1,631,069	$ 250,000	$ 644,000	$ 146,200	$ 590,869				$ 577,525	N/A	N/A	$ 590,869
2024	426,449,754	0.5700	1,215,382	0.2950	629,013	1,844,395	400,000	663,320	150,586	630,489	$ 440,000		$ 440,000	577,525	1.79X	2.76X	190,489
2025	447,772,242	0.5900	1,320,928	0.2950	660,464	1,981,392	450,000	683,220	155,104	693,069	475,000		475,000	842,100	1.44X	2.78X	218,069
2026	470,160,854	0.5900	1,386,975	0.2950	693,487	2,080,462	450,000	703,716	159,757	766,989	548,075	$ 215,000	763,075	842,100	1.57X	1.82X	3,914
2027	493,668,897	0.5900	1,456,323	0.2950	728,162	2,184,485	450,000	724,828	164,549	845,108	577,025	264,700	841,725	842,100	1.65X	1.73X	3,383
2028	503,542,275	0.5900	1,485,450	0.2950	742,725	2,228,175	475,000	746,573	169,486	837,116	574,050	261,400	835,450	842,100	1.73X	1.78X	1,666
2029	513,613,120	0.5900	1,515,159	0.2950	757,579	2,272,738	500,000	768,970	174,570	829,198	575,800	253,100	828,900	842,100	1.76X	1.83X	298
2030	523,885,382	0.5900	1,545,462	0.2950	772,731	2,318,193	500,000	792,039	179,808	846,346	577,000	265,100	842,100	833,850	1.82X	1.84X	4,246
2031	534,363,090	0.5900	1,576,371	0.2950	788,186	2,364,557	525,000	815,800	185,202	838,555	572,650	261,200	833,850	833,250	1.85X	1.89X	4,705
2032	545,050,352	0.5900	1,607,899	0.2950	803,949	2,411,848	550,000	840,274	190,758	830,816	573,025	257,300	830,325	833,250	1.89X	1.94X	491
2033	555,951,359	0.5900	1,640,057	0.2950	820,028	2,460,085	550,000	865,482	196,481	848,122	572,850	253,400	826,250	833,250	1.93X	1.98X	21,872
2034	567,070,386	0.5900	1,672,858	0.2950	836,429	2,509,286	575,000	891,447	202,375	840,465	577,125	254,500	831,625	833,250	1.97X	2.01X	8,840
2035	578,411,794	0.5900	1,706,315	0.2950	853,157	2,559,472	600,000	918,190	208,446	832,836	575,575	255,300	830,875	833,250	2.01X	2.05X	1,961
2036	589,980,030	0.5900	1,740,441	0.2950	870,221	2,610,662	600,000	945,736	214,700	850,226	573,475	255,800	829,275	833,250	2.05X	2.10X	20,951
2037	601,779,630	0.5900	1,775,250	0.2950	887,625	2,662,875	625,000	974,108	221,141	842,626	575,825	256,000	831,825	833,250	2.09X	2.13X	10,801
2038	613,815,223	0.5900	1,810,755	0.2950	905,377	2,716,132	625,000	1,003,331	227,775	860,027	577,350	255,900	833,250	833,250	2.13X	2.17X	26,777
2039	626,091,527	0.5900	1,846,970	0.2950	923,485	2,770,455	650,000	1,033,431	234,608	852,416	573,050	255,500	828,550	833,250	2.17X	2.23X	23,866
2040	638,613,358	0.5900	1,883,909	0.2950	941,955	2,825,864	650,000	1,064,434	241,646	869,784	573,200	254,800	828,000	833,250	2.22X	2.28X	41,784
2041	651,385,625	0.5900	1,921,588	0.2950	960,794	2,882,381	650,000	1,096,367	248,896	887,119	577,525	253,800	831,325	833,250	2.26X	2.31X	55,794
2042	664,413,338	0.5900	1,960,019	0.2950	980,010	2,940,029	675,000	1,129,258	256,363	879,409	575,750	257,500	833,250	833,075	2.31X	2.35X	46,159
2043	677,701,604	0.5900	1,999,220	0.2950	999,610	2,998,830	700,000	1,163,136	264,053	871,641	573,150	255,600	828,750	833,075	2.35X	2.41X	42,891
2044	691,255,636	0.5900	2,039,204	0.2950	1,019,602	3,058,806	700,000	1,198,030	271,975	888,801	574,725	253,400	828,125	833,075	2.40X	2.46X	60,676
2045	705,080,749	0.5900	2,079,988	0.2950	1,039,994	3,119,982	725,000	1,233,971	280,134	880,877	575,200	255,900	831,100	833,075	2.45X	2.50X	49,777
2046	719,182,364	0.5900	2,121,588	0.2950	1,060,794	3,182,382	750,000	1,270,990	288,538	872,854	574,575	257,800	832,375	833,075	2.50X	2.55X	40,479
2047	733,566,011	0.5900	2,164,020	0.2950	1,082,010	3,246,030	750,000	1,309,119	297,194	889,716	572,850	254,100	826,950	833,075	2.55X	2.62X	62,766
2048	748,237,332	0.5900	2,207,300	0.2950	1,103,650	3,310,950	775,000	1,348,393	306,110	881,447	575,025	255,100	830,125	833,075	2.60X	2.66X	51,322
2049	763,202,078	0.5900	2,251,446	0.2950	1,125,723	3,377,169	800,000	1,388,845	315,294	873,031	575,825	255,500	831,325	833,075	2.65X	2.71X	41,706
2050	778,466,120	0.5900	2,296,475	0.2950	1,148,238	3,444,713	800,000	1,430,510	324,752	889,450	575,250	255,300	830,550	833,075	2.70X	2.77X	58,900
2051	794,035,442	0.5900	2,342,405	0.2950	1,171,202	3,513,607	800,000	1,473,425	334,495	905,686	573,300	254,500	827,800	833,075	2.76X	2.83X	77,886
2052	809,916,151	0.5900	2,389,253	0.2950	1,194,626	3,583,879	800,000	1,517,628	344,530	921,721	574,975	258,100	833,075	255,800	9.16X	2.87X	88,646
2053	826,114,474	0.5900	2,437,038	0.2950	1,218,519	3,655,557	800,000	1,563,157	354,866	937,534	-	255,800	255,800	254,400	9.39X	9.53X	681,734
2054	842,636,764	0.5900	2,485,778	0.2950	1,242,889	3,728,668	850,000	1,610,052	365,512	903,104	-	252,900	252,900	254,400	9.58X	9.83X	650,204
2055	859,489,499	0.5900	2,535,494	0.2950	1,267,747	3,803,241	-	1,658,353	376,477	1,768,411	-	254,400	254,400	-	N/A	9.97X	1,514,011
2056	876,679,289	0.5900	2,586,204	0.2950	1,293,102	3,879,306	-	1,708,104	387,771	1,783,431	-	-	-	-	N/A	N/A	1,783,431
2057	894,212,875	0.5900	2,637,928	0.2950	1,318,964	3,956,892	-	1,759,347	399,405	1,798,140	-	-	-		N/A	N/A	1,798,140
Total			$ 66,673,458				$ 20,000,000				$ 16,409,225	$ 7,648,700	$ 23,294,825				

[1] *Preliminary, subject to change. Interest calculated at 5.50% for illustrative purposes only. Represents the funding of street improvements within TIRZ #2 to be financed in summer 2023.*
[2] *Preliminary, subject to change. Interest calculated at 6.00% for illustrative purposes only.*
[3] *Debt service coverage is based upon the City's pledged tax increment only. Subject to change.*

SAMCO Capital

EXHIBIT G – PROPOSED USES OF THE PROPERTY

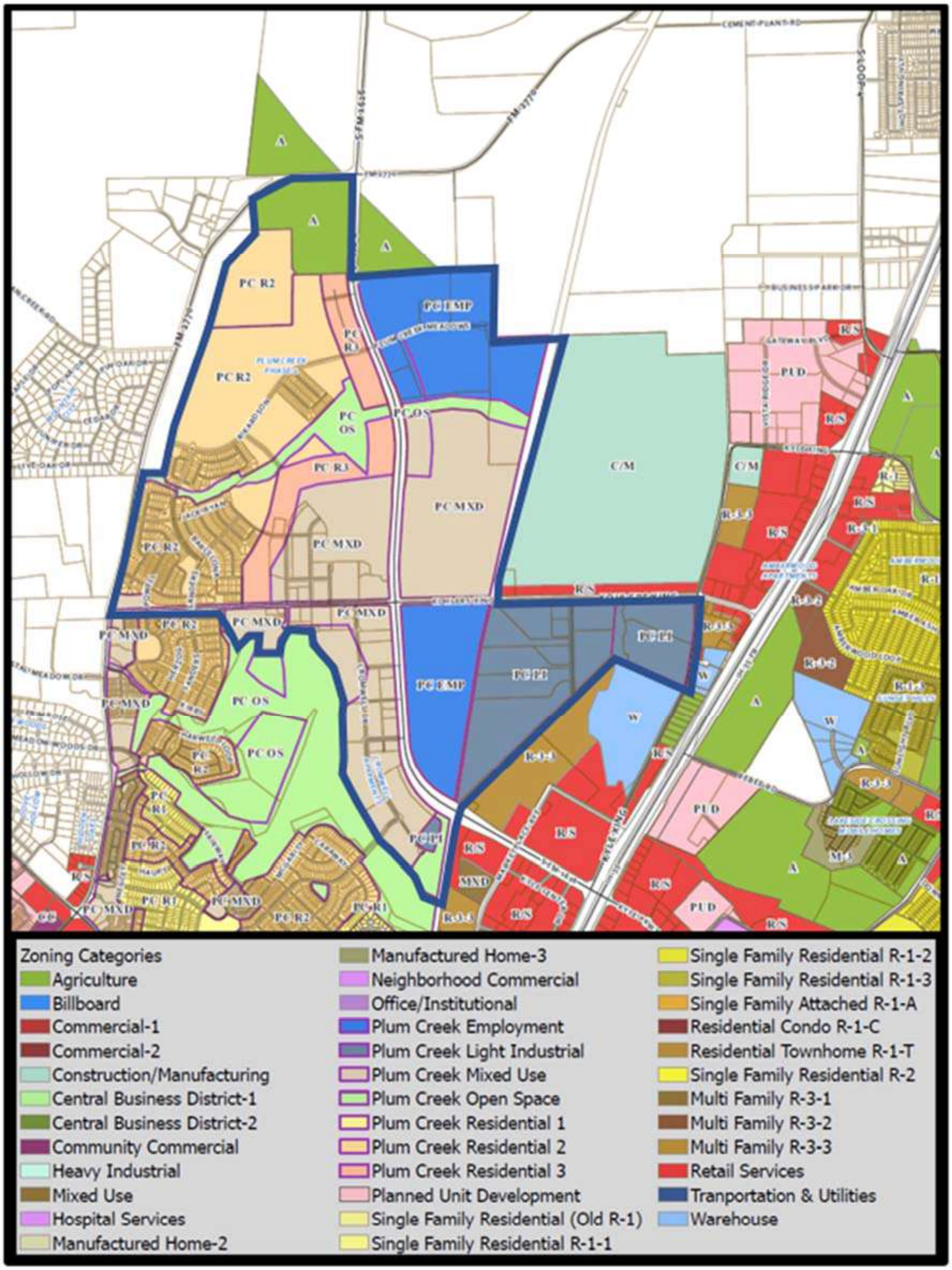


EXHIBIT H – MAP OF THE PUBLIC IMPROVEMENTS

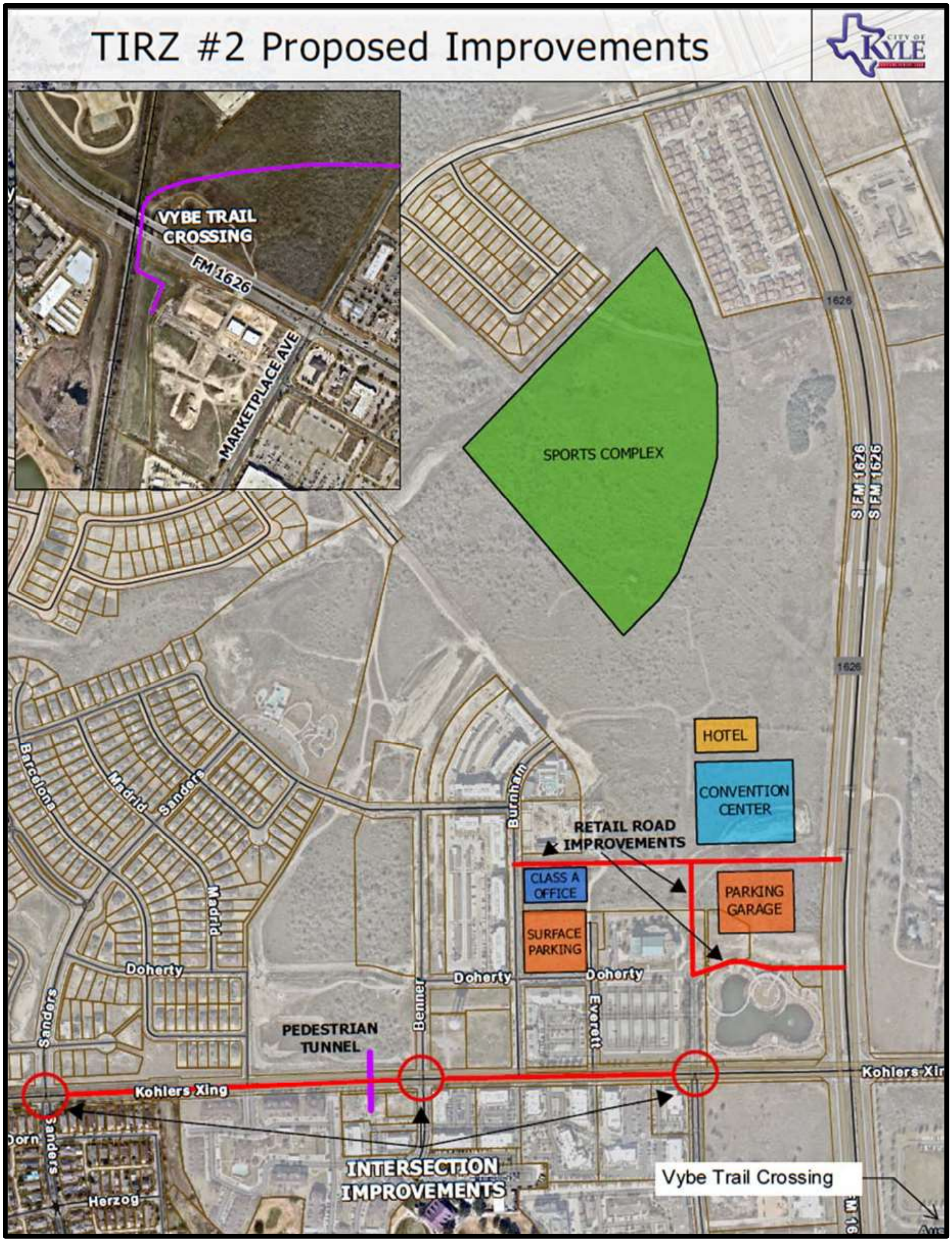


EXHIBIT I – LEGAL DESCRIPTION OF THE ZONE

Boundary Description
Tax Increment Reinvestment Zone Number 2

THIS IS A DESCRIPTION OF A TRACT OF LAND CONTAINING APPROXIMATELY 1482.9 ACRES OUT OF THE JESSE DAY SURVEYS ABSTRACTS NOS. 152 AND 159, THE JOHN KING SURVEY NO. 20, THE MORTON MCCARCVER SURVEY ABSTRACT NO. 10, THE THOMAS G. ALLEN SURVEY NO. 26, THE HENRY LOLLER SURVEY NO. 19, ABSTRACT 290 AND THE JOHN COOPER SURVEY NO. 13 IN HAYS COUNTY, TEXAS, TO BE USED FOR POLITICAL MEANS. THIS WAS NOT SURVEYED ON THE GROUND AND IS A BOUNDS DESCRIPTION ONLY ASSEMBLED FROM THE BEST AVAILABLE EVIDENCE INCLUDING DEED RESEARCH AND APPRAISAL DISTRICT MAPS. REFERENCES TO ALL DOCUMENTS OF RECORD REFER TO THE OFFICIAL PUBLIC RECORDS OF HAYS COUNTY, TEXAS. THIS TYPE OF DESCRIPTION IS ALLOWED UNDER THE TEXAS ADMINISTRATIVE CODE, PART 29, CHAPTER 663, SUBCHAPTER B, RULE 663.21 AND IS FURTHER DESCRIBED AS FOLLOWS:

BEGINNING at the southwest corner of the intersection of FM 2770 and S FM 1626, same being the most northerly corner of the 142.38 acre parcel described in four tracts in a Special Warranty Deed to Texas Lehigh Cement Company recorded in Book 609 Page 843 of the Official Public Records of Hays County, Texas (Tax Parcel Nos. R 11247, R148425, and R148426);

THENCE, with the southerly right-of-way line of FM 2770, in a westerly direction to the Kyle city limits as it crosses tract 2 of the 142.38 acre parcel owned by Texas Lehigh Cement Company;

THENCE, with the Kyle city limit line, through the afore-mentioned Texas Lehigh Cement parcel to the intersection with a 51.48 acre tract, the same being more particularly described in Special Warranty Deed with Vendors Lien to Lennar Homes of Texas Land & Construction LTD recorded in Document Number 16029226 of the Official Public Records of Hays County, Texas (Tax Parcel No. R146069);

THENCE, continuing along the Kyle city limits with the western boundary of the Lennar Homes of Texas Land & Construction LTD tract, through a 308 acre tract and a 10.87 acre, the same being more particularly described in Special Warranty Deed with Vendors Lien to Lennar Homes of Texas Land & Construction LTD recorded in Document Number 16029226 of the Official Public Records of Hays County, Texas (Tax Parcel Nos. R146068 and R151283);

THENCE, along western right-of-way line FM 2770 and the northern right-of-way of Kohlers Crossing, also being the western and southern boundary of the 3.55 acre tract of Lot 1, Block A of Plum Creek Phase 2 Northwest Business Park;

THENCE, continuing along the north right-of-way of Kohlers Crossing, also being the southern boundary of the Lennar Homes of Texas Land & Construction LTD 308 acre and 10.87 acre tracts;

THENCE, crossing the Kohlers Crossing right-of-way at the northwestern corner of the 14.066 acre tract, being more particularly described as Lot 2 Block A of Plum Creek Phase 1 Section 6F, and continuing along the western and southern boundary of said tract;

THENCE, across the southern end of the right-of-way of Benner and the southern boundary of Lots 1 and 2, Block A of Plum Creek Phase 1 Section 12A;

THENCE, along the southwestern boundary of Lot 2, Block A of Plum Creek Phase 1 Section 12B;

THENCE, along the western boundary of Lot 1, Block A of Plum Creek Phase 1 Section 11J;

THENCE, along the western boundary of Lot 1, Block A of Plum Creek Phase 1 Section 11F;

THENCE, along the western boundary of Lot 1, Block A of Plum Creek Phase 1 Section 11E-2;

THENCE, along the southwestern boundary of Lot 1, Block A of Plum Creek Phase 1 Section 11E-1;

THENCE, crossing the Sampson Rd right-of-way and continuing along the southwestern boundary of Lot 1, Block A of Plum Creek Phase 1 Section 11D;

THENCE, along the southwestern boundary of Lot 2, Block A of Plum Creek Phase 1 Section 11C, turning north along the eastern boundary of said lot also being the western right-of-way of the Union Pacific Railroad;

THENCE, crossing the FM 1626 right-of-way and the Railroad right-of-way to the southern corner and southeastern boundary of the 0.04 acre parcel being more particularly described as Tract 19 in the Deed Without Warranty to Mountain Plum LTD in Book 2047 Page 133 of the Official Public Records of Hays County, Texas (Tax Parcel No. R134955);

THENCE, continuing along the southeastern border of the 105.188 acre tract being a portion of that 1062.87 acre tract more particularly described in Book 2047, Page 133 of the Official Public Records of Hays County, Texas (Tax Parcel Nos. R13837, R134155, and R134161);

THENCE, along the southeastern boundary of the Marketplace Ave right-of-way as described in the subdivision plat Plum Creek Phase 1 Lot 1 Block A Business Park;

THENCE, along the southeastern boundary of the 69.725 acre tract being more particularly described in the Deed Without Warranty to Mountain Plum LTD in Book 2047 Page 133 of the Official Public Records of Hays County, Texas (Tax Parcel Nos. R12691, R13408, R13851, R134156, and R134159);

THENCE, continuing along the southern and eastern borders of the lots described in Majestic Industrial Park with the east boundary also being the western right-of-way line of Kyle Crossing, and continuing along the northern boundary of lots 1 and 3 of Majestic Industrial Park, being the same as the southern boundary of Kohlers Crossing right-of-way;

THENCE, continuing along the southern right-of-way of Kohlers Crossing also being the northern boundaries of the afore-mentioned 69.725 acre parcel, Plum Creek Phase 1 Lot 1 Block A Business Park, and the afore-mentioned 105.188 acre parcel, crossing the Union Pacific railroad right-of-way to the northeast corner of Lot 1 Block A of Plum Creek Phase 1 Section 8;

THENCE, north along the western boundary of the Union Pacific Railroad right-of-way to the Kyle city limit line;

THENCE, leaving the railroad right-of-way, following the eastern and northern boundaries of the Kyle city limit line to the point where it intersects the 75 acre parcel being more particularly described in the Deed Without Warranty to Texas-Lehigh Cement Company in Book 609 Page 843 of the Official Public Records of Hays County, Texas (Tax Parcel Nos. R11237 and R127405);

THENCE, following the southern boundary of said 75 acre parcel westward to its intersection with the S FM 1626 right-of-way;

THENCE, crossing the FM 1626 right-of-way and following the western line of said right-of-way in a northerly direction to the BEGINNING for a total of 1482.9 acres, more or less.

~~THENCE, north along the western boundary of the Union Pacific Railroad right-of-way to the Kyle city limit line in the northeastern corner of the 146.736 acre tract being more particularly described in (need a deed reference, owner Mountain Plum LTD) (Tax Parcel No R109017 and R11227);~~

~~THENCE, leaving the railroad right-of-way, following the eastern and northern boundaries of the 146.736 acre parcel, crossing the FM 1626 right-of-way and following the western line of said right-of-way in a northerly direction to the BEGINNING for a total of 1482.9 acres, more or less.~~

The following is a list of Hays Central Appraisal District parcel ID numbers included in the TIRZ:

R102948, R102949, R111489, R11209, R11227, R124075, R124076, R124475, R12691, R127266, R127663, R130335, R130336, R130419, R130421, R130423, R130425, R132398, R132399, R132402, R132408, R13408, R134152, R134153, R134155, R134156, R134159, R134161, R135553, R137936, R138187, R138188, R138189, R138268, R138269, R138270, R138271, R138272, R138273, R138274, R138275, R13837, R13851, R140150, R143792, R144234, R144235, R144236, R144843, R144849, R146068, R146069, R147859, R147860, R147908, R148425, R148426, R151122, R151279, R151283, R151597, R151601, R151602, R151603, R152394, R152412, R155405, R155406, R156298, R156516, R88923, R109017, R11227, R124024, R124066, R124067, R124068, R124069, R124070, R124071, R127267, R130339, R130340, R156457, R156458, R156516, R88919, R88923, R134740. In the event of a conflict between this Exhibit and Exhibit B, Exhibit B shall control.

APPENDIX D
FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

Norton Rose Fulbright US LLP
98 San Jacinto Blvd., Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

June 14, 2023

FINAL

IN REGARD to the authorization and issuance of the "City of Kyle, Texas, Tax Increment Revenue Bonds, Series 2023 (City of Kyle Tax Increment Reinvestment Zone No. 2)" dated June 1, 2023, in the principal amount of $8,265,000 (the "Bonds"), we have examined into their issuance by the City of Kyle, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds have Stated Maturities of August 15 in each of the years 2024 through 2032, August 15, 2034, August 15, 2036, August 15, 2039, August 15, 2043, August 15, 2048, and August 15, 2053, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the "Bond Ordinance") authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Bond Ordinance.

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

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

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Bond Ordinance, are valid, legally binding and enforceable obligations of the City and are payable solely from and equally and ratably secured by a lien on and pledge of the Pledged Property Tax Revenues (as defined in the Ordinance), except to the extent that the enforceability

thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

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

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

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

Norton Rose Fulbright US LLP

APPENDIX E

EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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

(this page intentionally left blank)

RSM

RSM US LLP

Independent Auditor's Report

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

Opinions
We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, 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.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual—General Fund, Notes to Budgetary Comparison Schedule; the Schedule of Contributions-OPEB; Schedule of Changes in the Employers Net OPEB Liability and Related Ratios; the Schedule of Investment Returns-OPEB; the Schedule of Changes in the Total OPEB Liability and Related Ratios-SDBF; the Schedule of Changes in Net Pension Liability and Related Ratios; Schedule of Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, as listed on the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

Austin, Texas
March 15, 2023

The City management is pleased to present the City of Kyle's Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022.

The Management's Discussion and Analysis section of the Annual Comprehensive Financial Report presents a narrative overview and analysis of the financial activities of the City of Kyle for the year ended September 30, 2022. The analysis is intended to assist readers in focusing on key financial issues and changes in the City's financial position and in identifying any significant variances from the approved budget.

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

FINANCIAL HIGHLIGHTS

- The City's total assets and deferred outflows exceeded total liabilities and deferred inflows at the end of fiscal year 2022 resulting in a net position of $431.2 million as of September 30, 2022. Of the total $431.2 million net position, $86.6 million remained unrestricted and is available to meet any future obligations of the City.
- Net position for all governmental activities totaled $192.4 million and $238.9 million for business-type activities at September 30, 2022.
- $25.7 million or 39.2% increase in the combined fund balance totaling $91.4 million for all governmental funds at September 30, 2022 as compared to the prior fiscal year.
- $12.1 million or 57.6% increase in the ending balance of the City's General Fund totaling $33.1 million at September 30, 2022 as compared to the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, planning, economic development, street maintenance, code enforcement, recreation and culture, and solid waste and recycling services. The business-type activities of the City include services provided by the water and wastewater utility system.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. For the fiscal year ending September 30, 2022, the City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $431.2 million.

Below are summary highlights of the City's Net Position as of the end of fiscal year 2022 at September 30, 2022:

- Governmental Activities:
    - ❖ Current and Other Assets increased by $34.6 million or 44.9% primarily from the net results of operations.

- ❖ Capital Assets increased by a net $42.5 million or 26.7% at fiscal year-end. Capital outlay total $37.9 million net of depreciation of $6.6 million.
- ❖ Liabilities increased by a net $42.8 million or 53.7% as a result of debt service payments.

- Business-type Activities:
  - ❖ Current and Other Assets increased by a $3.8 million or 4.7% primarily from the net results of operations.
  - ❖ Capital Assets increased by a net $39.2 million or 25.5%, primarily from wastewater projects.
  - ❖ Total liabilities decreased by a net $1.4 million or 3.6% primarily from an increase in accounts payable, and an increase in the Net Pension Liability.

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

City of Kyle, Texas
Net Position Information
For the Fiscal Year Ended September 30, 2022
(With Comparative Totals for September 30, 2021)

	Government Activities		Business-type Activities		Totals	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Current & other assets	$ 111,449,562	$ 76,891,289	$ 84,111,769	$ 80,353,732	$ 195,561,331	$ 157,245,021
Capital assets	201,979,269	159,457,729	192,613,470	153,439,455	394,592,739	312,897,184
Total assets	$ 313,428,831	$ 236,349,018	$ 276,725,239	$ 233,793,187	$ 590,154,070	$ 470,142,205
Total Deferred Outflow of Resources						
Charge for Refunding	$ 1,218,980	$ 1,371,353	$ -	$ -	$ 1,218,980	$ 1,371,353
Pension Plan	1,739,276	1,341,942	579,762	447,316	2,319,038	1,789,258
OPEB Plan	195,003	205,934	65,006	68,651	260,009	274,585
Total Deferred	$ 3,153,259	$ 2,919,229	$ 644,768	$ 515,967	$ 3,798,027	$ 3,435,196
Liabilities	$ 30,763,732	$ 9,888,377	$ 4,508,903	$ 5,421,113	$ 35,272,635	$ 15,309,490
Non-current liabilities	91,617,786	69,735,163	33,491,194	34,006,450	125,108,980	103,741,613
Total liabilities	$ 122,381,518	$ 79,623,540	$ 38,000,097	$ 39,427,563	$ 160,381,615	$ 119,051,103
Total Deferred Inflow of Resources						
Pension Plan	$ 1,445,471	$ 714,218	$ 481,826	$ 238,074	$ 1,927,297	$ 952,292
OPEB Plan	390,581	471,333	130,195	157,113	520,776	628,446
Total Deferred	$ 1,836,052	$ 1,185,551	$ 612,021	$ 395,187	$ 2,448,073	$ 1,580,738
Net investment in capital assets	$ 127,480,004	$ 120,764,221	$ 159,851,331	$ 133,371,226	$ 287,331,335	$ 254,135,447
Restricted	6,876,878	10,246,683	50,645,129	34,389,374	57,522,007	44,636,057
Unrestricted	58,007,638	27,448,254	28,261,428	26,725,803	86,269,066	54,174,057
Total of Net Position	$ 192,364,520	$ 158,459,158	$ 238,757,888	$ 194,486,403	$ 431,122,408	$ 352,945,561

The largest portion of the City's $431.2 million net position includes $287.2 million or 66.6% 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 $431.2 million net position is its restricted resources totaling $57.5 million or 13.3% to be used for capital improvements. The City's $431.2 million net position also includes resources restricted for special purposes such as for the municipal court and law enforcement in the amount of $0.17 million or 0.04% and $2.3 million or 0.5% for debt service. The remaining balance of the City's $431.2 million net position comprised of unrestricted resources totaling $86.6 million or 20.1% which may be used to meet future obligations of the City of Kyle.

Changes in Net Position

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

This section intentionally left blank.

City of Kyle, Texas
Changes in Net Position Information
For the Fiscal Year Ended September 30, 2022
(With Comparative Totals for September 30, 2021)

	Government Activities		Business-type Activities		Totals	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Revenue						
Program Revenue						
Charges for services	$ 20,059,521	$ 17,024,957	$ 30,286,608	$ 27,494,502	$ 50,346,129	$ 44,519,459
Operating grants and contributions	154,636	3,423,456	2,000,000	-	2,154,636	3,423,456
Capital grants and contributions	-	-	26,213,366	17,391,414	26,213,366	17,391,414
General Revenue						
Property taxes	25,629,065	20,644,058	-	-	25,629,065	20,644,058
Sales tax	14,979,806	12,301,248	-	-	14,979,806	12,301,248
Franchise tax	3,209,076	2,621,203	-	-	3,209,076	2,621,203
Other taxes	789,522	529,112	-	-	789,522	529,112
Contributions not restricted	10,147,595	9,440,632	-	-	10,147,595	9,440,632
Investment earnings	950,162	250,420	-	-	950,162	250,420
Miscellaneous	259,075	54,579	9,226,359	12,363,714	9,485,434	12,418,293
Total Revenue	$ 76,178,458	$ 66,289,665	$ 67,726,333	$ 57,249,630	$ 143,904,791	$ 123,539,295
Expense						
General government	$ 13,422,799	$ 10,763,625	$ -	$ -	$ 13,422,799	$ 10,763,625
Public safety	10,062,483	9,403,212	-	-	10,062,483	9,403,212
Public works	12,926,445	10,259,709	-	-	12,926,445	10,259,709
Culture/Recreation	3,587,831	3,430,725	-	-	3,587,831	3,430,725
Interest on long term debt	2,715,339	2,540,033	-	-	2,715,339	2,540,033
Issuance Costs	-	-	-	-	-	-
Other debt service	432,200	-	-	-	432,200	-
Water	-	-	13,697,635	11,568,421	13,697,635	11,568,421
Wastewater	-	-	7,379,689	6,924,003	7,379,689	6,924,003
Storm Drainage	-	-	1,503,519	1,530,242	1,503,519	1,530,242
Total Expenses	$ 43,147,097	$ 36,397,304	$ 22,580,843	$ 20,022,666	$ 65,727,940	$ 56,419,970
Change in net position before Transfers	$ 33,031,361	$ 29,892,361	$ 45,145,490	$ 37,226,964	$ 78,176,851	$ 67,119,325
Transfers (net)	874,002	10,920,018	(874,002)	(10,920,018)	-	-
Change in net position	33,905,363	40,812,379	44,271,488	26,306,946	78,176,851	67,119,325
Net position - beginning	158,459,158	117,646,779	194,486,404	168,179,458	352,945,562	285,826,237
Net position - ending	$ 192,364,520	$ 158,459,158	$ 238,757,888	$ 194,486,404	$ 431,122,413	$ 352,945,562

Governmental Activities – Government-wide Statements

Governmental activities increased the City's net position by $33.9 million. Key elements of this change in net position are explained below:

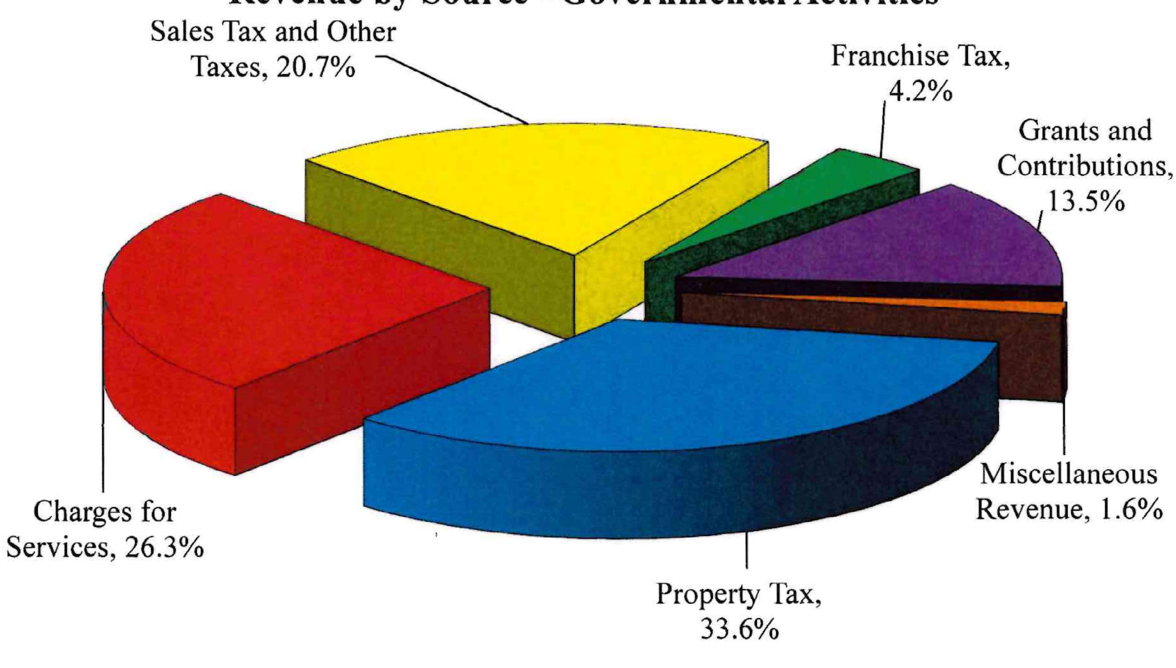
Program Revenue. Total program revenue, which are charges for services, operating grants/contributions and capital grants/contributions decreased by approximately $0.2 million from the prior year due mainly to net increase in charges for services of $3.0 million and net decrease in operating and capital grants/contributions of $3.3 million.

General Revenue. Property taxes, sales tax, franchise fees, and other taxes increased by $8.5 million or 23.6%. Property tax increased by $5.0 million or 24.1%, sales tax increased by $2.7 million or 21.8%, investment earnings increased by $0.70 million or 279.4% and other taxes increased by $0.26 million or 49.2% from the prior fiscal year.

Expenses. Governmental expenses resulted in an overall increase of $6.7 million or 18.5% compared to the prior year. Following are the main reasons for the increase in expenditures:

- General Government increased by $2.7 million or 24.7%.
- Public Safety increased by $0.66 million or 7.0%. This increase is due to the addition of new staff in Public Safety.
- Public Works increased by $2.67 million or 26.0%. This increase is the result of increase in operating costs associated with sanitation and recycling services.
- Culture and Recreation increased by $0.16 million or 4.6% and Bond Interest increased by $0.18 million or 6.9%.
- Water, Wastewater, and Storm Drainage funds increased by $2.1 million or 18.4%.
- The legal level of budgetary control is maintained at the function level.

Revenue by Source - Governmental Activities

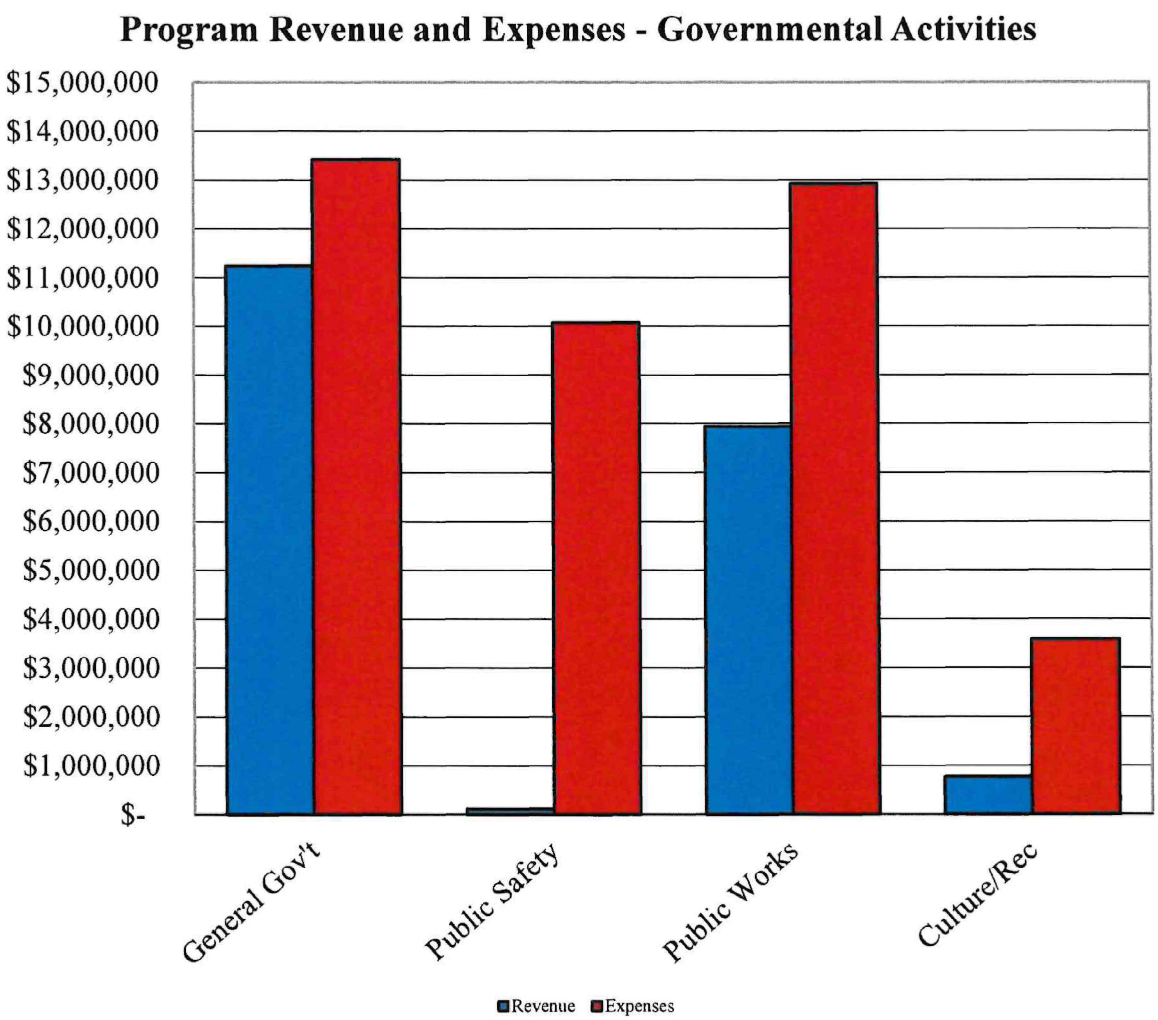


- As shown in the above chart, the primary sources of revenue for governmental activities are from property taxes ($25.6 million or 33.6%), charges for services ($20.1 million or 26.3%), and sales and other tax ($15.8 million or 20.7%).

- 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 $5.0 million or 24.1% between 2021 and 2022. This increase is due to the increase in the certified tax roll for taxable assessed valuations from $3.71 billion in 2021 to $4.27 billion in 2022. The property tax rate adopted effective October 2021 (fiscal year 2022) was $0.5201 per $100 of assessed valuation which is the same rate from the previous year.

- Sales and other taxes which represented $15.8 million or 20.7% of total revenue for governmental activities increased from the prior year.



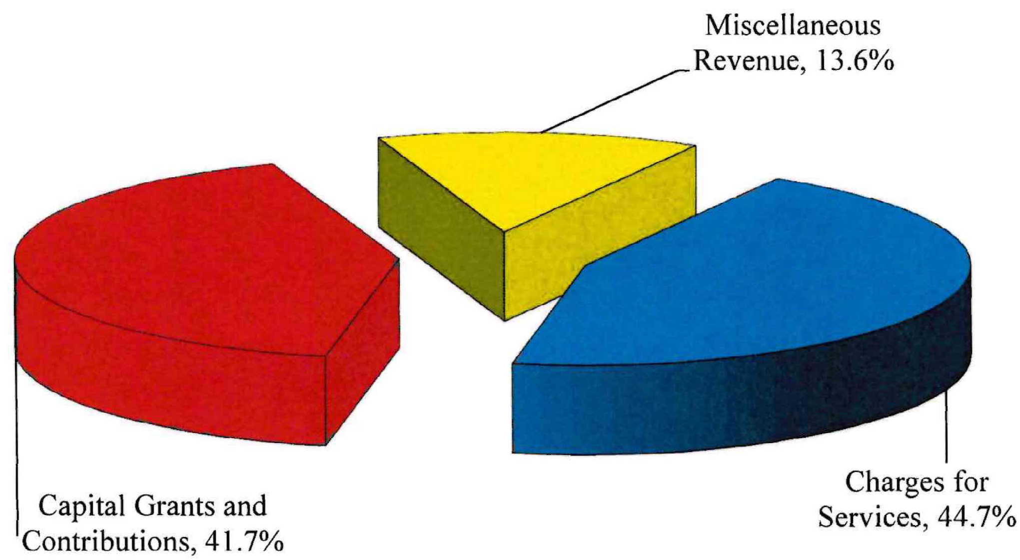
- Based on the chart above General Government is the largest expense function ($13.4 million or 33.6%). This is followed by Public Works ($12.9 million or 32.3%), Public Safety ($10.1 million or 25.2%), and Culture/Recreation ($3.6 million or 9.0%).

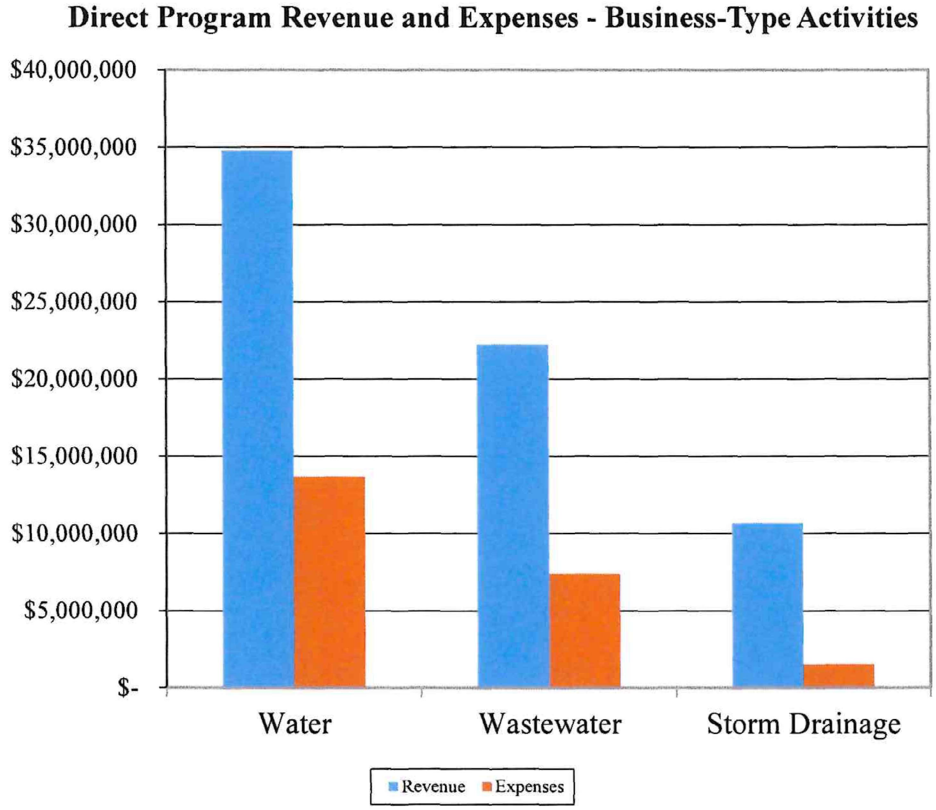
- Interest on Debt and Other Debt Fees do not have a source of program revenue so they are not included in the above chart. The balance of funding for all of the above activities comes from property, sales and other taxes, investment income and transfers from other funds.

Business-Type Activities – Government-wide Statements

Business-type activities increased the City's net position by $44.3 million in fiscal year 2022. This was the net result of $67.7 million in revenue, $22.6 million in expenses, and $0.9 million in transfers out. The two charts below provide similar information as shown previously but only for business-type activities instead of governmental activities.

Revenue by Source - Business-Type Activities





Revenue. Charges for services revenue for business-type activities include City's Water, Wastewater and Storm Drainage Utility operations which increased from the prior year. Revenue from charges for services increased by $2.8 million or 10.2% from the prior year due to the addition of new customers. Contributions for capital grants increased by $8.8 million as compared to the previous year.

Expenses. Business-type expenses totaled $22.6 million, an overall increase of $2.6 million or 12.8% 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, 2022, the City's governmental funds reported combined ending fund balance of $91.4 million. Of this amount $58.2 million is restricted or assigned and the remaining $33.1 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, 2022, the unassigned fund balance totaled $33.1 million. The unassigned General Fund Balance increased by $12.1 million or 57.6% at September 30, 2022 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 99.5% of the levy.

Overall, total General Fund revenue increased by $10.3 million or 25.3% and actual expenditures increased by approximately $4.7 million or 16.3% during fiscal year 2022 as compared to the prior fiscal year 2021. General government functions, which serves as a roll-up for non-specific activities, increased by $2.4 million or 24.9% over the prior year. Public Safety increased by $0.9 million or 9.7%, Culture/Recreation increased by $0.2 million or 6.1% and Public Works increased by $1.9 million or 36.4%. The increase was mainly due to increases to non-CIP capital outlay items.

Budget Variances. All expenditures for the City's General Fund functions and activities were within adopted budget appropriations for fiscal year 2022. The following two charts illustrate first, a breakdown of general governmental activity revenue by source and second, a comparison of program revenue and expenditures by function.

The Debt Service Fund is used to account for financial activity related to the City's general bonded indebtedness, as well as other long-term obligations. Revenues from property taxes used for Debt Service remained steady at $8.3 million in 2022. The related debt service also remained steady at $7.8 million, which is primarily attributable to outstanding debt in 2022.

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 2022, fund balance increased by $16.8 million. The increase in the Capital Projects was mainly due to fund the following projects: (i) paying professional services to plan, design, and construction of the Kyle Public Safety Center, Heroes Memorial and La Verde Park was offset by total transfers in of $8.4 million used to fund these capital projects.

Other Governmental Funds – In addition to the General Fund, Governmental Funds include Special Revenue Funds, Debt Service Fund and Capital Projects Funds. As of September 30, 2022, the all Other Governmental Funds reported combined ending fund balance of $15.8 million. Please refer to Exhibit C-3 on pages 24 and 25 and Exhibit H-2 on pages 85 through 89 of the financial statements for detailed information pending to changes in fund balances for Governmental Funds.

Proprietary Funds

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

Operating revenue for the water fund showed a $2.4 million or 15.6% increase from the prior year, the operating revenue for the wastewater fund showed a $1.3 million or 10.4% decrease from the previous year. The storm drainage fund showed an $0.05 million or 3.2% increase from the previous year. Factors that contributed to the increase in net position are discussed in the business-type activities section of the government-wide statements.

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

The City of Kyle's investment in capital assets for its governmental and business type activities as of September 30, 2022, totaled $393.3 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, 2022 was $80.5 million or 25.7% from the prior year.

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

City of Kyle, Texas
Capital Assets Information
September 30, 2022
(With Comparative Totals for September 30, 2021)

	Government Activities		Business-type Activities		Totals	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Land	$ 5,159,762	$ 4,479,997	$ 691,935	$ 691,935	$ 5,851,697	$ 5,171,932
Buildings	18,622,136	17,724,463	3,139,171	3,139,171	21,761,307	20,863,634
Improvements other than buildings	5,523,866	4,712,632	164,130,105	135,255,761	169,653,971	139,968,393
Machinery and equipment	8,854,528	8,208,663	4,380,021	4,281,970	13,234,549	12,490,633
Infrastructure	181,463,264	164,925,829	-	-	181,463,264	164,925,829
Construction in Progress	53,973,647	25,334,492	60,506,076	47,154,890	114,479,723	72,489,382
Less: Accumulated depreciation	(72,505,554)	(65,928,346)	(40,589,985)	(37,084,271)	(113,095,539)	(103,012,617)
Total	$ 201,091,649	$ 159,457,729	$ 192,257,322	$ 153,439,456	$ 393,348,972	$ 312,897,185

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

- Parks, Public Safety Center improvements and real estate acquisition totaled approximately $34.0 million for the year.
- Design and right-of-way acquisition primarily completed for the road projects.
- Contributed capital is $26.0 million in the Business-Type Activities and $10.6 million in the Government Activities.

Detailed information on capital asset activity for the fiscal year ended September 30, 2022 is provided in Note D to the Financial Statements on pages 49 to 51.

Debt Management

At September 30, 2022, the City's net outstanding debt totaled $131.2 million. This is an increase of approximately $31.8 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, 2022, with a comparison of outstanding debt from the prior year. In addition, please refer to Note F – Long-Term Liabilities on page 52 in the Notes to the Financial Statement for detailed information on the changes in long-term debt.

City of Kyle, Texas
Outstanding Debt Information
September 30, 2022
(With Comparative Totals for September 30, 2021)

	Government Activities		Business-Type Activities		Totals	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Debt obligations	$ 93,920,000	$ 63,840,000	$ 27,485,000	$ 27,990,000	$ 121,405,000	$ 91,830,000
Premium on bonds	4,489,293	2,065,146	5,324,496	5,477,931	9,813,789	7,543,077
Capital lease - Plant	-	-	-	-	-	-
Total	$ 98,409,293	$ 65,905,146	$ 32,809,496	$ 33,467,931	$ 131,218,789	$ 99,373,077

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 2022 showed that the City of Kyle's local economy has been robust 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, 2022 as compared to the prior year:

- 27.4% increase in taxable assessed property valuations.
- 99.0% annual property tax collection rate.
- 24.2% increase in sales tax collections.
- 10.6% increase in building permits.
- 8.0% projected annual increase in population.

Variances in Budget Appropriations
General Fund (Budgetary Basis) - Expenditures

	Original Budget	Final Budget	Actual Results
General Government	$ 11,660,888	$ 11,667,356	$ 12,156,105
Public Safety	11,520,259	11,520,259	10,294,090
Public Works	7,232,164	7,232,164	7,258,898
Culture and Recreation	3,427,643	3,427,643	3,140,624
Capital Outlay	640,000	1,134,112	587,030
	$ 34,480,954	$ 34,981,534	$ 33,436,747

Changes in original budget appropriations to the final amended budget appropriations resulted in a net $0.50 million increase in appropriations. This increase can be summarized by the following:

- General Government and Capital Outlay had a net change of approximately $500,580 increase to adjusted appropriated balances to meet changing needs of the City throughout the year.

Next Year's Budget

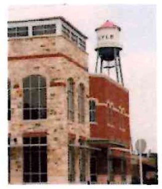
The fiscal year 2023 adopted budget totals $212.8 million and includes $45.8 million for the General Fund to provide public safety, code enforcement, parks, street maintenance, library, and other municipal services to the citizens of Kyle.

The fiscal year 2023 Budget was adopted with a property tax rate of $0.5082 per $100 of assessed taxable valuation. This is the same property tax rate as compared to the prior fiscal year. The fiscal year 2023 adopted budget makes significant investment totaling $124.08 million in the City's capital improvements program. The budget provides for an average 7.0 percent pay increase for civil service employees (police officers), a 20.0 percent pay increase for civilian City employees, compliance with the meet and confer requirements for civil service employees, addition of new positions for police officers, library, public works, code enforcement, and emergency dispatch operations. The budget also provides for new vehicles, trucks, and heavy equipment.

The adopted budget for fiscal year 2023 did not increase rates for water and wastewater services but did include a 2.4 percent rate increase for solid waste collection services based on the contract terms entered into by the City with Texas Disposal Systems.

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS

(this page intentionally left blank)

CITY OF KYLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Pooled Cash and Investments	$ 68,748,457	$ 29,513,129	$ 98,261,586
Receivable (Net)	5,667,616	4,016,641	9,684,257
Due from Other Funds	510,525	(510,525)	-
Prepaid Items	6,727	3,954	10,681
Permanently Restricted:			
Restricted Pooled Cash and Investments	35,940,848	50,896,775	86,837,623
Capital Assets:			
Nondepreciable, Capital Assets	59,133,409	61,198,011	120,331,420
Capital Assets - Net of Accumulated Depreciation	141,958,240	131,059,312	273,017,552
Right-to-Use Lease Assets-Net of Accumulated Depr	887,620	356,147	1,243,767
Net OPEB Asset	575,389	191,795	767,184
Total Assets	313,428,831	276,725,239	590,154,070
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	1,218,980	-	1,218,980
Deferred Outflow Related to Pension Plan	1,739,276	579,762	2,319,038
Deferred Outflow Related to OPEB Plan	195,003	65,006	260,009
Total Deferred Outflows of Resources	3,153,259	644,768	3,798,027
LIABILITIES			
Accounts Payable	5,485,414	2,293,742	7,779,156
Wages and Salaries Payable	472,330	141,747	614,077
Contracts Payable	270,446	-	270,446
Customer Deposits	8,809	1,088,983	1,097,792
Accrued Interest Payable	490,879	286,300	777,179
Unearned Revenues	12,014,804	-	12,014,804
Bonds Payable - Current	10,979,999	520,000	11,499,999
Leases Payable - Current	443,952	178,131	622,083
Other Current Liabilities	2,166	-	2,166
Liabilities Payable from Restricted Assets	594,933	-	594,933
Noncurrent Liabilities:			
Due in More Than One Year:			
Bonds Payable - Noncurrent and Leases	87,938,441	32,493,785	120,432,226
Compensated Absences Payable	1,971,923	428,267	2,400,190
Net Pension Liability	1,707,422	569,142	2,276,564
Total Liabilities	122,381,518	38,000,097	160,381,615
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	1,445,471	481,826	1,927,297
Deferred Inflow Related to OPEB Plan	390,581	130,195	520,776
Total Deferred Inflows of Resources	1,836,052	612,021	2,448,073
NET POSITION			
Net Investment in Capital Assets	127,480,004	159,851,331	287,331,335
Restricted:			
Restricted for Capital Acquistion	-	50,645,129	50,645,129
Restricted for Debt Service	2,301,407	-	2,301,407
Restricted for Tourism and Other Purposes	4,575,471	-	4,575,471
Unrestricted Net Position	58,007,638	28,261,428	86,269,066
Total Net Position	$ 192,364,520	$ 238,757,888	$ 431,122,408

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, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	$ 13,422,799	$ 11,242,740	$ -	$ -
Public Safety	10,062,483	110,207	64,255	-
Public Works	12,926,445	7,935,125	90,381	-
Culture and Recreation	3,587,831	771,449	-	-
Principal on Debt and Right-to-Use Leases	418,037	-	-	-
Interest on Debt and Right-to-Use Leases	2,297,302	-	-	-
Other Debt Service	432,200	-	-	-
Total Governmental Activities	43,147,097	20,059,521	154,636	-
BUSINESS-TYPE ACTIVITIES:				
Water Fund	13,697,635	17,776,396	2,000,000	10,523,851
Wastewater Fund	7,379,689	10,751,876	-	6,755,269
Storm Drainage Fund	1,503,519	1,758,336	-	8,934,246
Total Business-Type Activities	22,580,843	30,286,608	2,000,000	26,213,366
TOTAL PRIMARY GOVERNMENT	$ 65,727,940	$ 50,346,129	$ 2,154,636	$ 26,213,366

General Revenues:
Taxes:
Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
General Sales and Use Taxes
Franchise Tax
Other Taxes
Grants and Contributions
Miscellaneous Revenue
Investment Earnings
Transfers In (Out)
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (2,180,059)	$ -	$ (2,180,059)
(9,888,021)	-	(9,888,021)
(4,900,939)	-	(4,900,939)
(2,816,382)	-	(2,816,382)
(418,037)	-	(418,037)
(2,297,302)	-	(2,297,302)
(432,200)	-	(432,200)
(22,932,940)	-	(22,932,940)
-	16,602,612	16,602,612
-	10,127,456	10,127,456
-	9,189,063	9,189,063
-	35,919,131	35,919,131
(22,932,940)	35,919,131	12,986,191
17,187,513	-	17,187,513
8,441,552	-	8,441,552
14,979,806	-	14,979,806
3,209,076	-	3,209,076
789,522	-	789,522
10,147,595	-	10,147,595
259,075	9,226,359	9,485,434
950,162	-	950,162
874,002	(874,002)	-
56,838,303	8,352,357	65,190,660
33,905,363	44,271,488	78,176,851
158,459,157	194,486,400	352,945,557
$ 192,364,520	$ 238,757,888	$ 431,122,408

CITY OF KYLE
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Capital Projects
ASSETS			
Pooled Cash and Investments	$ 30,729,649	$ -	$ 16,396,569
Restricted Pooled Cash and Cash Equivalents	-	2,328,719	27,131,632
Receivable (Net)	5,323,995	146,451	-
Due from Other Funds	510,704	-	-
Prepaid Items	6,727	-	-
Total Assets	$ 36,571,075	$ 2,475,170	$ 43,528,201
LIABILITIES			
Accounts Payable	$ 1,643,569	$ 73,013	$ 3,487,484
Wages and Salaries Payable	472,335	-	-
Contracts Payable	220,446	-	-
Customer Deposits	8,809	-	-
Due to Other Funds	179	-	-
Unearned Revenues	-	-	-
Other Current Liabilities	2,166	-	-
Liabilities Payable from Restricted Assets	594,933	-	-
Total Liabilities	2,942,437	73,013	3,487,484
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	137,163	100,750	-
Deferred Inflows - Unavailable Revenue	363,000	-	-
Total Deferred Inflows of Resources	500,163	100,750	-
FUND BALANCES			
Nonspendable Fund Balance:			
Prepaid Items	6,727	-	-
Restricted Fund Balance:			
Restricted Fund Balance - Tourism and Other	-	-	-
Restricted Fund Balance - Debt Service	-	2,301,407	-
Restricted Fund Balance - Capital Projects	-	-	24,503,410
Assigned Fund Balance:			
Assigned Fund Balance - Capital Projects	-	-	15,537,307
Unassigned Fund Balance	33,121,748	-	-
Total Fund Balances	33,128,475	2,301,407	40,040,717
Total Liabilities, Deferred Inflows & Fund Balances	$ 36,571,075	$ 2,475,170	$ 43,528,201

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

General Government Grants	Other Funds	Total Governmental Funds
$ 12,123,224	$ 9,499,015	$ 68,748,457
-	6,480,497	35,940,848
900	196,270	5,667,616
-	-	510,704
-	-	6,727
$ 12,124,124	$ 16,175,782	$ 110,874,352
$ 2,809	$ 278,539	$ 5,485,414
(5)	-	472,330
-	50,000	270,446
-	-	8,809
-	-	179
12,014,804	-	12,014,804
-	-	2,166
-	-	594,933
12,017,608	328,539	18,849,081
-	-	237,913
-	-	363,000
-	-	600,913
-	-	6,727
106,517	4,468,954	4,575,471
-	-	2,301,407
-	3,312,659	27,816,069
-	8,068,304	23,605,611
-	(2,674)	33,119,074
106,517	15,847,243	91,424,359
$ 12,124,125	$ 16,175,782	$ 110,874,353

(this page intentionally left blank)

CITY OF KYLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	$	91,424,359
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		107,171,649
Some assets, liabilites and deferred outflows/inflows, reported in the statement of net position do not require the use or provide current financial resources and, therefore, are not reported in the balance sheet in governmental funds.		(6,231,488)

Deferred Charge on Refunding	$1,218,980
Unamortized Premiums	(4,489,293)
Net Pension Liability	(1,707,422)
Deferred Inflows Property Tax	237,913
Compensated Absences	(1,971,923)
Pension Plan Deferred Inflows	(1,445,471)
Pension Plan Deferred Outflows	1,739,276
Deferred Inflows	363,000
Interest Accrual	(490,879)
Net OPEB Asset	575,389
OPEB Plan Deferred Outflows	195,003
OPEB Plan Deferred Inflows	(390,581)
Right-to-Use Assets	(65,480)
Subtotal	$(6,231,488)

Net Position of Governmental Activities	$	192,364,520

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

CITY OF KYLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	$ 16,648,228	$ 8,340,802	$ -
General Sales and Use Taxes	14,979,806	-	-
Franchise Tax	3,131,409	-	-
Other Taxes	121,372	-	-
Licenses and Permits	6,755,537	-	-
Intergovernmental Revenue and Grants	24,213	-	-
Charges for Services	7,760,514	-	-
Fines	505,183	-	-
Special Assessments	-	-	-
Investment Earnings	949,992	-	-
Contributions & Donations from Private Sources	54,133	-	125,000
Other Revenue	238,906	-	-
Total Revenues	51,169,293	8,340,802	125,000
EXPENDITURES:			
Current:			
General Government	12,113,981	-	86,084
Public Safety	9,992,191	-	-
Public Works	7,208,199	-	-
Culture and Recreation	3,117,310	-	-
Debt Service:			
Principal on Debt and Right-to-Use Leases	418,037	5,490,000	-
Interest on Debt and Right-to-Use Leases	-	2,349,040	-
Other Debt Service	-	-	432,200
Capital Outlay:			
Capital Outlay	842,625	-	31,967,388
Total Expenditures	33,692,343	7,839,040	32,485,672
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,476,950	501,762	(32,360,672)
OTHER FINANCING SOURCES (USES):			
Issuance of Bonds	-	-	35,570,000
Transfers In	2,271,699	856,362	8,604,932
Premium or Discount on Issuance of Bonds	-	-	2,993,973
Other Sources - Leases	255,595	-	-
Transfers Out (Use)	(7,901,478)	(2,541,461)	(200,000)
Total Other Financing Sources (Uses)	(5,374,184)	(1,685,099)	46,968,905
Net Change in Fund Balances	12,102,766	(1,183,337)	14,608,233
Fund Balance - October 1 (Beginning)	21,025,709	3,484,744	25,432,484
Fund Balance - September 30 (Ending)	$ 33,128,475	$ 2,301,407	$ 40,040,717

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

General Government Grants	Other Funds	Total Governmental Funds
$ -	$ 402,122	$ 25,391,152
-	-	14,979,806
-	77,667	3,209,076
-	668,150	789,522
-	-	6,755,537
127,599	2,824	154,636
-	3,260,183	11,020,697
-	-	505,183
-	1,543,121	1,543,121
-	170	950,162
-	55,850	234,983
-	12,868	251,774
127,599	6,022,955	65,785,649
89	288,199	12,488,353
62,873	-	10,055,064
-	-	7,208,199
248	30,000	3,147,558
-	-	5,908,037
-	-	2,349,040
-	-	432,200
-	5,334,297	38,144,310
63,210	5,652,496	79,732,761
64,389	370,459	(13,947,112)
-	-	35,570,000
18,617	744,468	12,496,078
-	-	2,993,973
-	-	255,595
-	(979,137)	(11,622,076)
18,617	(234,669)	39,693,570
83,006	135,790	25,746,458
23,511	15,711,453	65,677,901
$ 106,517	$ 15,847,243	$ 91,424,359

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, 2022

Total Net Change in Fund Balances - Governmental Funds	$	25,746,458
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 2015 capital outlays and debt principal payments is to increase (decrease) the change in net position.		43,378,715
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(6,577,208)
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.		(28,642,603)
Change in Net Position of Governmental Activities	$	33,905,363

Capital Outlay	$37,888,715
Debt Service Payments	5,490,000
Total	$43,378,715

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

CITY OF KYLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
ASSETS				
Current Assets:				
Pooled Cash and Investments	$ 15,764,600	$ 9,795,698	$ 3,952,831	$ 29,513,129
Receivable (Net)	1,593,949	2,104,657	318,035	4,016,641
Due from Other Funds	54,644	1,219,848	4,063	1,278,555
Prepaid Items	1,462	1,335	1,157	3,954
Total Current Assets	17,414,655	13,121,538	4,276,086	34,812,279
Noncurrent Assets:				
Restricted Pooled Cash and Investments	22,368,339	28,528,436	-	50,896,775
Capital Assets:				
Nondepreciable, Capital Assets	3,474,992	57,503,175	219,844	61,198,011
Capital Assets - Net of Accumulated Depreciation	47,310,780	48,752,029	34,996,503	131,059,312
Right-to-Use Lease Assets - Net of Accumulated Dep	255,937	100,210	-	356,147
Net OPEB Asset	84,390	61,375	46,030	191,795
Total Noncurrent Assets	73,494,438	134,945,225	35,262,377	243,702,040
Total Assets	90,909,093	148,066,763	39,538,463	278,514,319
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pension Plan	255,096	185,524	139,142	579,762
Related to OPEB Plan	28,603	20,800	15,603	65,006
Total Deferred Outflows of Resources	283,699	206,324	154,745	644,768
LIABILITIES				
Current Liabilities:				
Accounts Payable	697,424	1,543,390	52,928	2,293,742
Wages and Salaries Payable	70,000	52,836	18,911	141,747
Customer Deposits	745,642	343,341	-	1,088,983
Due to Other Funds	1,756,590	32,491	-	1,789,081
Accrued Interest Payable	-	286,300	-	286,300
Bonds Payable - Current	-	520,000	-	520,000
Leases Payable - Current	128,010	50,121	-	178,131
Total Current Liabilities	3,397,666	2,828,479	71,839	6,297,984
Noncurrent Liabilities:				
Bonds Payable - Noncurrent	-	32,289,496	-	32,289,496
Leases Payable - Noncurrent	146,808	57,481	-	204,289
Compensated Absences Payable	198,346	199,340	30,581	428,267
Net Pension Liability	250,423	182,126	136,593	569,142
Total Noncurrent Liabilities	595,577	32,728,443	167,174	33,491,194
Total Liabilities	3,993,243	35,556,922	239,013	39,789,178
DEFERRED INFLOWS OF RESOURCES				
Related to Pension Plan	212,004	154,185	115,637	481,826
Related to OPEB Plan	57,284	41,664	31,247	130,195
Total Deferred Inflows of Resources	269,288	195,849	146,884	612,021
NET POSITION				
Net Investment in Capital Assets	50,894,901	73,740,083	35,216,347	159,851,331
Restricted for Capital Improvement - Impact Fee	22,368,339	28,276,790	-	50,645,129
Unrestricted Net Position	13,667,021	10,503,443	4,090,964	28,261,428
Total Net Position	$ 86,930,261	$ 112,520,316	$ 39,307,311	$ 238,757,888

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, 2022

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
OPERATING REVENUES:				
Charges for Services	$ 17,776,396	$ -	$ -	$ 17,776,396
Charges for Sewerage Service	-	10,751,876	-	10,751,876
Storm Drainage Fee	-	-	1,758,336	1,758,336
Rents and Royalties	45,520	-	-	45,520
Other Revenue	108,745	95,547	-	204,292
Total Operating Revenues	17,930,661	10,847,423	1,758,336	30,536,420
OPERATING EXPENSES:				
Personnel Services - Salaries and Wages	2,685,108	2,189,412	562,942	5,437,462
Purchased Professional & Technical Services	8,796,292	2,477,418	135,425	11,409,135
Other Operating Costs	761,710	386,158	4,483	1,152,351
Depreciation	1,444,415	2,051,987	800,669	4,297,071
Total Operating Expenses	13,687,525	7,104,975	1,503,519	22,296,019
Operating Income	4,243,136	3,742,448	254,817	8,240,401
NONOPERATING REVENUES (EXPENSES):				
Contributions & Donations from Private Sources	2,000,000	-	-	2,000,000
Other Non-Operating Revenues - Impact Fees	4,309,941	4,666,606	-	8,976,547
Gain on Sale of Real and Personal Property	-	760,343	-	760,343
Interest Expense	(10,110)	(1,035,057)	-	(1,045,167)
Total Nonoperating Revenue (Expenses)	6,299,831	4,391,892	-	10,691,723
Income Before Contributions & Transfers	10,542,967	8,134,340	254,817	18,932,124
Capital Contributions	10,523,851	6,755,269	8,934,246	26,213,366
Transfers In	5,784,300	23,598,809	2,291,732	31,674,841
Transfers Out (Use)	(6,533,302)	(24,248,809)	(1,766,732)	(32,548,843)
Change in Net Position	20,317,816	14,239,609	9,714,063	44,271,488
Total Net Position - October 1 (Beginning)	66,612,445	98,280,707	29,593,248	194,486,400
Total Net Position - September 30 (Ending)	$ 86,930,261	$ 112,520,316	$ 39,307,311	$ 238,757,888

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

CITY OF KYLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 17,803,191	$ 10,536,347	$ 1,726,056	$ 30,065,594
Payments to Suppliers	(8,966,730)	(4,753,594)	(94,637)	(13,814,961)
Payment to Employees	(2,602,769)	(2,092,985)	(571,933)	(5,267,687)
Net cash provided by operating activities	$ 6,233,692	$ 3,689,768	$ 1,059,486	$ 10,982,946
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Payments (advances) from other funds	$ -	$ -	$ (1,003)	$ (1,003)
Transfers in	5,784,300	23,598,809	2,291,732	31,674,841
Transfers out	(6,533,302)	(24,248,809)	(1,766,732)	(32,548,843)
Net cash provided (used) by non-capital financing activities	$ (749,002)	$ (650,000)	$ 523,997	$ (875,005)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond and Lease Payments	$ -	$ (662,223)	$ -	$ (662,223)
Contributions	2,000,000	-	-	2,000,000
Purchase of Capital Assets	(778,848)	(15,239,111)	(97,001)	(16,114,960)
Interest expenses	(10,110)	(1,035,057)	-	(1,045,167)
Impact fees	4,309,941	4,666,606	-	8,976,547
Net cash provided (used) by capital and related financing activities	$ 5,520,983	$ (12,269,785)	$ (97,001)	$ (6,845,803)
Net increase (decrease) in cash and cash equivalents	$ 11,005,673	$ (9,230,017)	$ 1,486,482	$ 3,262,138
Cash and cash equivalents - beginning of year	$ 27,127,266	$ 47,554,152	$ 2,466,348	$ 77,147,766
Cash and cash equivalents - end of year	$ 38,132,939	$ 38,324,135	$ 3,952,830	$ 80,409,904
Noncash flow information				
Capital Contribution	$ 10,523,851	$ 6,755,269	$ 8,934,246	$ 26,213,366

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

CITY OF KYLE, TEXAS
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 4,243,136	$ 3,742,448	$ 254,817	$ 8,240,401
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	$ 1,444,415	$ 2,051,987	$ 800,669	$ 4,297,071
Changes in assets and liabilities				
Prepaid Items	$ (227)	$ (227)	$ 796	$ 342
Accounts receivable	(300,657)	(288,746)	(32,280)	(621,683)
Accounts payable	591,499	(1,889,791)	44,475	(1,253,817)
Wages and salaries payable	111,548	117,670	6,942	236,160
Customer deposits	173,187	(22,330)	-	150,857
OPEB Asset	55,636	40,462	30,347	126,445
Pension Liability	(123,580)	(89,876)	(67,407)	(280,863)
OPEB Liability	-	-	-	-
Deferred Outflows	(56,672)	(41,216)	(30,913)	(128,801)
Deferred Inflows	95,407	69,387	52,040	216,834
Net cash provided by operating activities	$ 6,233,692	$ 3,689,768	$ 1,059,486	$ 10,982,946

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

City of Kyle
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2022

		OPEB Trust Fund
ASSETS		
Cash and cash equivalents	$	5,834
Investments		1,782,394
Total assets	$	1,788,228
LIABILITIES		
Other liability	$	-
Total liabilities	$	-
NET POSITION		
Net position restricted for OPEB	$	1,788,228
Total net position	$	1,788,228

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

City of Kyle
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the year ended September 30, 2022

	OPEB Trust Fund
ADDITIONS	
Contributions	$ -
Net Investments income	12,429
Interest and dividends (includes fair value changes)	(460,027)
Total Additions	$ (447,598)
DEDUCTIONS	
Benefit payments	$ (12,617)
Administrative expenses	-
Total Deductions	$ (12,617)
Change in net position	$ (460,215)
NET POSITION, beginning	$ 2,248,443
NET POSITION, ending	$ 1,788,227

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

A. Reporting Entity (Cont'd)

Future GASB Statement Implementations

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied as a lien attaches to the real property by operation of law. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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 General Government Grants Funds – is used to account for all Federal and State grants received by the City.

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

The City reports the following major enterprise funds:

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

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

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

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

Governmental Funds:

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

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

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

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

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

Cash and Cash Equivalents - Investments

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.

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 amortized cost. The City's policy is to report local government investment pools, and Securities and Exchange Commission ("SEC") registered money market mutual funds at fair value using net asset value (NAV) or amortized cost if the pool meets the requirements of GASB Statement No. 79. The City carries investments in debt securities with maturities in excess of one year at fair value using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, and fixed income security pricing models. The City carries investments in debt securities with original maturities of one year or less at the date of purchase at amortized cost.

Short-term Interfund Receivables/Payables

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

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

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Restricted Assets

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

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

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Construction in progress will be reclassified into its respective asset category upon completion and the asset is placed in service.

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

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

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

Assets	Years
Buildings and improvements	25 to 40
Waterworks and wastewater systems	10 to 50
Infrastructure	20 to 33
Machinery and equipment	5 to 10
Right to use assets	3 to 5

Compensated Absences

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

1. An employee that terminates employment for any reason other than death, or being granted a retirement or disability allowance by the Texas Municipal Retirement System (TMRS) or the Social Security Administration (SSA), shall not be paid for unused sick leave.

2. An employee having at least 10 years of service with the City who is granted a retirement or a disability allowance by TMRS or SSA, or who dies, is entitled to a partial payment for up to 480 hours of unused sick leave accrued to such employee. The partial payment to the employee or the employee's beneficiary shall be as follows: (A) an amount equal to thirty percent (30%) of the value of such accrued, unused sick leave will be paid for 10 years of service; and (B) the amount to be paid for such unused sick leave shall increase by 2% for each year of service as an employee of the City, if any, in excess of 10 years.

3. An employee covered under the agreement between the City and the Kyle Police Association may be paid for their unused sick leave, in accordance with the agreement.

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

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

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

Leases

The City follows GASB Statement No. 87 Leases which defines the City's leasing arrangement as the right to use an underlying asset as a Lessor or Lessee.

As lessee, the City recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. The right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. The City calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability.

As a lessee or lessor, the City does not consider variable lease payments in the lease liability and lease receivable calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

For lease contracts that are short-term, the City recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Long-term Obligations

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

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

Fund Balance

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

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

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

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

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

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

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

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

At September 30, 2022, the City has the following fund balance classifications:

	General Fund	Debt Service Fund	Capital Projects Fund	General Government Grants	Nonmajor Governmental Fund	Total
Fund Balance						
Non-Spendable Prepaids	$ 6,727	$ -	$ -	$ -	$ -	$ 6,727
Restricted:						
Capital Projects	$ -	$ -	$ 24,503,410	$ -	$ -	$ 24,503,410
Debt Service	-	2,301,407	-	-	-	2,301,407
General Government Grants	-	-	-	106,517	-	106,517
Road Improvement - Capital Projects	-	-	-	-	3,312,659	3,312,659
Tourism and Other	-	-	-	-	4,468,954	4,468,954
	$ 6,727	$ 2,301,407	$ 24,503,410	$ 106,517	$ 7,781,613	$ 34,699,674
Assigned:						
Capital Projects	$ -	$ -	$ 15,537,307	$ -	$ 8,068,304	$ 23,605,611
Unassigned:						
Unassigned	$ 33,121,748	$ -	$ -	$ -	$ (2,674)	$ 33,119,074
	$ 33,128,475	$ 2,301,407	$ 40,040,717	$ 106,517	$ 15,847,243	$ 91,424,359

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

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

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

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

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

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

Pension

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

Other Postemployment Benefits

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

Deferred Outflows and Inflows of Resources – The City has classified as deferred outflows of resources certain items that represent a consumption of net assets 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

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

Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

	Historic Cost	Accumulated Depreciation	Net Value End of Year	Change in Net Position
Capital Assets - End of Year				
Non-Depreciable Assets	$ 59,133,409	$ -	$ 59,133,409	
Depreciable Assets	214,463,794	72,505,554	141,958,240	
Change in Net Position	$ 273,597,203	$ 72,505,554	$ 201,091,649	201,091,649
Long-term Debt - End of Year				
Bonds Payable			$ 93,920,000	
Change in Net Position			$ 93,920,000	(93,920,000)
Net Adjustment to Net Position				$ 107,171,649

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

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

	Adjustment to Change in Net Position
Other	$ 35,116
Payments on Leases	418,037
Amortization of Bond Premiums	438,053
General Fund Contributed Capital	10,147,595
Compensated Absences	(691,920)
Pension Expense	842,593
OPEB Expense	(309,514)
Lease Payable	(255,595)
Interest Accrual	(198,880)
Deferred Charged for Refunding	(152,373)
2022 GO Bond Proceeds	(35,570,000)
2022 GO Bond Premium	(2,862,200)
Right-to-Use Assets Amortization	(483,516)
	$ (28,642,603)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

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

1. Sixty days prior to October 1st, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to the third Tuesday of September, the budget is legally enacted through passage of a resolution by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council. Amendments are presented to the council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end. Because the City has a policy of careful budgetary control, several amendments were necessary during the year.

4. The legal level of budgetary control is at the function level. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end. Amounts encumbered prior to year-end will lapse 3 months after year end.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the City had the following Pooled cash, cash and cash equivalents and investments:

	Pooled cash and investments	
	Unrestricted	Restricted
General Fund	$ 30,729,649	$ -
Debt Service	-	2,328,719
Capital Projects	16,396,569	27,131,632
General Government Grants	12,123,224	-
Nonmajor Governmental Funds	9,499,015	6,480,497
Water Fund	15,764,600	22,368,339
Wastewater Fund	9,795,698	28,528,436
Storm Drainage Fund	3,952,831	-
	$ 98,261,586	$ 86,837,623
Fiduciary Funds	$ 1,788,228	
Total pooled cash, cash equivalents and investments	$ 186,887,437	
Total Investments		
TexPool	$ 33,940,125	
TexSTAR	126,089,963	
Money Market Fund	380,266	
Royal BK Commercial Paper	4,969,576	
J.P. Morgan Securities	2,483,486	
United States Treasury Note	2,965,547	
J.P. Morgan Commercial Paper	2,904,343	
Federal Home Loan Bank	3,951,812	
Total Investments	$ 177,685,117	
ADD:		
Money Market Fund and Deposits	7,414,092	
	$ 185,099,209	
Cash Equivalent and Mutual Fund	$ 1,788,228	
Total pooled cash, and investments	$ 186,887,437	

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

A. Deposits and Investments (Cont'd)

Texas Local Government Investment Pool

Texas Local Government Investment Pool ("TexPool") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard & Poor's and had a weighted average maturity of 24 days as of September 30, 2022.

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

TexSTAR Investment Pool

TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created through a contract among its participating governmental units, and is governed by a board of directors to provide for the joint investment of participants' public funds and funds under their control. TexSTAR is managed by J.P. Morgan Investment Management, Inc., an affiliate of JP Morgan Chase Bank, N.A. a national banking association, and First Southwest Asset Management, Inc., an affiliate of Texas based First Southwest Company. TexSTAR's investment manager will maintain the dollar-weighted average maturity of sixty (60) days or less, and the maximum stated maturity for any obligation of the United States, its agencies, or instrumentalities is limited to 397 days for fixed rate securities and 24 months for variable rate notes. TexSTAR is rated AAAm by Standard and Poor's and had a weighted average maturity of 38 days at September 30, 2022.

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

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

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

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

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

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

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

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, 2022, the City's investment of $17,274,764 in agency securities, commercial paper and municipal bonds are measured at amortized cost, as the original maturity of the security at the date of purchase was less than one year. Also, the City's investment in TexPool $33,940,125 is carried at amortized cost. Accordingly, the City is not required to disclose these investments within the GASB Statement No. 72 hierarchy for investments.

As of September 30, 2022, the City's investment of $126,089,963 in TexSTAR is carried at fair value using published NAV which is based on fair value of the underlying investments.

The City's investment in the Wells Fargo Government Money Market Fund of $380,266 is carried at fair value using published NAV of the fund. The City's investment in this fund is classified in level 1. This fund invests in fixed income securities seeking current income while preserving capital and liquidity. The City's OPEB Trust fund investment of $1,782,394 are in mutual funds and are carried at fair value using published NAV. The City's OPEB Trust investments are classified in level 1.

Interest Rate Risk: Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to a maximum of 180 days. At September 30, 2022 the City holds $17,274,764 of agency securities, commercial paper and municipal bonds, with a weighted average maturity of its investment portfolio of 230 days.

Custodial Credit Risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2022, 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. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside third party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the City and are held by the counterparty, its trust or agent, but not in the City's name. The City's investment securities are not exposed to custodial risk because all securities held by the City's custodial banks are in the City's name.

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy requires the investment portfolio be diversified in terms of investment instruments, maturities and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific maturity or specific issuer. As of September 30, 2022, the City had no investments exposed to concentration of credit risk.

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

B. Receivables

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

	Governmental Funds							
	General	Debt Service	General Gov't Grants	Other	Water	Wastewater	Storm Drainage	Total
Receivables:								
Accounts:								
Customers	$ 1,305,246	$ -	$ -	$ -	$ 2,348,999	$ 2,512,661	$ 404,651	$ 6,571,557
Court Warrants Receivable	2,337,156	-	-	-	-	-	-	2,337,156
Developers	8,397	-	-	-	-	-	-	8,397
Property Tax	202,610	146,451	-	-	-	-	-	349,060
Sales Tax	2,656,213	-	-	-	-	-	-	2,656,213
Franchise/Access	626,206	-	-	-	-	-	-	626,206
Other	677,510	-	900	196,270	-	-	-	874,680
Gross Receivables	$ 7,813,337	$ 146,451	$ 900	$ 196,270	$ 2,348,999	$ 2,512,661	$ 404,651	$ 13,423,268
Less: Allowance for Uncollectibles	(2,489,343)	-	-	-	(755,051)	(408,004)	(86,616)	(3,739,014)
Net Receivables	$ 5,323,995	$ 146,451	$ 900	$ 196,270	$ 1,593,949	$ 2,104,657	$ 318,035	$ 9,684,257

C. Property Taxes

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

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

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

D. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

Governmental Activities:	Balance 10/1/2021	Additions	Disposals/ Transfers	Balance 9/30/2022
Capital assets not being depreciated:				
Land	$ 4,479,997	$ 699,987	$ (20,221)	$ 5,159,762
Construction in progress	25,334,492	36,088,104	(7,448,949)	53,973,647
Total capital assets not being depreciated	$ 29,814,489	$ 36,788,090	$ (7,469,170)	$ 59,133,409
Capital assets being depreciated:				
Buildings	$ 17,724,463	$ 897,673	$ -	$ 18,622,136
Improvements other than buildings	4,712,632	864,378	(53,144)	5,523,866
Infrastructure	164,925,829	16,537,435	-	181,463,264
Machinery and equipment	8,208,663	651,434	(5,569)	8,854,528
Total capital assets being depreciated	$ 195,571,587	$ 18,950,920	$ (58,713)	$ 214,463,794
Accumulated depreciation:				
Buildings	$ (5,603,953)	$ (519,362)	$ -	$ (6,123,316)
Improvements other than buildings	(3,487,600)	(191,748)	-	(3,679,348)
Infrastructure	(52,321,347)	(5,439,372)	-	(57,760,719)
Machinery and equipment	(4,515,446)	(426,726)	-	(4,942,172)
Total accumulated depreciation	$ (65,928,346)	$ (6,577,208)	$ -	$ (72,505,554)
Total capital assets being depreciated (net)	$ 129,643,241	$ 12,373,712	$ (58,713)	$ 141,958,240
Governmental activities capital assets (net)	$ 159,457,729	$ 49,161,802	$ (7,527,883)	$ 201,091,649

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

D. Capital Assets (Cont'd)

Business Type Activities:	Balance 10/1/2021	Additions	Disposals/ Transfers	Balance 9/30/2022
Capital assets not being depreciated:				
Land				
Water	$ 415,161	$ -	$ -	$ 415,161
Wastewater	276,774	-	-	276,774
Construction in progress				
Water	3,470,873	775,961	(1,187,003)	3,059,831
Wastewater	43,480,905	16,537,229	(2,791,734)	57,226,401
Storm Drainage	203,111	16,732	-	219,844
Total capital assets not being depreciated	$ 47,846,825	$ 17,329,922	$ (3,978,736)	$ 61,198,010
Capital assets being depreciated:				
Buildings				
Water	$ 39,619	$ -	$ -	$ 39,619
Wastewater	3,099,552	-	-	3,099,552
Improvements other than buildings				
Water	51,384,964	11,712,401	-	63,097,365
Wastewater	56,727,006	8,259,276	(31,578)	64,954,703
Storm Drainage	27,143,791	8,934,246	-	36,078,037
Machinery and equipment				
Water	1,337,896	23,783	(3,000)	1,358,679
Wastewater	1,562,306	-	(3,000)	1,559,306
Storm Drainage	1,381,768	80,268	-	1,462,036
Total capital assets being depreciated	$ 142,676,902	$ 29,009,974	$ (37,578)	$ 171,649,297
Accumulated depreciation:				
Buildings				
Water	(18,398)	(1,587)	-	$ (19,985)
Wastewater	(1,148,737)	(62,718)	791,922	(419,533)
Improvements other than buildings				
Water	(14,848,856)	(1,375,340)	-	(16,224,196)
Wastewater	(17,458,793)	(1,905,909)	-	(19,364,702)
Storm Drainage	(1,299,416)	(669,772)	-	(1,969,188)
Machinery and equipment				
Water	(872,650)	(68,052)	-	(940,702)
Wastewater	(993,937)	(83,361)	-	(1,077,298)
Storm Drainage	(443,484)	(130,897)	-	(574,381)
Total accumulated depreciation	$ (37,084,271)	$ (4,297,636)	$ 791,922	$ (40,589,985)
Total capital assets being depreciated (net)	$ 105,592,631	$ 24,712,338	$ 754,343	$ 131,059,312
Business type activities capital assets (net)	$ 153,439,455	$ 42,042,260	$ (3,224,393)	$ 192,257,322

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	$	423,555
Public Safety		93,720
Public Works		5,620,163
Culture and Recreation		439,769
Total Depreciation Expense - Governmental Activities	$	6,577,208

Business Type Activities:		
Water	$	1,444,979
Wastewater		2,051,987
Storm Drainage		800,669
Total Depreciation Expense - Business Type Activities	$	4,297,636

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2022, is as follows:

	Due from				
Due to	General Fund	Water	Wastewater	Storm Drainage	**Total**
General Fund	$ -	$ 510,704	$ -	$ -	$ 510,704
Water	179	21,975	32,491	-	54,644
Wastewater	-	1,219,848	-	-	1,219,848
Storm Drainage	-	4,063	-	-	4,063
Total	$ 179	$ 1,756,590	$ 32,491	$ -	$ 1,789,259

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

Interfund and intrafund transfers during the year ended September 30, 2022, are as follows:

	Transfers out							
Transfers In	General Fund	Debt Service	Capital Projects	Other Funds	Water Fund	Wastewater Fund	Storm Drainage	**Total**
General Fund	$ 200,000	$ -	$ -	$ 771,699	$ 650,000	$ 650,000	$ -	$ 2,271,699
Debt Service Fund	-	856,362	-	-	-	-	-	856,362
Capital Projects	6,814,492	1,500,000	-	191,438	99,002	-	-	8,604,932
Grant Funds	18,617	-	-	-	-	-	-	18,617
Other Funds	343,369	185,099	200,000	16,000	-	-	-	744,468
Water Fund	-	-	-	-	5,784,300	-	-	5,784,300
Wastewater Fund	-	-	-	-	-	23,598,809	-	23,598,809
Storm Drainage Fund	525,000	-	-	-	-	-	1,766,732	2,291,732
	$ 7,901,478	$2,541,461	$ 200,000	$ 979,137	$ 6,533,302	$24,248,809	$ 1,766,732	$44,170,919

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

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

F. Long-term Liabilities

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2022, was as follows:

	Balance, restated 10/1/2021	Additions	Reduction/ Refunded	Balance 9/30/2022	Due Within One Year
Governmental Activities:					
Bonded Indebtedness	$ 63,840,000	$ 35,570,000	$ 5,490,000	$ 93,920,000	$ 10,979,999
Premium on Bond Issuance	2,065,146	2,993,973	569,826	4,489,293	-
Lease Payable	1,115,541	255,595	418,037	953,099	443,952
Net Pension Liability	2,550,013	3,721,109	4,563,701	1,707,420	-
Compensated Absences	1,280,003	1,446,533	754,613	1,971,923	-
Total Governmental Activities	$ 70,850,703	$ 43,987,210	$ 11,796,178	$ 103,041,735	$ 11,423,951

	Balance, restated 10/1/2021	Additions	Reduction/ Refunded	Balance 9/30/2022	Due Within One Year
Business Type Activities:					
Bonded Indebtedness	$ 27,990,000	$ -	$ 505,000	$ 27,485,000	$ 520,000
Premium on Bond Issuance	5,477,931	-	153,435	5,324,496	-
Lease Payable	447,598	102,554	167,732	382,420	178,131
Net Pension Liability	850,005	1,240,370	1,521,233	569,142	-
Compensated Absences	193,514	364,157	129,403	428,267	-
Total Business Type Activities	$ 34,959,048	$ 1,707,081	$ 2,476,803	$ 34,189,325	$ 698,131

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

Bonded Indebtedness

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

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

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

F. Long-term Liabilities (Cont'd)

Bonded Indebtedness (Cont'd)

Governmental Activities:

$13,720,000 General Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 3.0% to 4.0%	$ 9,875,000
$5,520,000 General Obligation Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 1.75% to 4.0%	3,650,000
$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%.	28,630,000
$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%.	6,275,000
$4,175,000 General Obligation Refunding Bonds - Series 2020, principal due annually in series through 2030, interest due semi-annually at 3.0% to 4.0%	2,950,000
$35,570,000 General Obligation Bonds - Series 2022, principal due annually in series through 2042, interest due semi-annually at 4.0% to 5.0%	35,570,000
	$ 93,920,000

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

Business-Type Activities

$28,330,000 Combination Tax and Revenue Certificates of Obligations Bonds - Series 2020, principal due annually in series through 2050, interest due semi-annually at 3.00%.	$ 27,485,000
	$ 27,485,000

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

F. Long-term Liabilities (Cont'd)

Debt Service Requirements

Annual debt service requirements are as follows:

Governmental Activities:

Fiscal Year Ending September 30,	Principal	Interest	Total
2023	10,980,000	3,844,443	14,824,443
2024	6,925,000	3,307,479	10,232,479
2025	6,930,000	3,045,254	9,975,254
2026	6,400,000	2,779,854	9,179,854
2027	6,290,000	2,526,604	8,816,604
2028-2032	28,370,000	9,224,792	37,594,792
2033-2037	17,440,000	3,803,625	21,243,625
2038-2042	10,585,000	1,303,400	11,888,400
	$ 93,920,000	$ 29,835,451	$ 123,755,451

Business-Type Activities:

Fiscal Year Ending September 30,	Principal	Interest	Total
2023	520,000	1,145,200	1,665,200
2024	535,000	1,129,600	1,664,600
2025	560,000	1,102,850	1,662,850
2026	590,000	1,074,850	1,664,850
2027	620,000	1,045,350	1,665,350
2028-2032	3,585,000	4,730,750	8,315,750
2033-2037	4,450,000	3,873,000	8,323,000
2038-2042	5,415,000	2,908,800	8,323,800
2043-2047	6,590,000	1,735,800	8,325,800
2048-2050	4,620,000	374,400	4,994,400
	$ 27,485,000	$ 19,120,600	$ 46,605,600

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

F. Long-term Liabilities (Cont'd)

Total Primary Government:

Fiscal Year Ending September 30,	Principal	Interest	Total
2023	11,500,000	4,989,643	16,489,643
2024	7,460,000	4,437,079	11,897,079
2025	7,775,000	4,148,104	11,923,104
2026	6,705,000	3,854,704	10,559,704
2027	6,910,000	3,571,954	10,481,954
2028-2032	31,955,000	13,955,542	45,910,542
2033-2037	21,890,000	7,676,625	29,566,625
2038-2042	16,000,000	4,212,200	20,212,200
2043-2047	6,590,000	1,735,800	8,325,800
2048-2050	4,620,000	374,400	4,994,400
	$ 121,405,000	$ 48,956,053	$ 170,361,053

G. Lease

Enterprise Fleet Management (EFM).

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

For fiscal year ended September 30, 2022, the City of Kyle paid a total sum of $639,116 in monthly lease payments to EFM.

	Total		Governmental Fund		Water		Wastewater	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 622,082	$ 41,534	$ 443,952	$ 29,641	$ 128,010	$ 8,547	$ 50,121	$ 3,346
2024	461,555	19,467	329,391	13,893	94,977	4,006	37,187	1,568
2025	216,858	5,188	154,762	3,702	44,624	1,068	17,472	418
2026	35,023	526	24,995	375	7,207	108	2,822	42
	$ 1,335,518	$ 66,715	$ 953,099	$ 47,612	$ 274,818	$ 13,728	$ 107,602	$ 5,375

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

G. Lease (Cont'd)

Lease Requirements

Based on the executed lease agreement, the total lease assets and related amortization by fund is listed on the Statement of Net Position and is as follows:

Governmental Activities	Balance	Additions	Deductions	Balance
Lease Assets	10/1/2021			9/30/2022
Fleet Vehicles	$ 1,115,541	$ 255,595	$ -	$ 1,371,136
Accumulated Amortizations	-	(483,516)	-	(483,516)
Net Lease Assets	$ 1,115,541	$ (227,921)	$ -	$ 887,620

Business-Type Activities	Balance	Additions	Deductions	Balance
Lease Assets	10/1/2021			9/30/2022
Fleet Vehicles				
Water	$ 321,656	$ 73,698	$ -	$ 395,354
Wastewater	125,941	28,856	-	154,797
Accumulated Amortizations				
Water	-	(139,418)	-	(139,418)
Wastewater	-	(54,587)	-	(54,587)
Net Lease Assets				
Water	$ 321,656	$ (65,720)	$ -	$ 255,936
Wastewater	$ 125,941	$ (25,731)	$ -	$ 100,210

The City did not report outflows as of September 30, 2022, attributable to variable payments, residual value guarantees, impairment losses or termination or penalties payments not previously included in the measurement of the lease liability.

As of September 30, 2022, the City has no commitments under the leases before the commencement of the lease term.

As of September 30, 2022, the principal and interest requirements to maturity for the lease liability total $1,335,517 and $66,715, respectively.

H. Contingent Arbitrage Liabilities

The City has invested a portion of GO bond proceeds as a reserve for the retirement of the bonds. Any excess of interest revenue earned on invested proceeds over interest paid on the bonds must be rebated to the federal government every five years. The City has no arbitrage liability as of September 30, 2022.

V. OTHER INFORMATION

A. Risk Management

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

B. Commitments and Contingencies

The City is a defendant in lawsuits occurring in the normal course of business. Although the outcome of these matters is not presently determinable, in the opinion of the City's attorney, their resolution will not have a material adverse effect on the financial condition of the City. Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including· amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

Under the raw water supply agreement with GBRA, the City agreed to pay on a take or pay basis for the appropriate share of debt service, debt service coverage and fixed Operation and Maintenance Expenses as defined in the agreement. Rates charged to the City for the treatment and delivery of treated water are determined pursuant to the terms of the Regional Agreement, plus GBRA's costs associated with any facilities required to convey the treated water. The City is also required under the agreement to pay on a take or pay basis as defined in the agreement for the treated water. For the period ending September 30, 2022, the City paid $3,465,509 under the water supply agreement.

The Alliance Regional Water Authority (Agency) and Sponsoring Public Entities which includes the cities of Buda, Kyle and San Marcos and the Canyon Regional Water Authority have entered into a Regional Water Supply Contract dated January 15, 2008 as amended by amendment No. 1. The Agency agreed to design, finance, construct, own, acquire, maintain and operate the Project in a manner that will allow the Agency to deliver water to the Sponsoring Public Entities which includes the City. The City agreed to pay its share (28.17%) of the Project Costs and to make payments to or on behalf of the Agency in amount sufficient to meet all of the Agency's obligations under the Contract including its share of the Project Costs to allow the Agency own, operate and maintain the Project. For the period ending September 30, 2022, the City paid $4,114,577 under the water supply contract.

C. Benefit Plans

The City participates as one of 892 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code.

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

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Retirement Plan

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS website at www.TMRS.com.

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, 2021, the following employee were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	150
Active employees	252
Total	442

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.74% for 2022. The City's contributions to TMRS for the year ended September 30, 2022, were $2,149,897 and the required contributions were $2,149,897.

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, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

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

For disabled annuitants, the mortality tables for healthy retirees with a 4-year set-forward for both males and 3 years for females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2021, valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. These assumptions were first used in the December 31, 2019 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 2021 valuation.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Long-term expected rate of return:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
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.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Changes in Net Pension Liability / (Asset)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (a) – (b)
Balance at 10/1/2021	$ 32,364,875	$ 28,964,858	$ 3,400,017
Changes for the year:			
Service cost	2,705,404	-	2,705,404
Interest	2,250,979	-	2,250,979
Change of benefit terms	-	-	-
Difference between expected and actual experience	744,572	-	744,572
Changes of assumptions	-	-	-
Contributions - employer	-	1,985,514	(1,985,514)
Contributions - employee	-	1,071,144	(1,071,144)
Net investment income	-	3,785,102	(3,785,102)
Benefit payments, including refunds of employee contributions	(739,474)	(739,474)	-
Administrative expense	-	(17,471)	17,471
Other changes	-	120	(120)
Net changes	4,961,481	6,084,934	(1,123,453)
Balance at 9/30/2022	$ 37,326,356	$ 35,049,792	$ 2,276,564

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/(Asset)	$ 9,111,014	$ 2,276,564	$ (3,183,347)

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.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Pension Expense

For the year ended September 30, 2022, the City recognized pension expense of $1,469,444, comprised as follows:

Total Service Cost	$ 2,705,404
Interest on the Total Pension Liability	2,250,979
Current-Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(1,071,144)
Projected Earnings on Plan Investments (Reduction of Expense)	(1,955,128)
Administrative Expense	17,471
Other Changes in Fiduciary Net Position	(120)
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	124,928
Recognition of Current Year Outflow (Inflow) of Resources - Assets	(365,995)
Amortization of Current Year Outflow (Inflow) of Resources - Liabilities	5,885
Amortization of Current Year Outflow (Inflow) of Resources - Assets	(242,836)
Total Pension Expense	$ 1,469,444

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

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

At September 30, 2022 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	$ 654,904	$ -
Changes in actuarial assumptions	84,256	-
Difference between projected and actual investment earnings	-	(1,927,297)
Contributions subsequent to the measurement date	1,579,878	-
Total	$ 2,319,038	$ (1,927,297)

The City reported $1,579,878 as deferred outflows of resources related to pensions resulting from contributions made after the measurement date of the net pension liability but before the end of the fiscal year will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. 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 30:	
2022	$ (239,976)
2023	(582,856)
2024	(219,017)
2025	(263,228)
2026	116,940
Thereafter	-
	$ (1,188,137)

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

The City participates in multiple OPEB Plans. The Supplemental Death Benefit Fund is a single employer defined benefit and is part of the Texas Retirement System. The City also has a single employer defined benefit health insurance plan for retirees (Medical Plan). As of September 30, 2022, the following balance related to the OPEB liability:

	Medical Plan	SDBF	Total
OPEB Liability (Asset)	$ (1,222,495)	$ 455,311	$ (767,184)
Deferred Outflow of Resources	147,870	112,139	260,009
Deferred Inflow of Resources	(499,159)	(21,617)	(520,776)
OPEB Expense	(154,868)	70,700	(84,168)

Post Retirement Supplemental Death Benefits (SDBF OPEB)

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

Contribution: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the year ended September 30, 2022 was $18,468, which equaled the required annual contributions.

TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) 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 (Health OPEB)

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

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

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

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

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

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

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

Medical plan provisions

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

Contributions: The annual premiums paid from the Trust for the period ending September 30, 2022 were $0.00.

As of the valuation date October 1, 2021, plan membership consisted of the following:

Active employees	41
Retired	0
Total	41

Benefits: Supplemental Death Benefit Fund- The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered other postemployment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

As of the measurement date of December 31, 2021, plan membership consisted of the following:

Inactive employees currently receiving or entitled to benefits	35
Inactive employees entitled to but not yet receiving benefits	23
Active employees	252
Total	310

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Investments (Health OPEB)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%) and deducting investment expenses. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022 are summarized in the following table:

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

Health OPEB (Cont'd)

GASB 74 does not reduce the long-term rate of return for administrative expenses. Instead administrative expenses are an explicit component of annual OPEB expense bases of the administrative expense for the fiscal year. The resulting GASB 75 rate of return is 7.25%. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made as the same percentage of participant payroll as for the 2018-19 year or $156,500 and that all future retiree medical benefits will be paid from the trust fund under the terms of the plan. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The net OPEB liability was measured as of September 30, 2021 (rolled forward to September 30, 2022) and the total OPEB liability used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

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

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

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Net OPEB Liability (asset)	$ (1,166,221)	$ (1,222,495)	$ (1,274,372)

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

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

	1% Decrease 4.99% Grading to 3.87%	Trend Rates 5.99% Grading to 4.87%	1% Increase 6.99% Grading to 5.87%
Net OPEB Liability (asset)	$ (1,267,839)	$ (1,222,495)	$ (1,171,778)

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

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Health OPEB (Cont'd)

The components of net OPEB liability at September 30, 2022 were as follows:

Reconciliation of Total OPEB Liability		
Service cost	$	18,044
Interest on total pension liability		37,137
Change of benefit terms		-
Differences between expected and actual experience		(56,116)
Change of Assumptions		(31,536)
Expected net benefit payments		-
Net change in total pension liability	$	(32,471)
Total OPEB Liability at beginning of year	$	598,204
Total OPEB Liability at end of year (a)	$	565,733
Fiduciary net position:		
Employer contributions	$	-
Member contributions		-
Investment income net of investment expense		(447,598)
Benefit payments/refunds of contributions		-
Administrative expenses		(12,617)
Net change in fiduciary net position	$	(460,215)
Fiduciary net position at beginning of year	$	2,248,443
Fiduciary net position at end of year (b)	$	1,788,228
Net OPEB liability/(asset) at end of year = (a) - (b)	$	(1,222,495)
Fiduciary net position as a % of total OPEB liability		316.09%
Covered payroll		$2,726,000
Net OPEB liability as a % of covered payroll		-44.84%

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

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Health OPEB (Cont'd)

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

Key Assumptions for Net OPEB Liability	
Valuation Date	9/30/2021 valuation date (rolled forward to 9/30/2022)
Actuarial cost method	Entry age
Amortization method	Level dollar
Asset valuation	Market value
Discount rate	7.25%
Salary scale	2.5%
Expected Return on Assets	7.25%
Healthcare Cost Trend Rates	5.99% grading to 4.87%; Group 1 retirees at 5% and Group 2 at 3% per year
Mortality	Pub G-2010 for Non-Public Safety Pub S-2010 for Police

Total SDBF OPEB Liability
The City's total OPEB liability of $455,311 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Changes in the SDBF Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability - beginning of year	$ 377,275
Changes for the year:	
Service Cost	$ 47,438
Interest	7,974
Difference between expected and actual experience	10,378
Change in assumptions or other inputs	16,837
Benefit Payments	(4,591)
Net Change	$ 78,036
Total OPEB Liability - end of year	$ 455,311

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Summary of Actuarial Assumptions

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	1.84%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 75.
Mortality rates – service retirees	2019 Municipal Retirement Texas Mortality tables. The rates are projected as a fully government basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality rates with a 4 year set forward for males and 3 year set forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully gnerational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021. The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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

	1 % Decrease 0.84%	Discount Rate 1.84%	1% Increase 2.84%
Total OPEB Liability	$ 581,145	$ 455,311	$ 361,954

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

OPEB Expense – For the fiscal year ended September 30, 2022, the City recognized the following OPEB expense:

Schedule of OPEB Expense	Total	SDBF	Health
Total Service Cost	$ 65,480	$ 47,436	$ 18,044
Interest on the Total OPEB Liability	45,111	7,974	37,137
Current-Period Benefit Changes	-	-	-
Employee Contributions (Reduction of Expense)	-	-	-
Projected Earning on Plan Investments (Reduction of Expense)	(134,853)	-	(134,853)
Administrative Expense	12,616	-	12,616
Other Changes in Fiduciary Net Position	-	-	-
Recognition of deferred outflows/inflows of resources:	-		
Actuarial (gains) and losses	(20,487)	-	(20,487)
Differences between expected and actual experience	(313)	(313)	-
Changes in assumptions or other inputs	13,056	15,603	(2,547)
Investments (gains) and losses	(64,778)	-	(64,778)
Change in Benefit Terms	-	-	-
Total OPEB Expense	**$ (84,168)**	**$ 70,700**	**$ (154,868)**

SDBF and Health OPEB deferred outflows of resources and deferred inflows of resources: For the fiscal year ended September 30, 2022, the City recognized OPEB expense of $(84,168). At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SDBF:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	$ 100,770	$ (9,255)
Actuarial (Gains)/Losses	11,369	(12,358)
Net difference between projected and actual earnings on OPEB plan investments	-	-
OPEB Investment gains/losses	-	-
Employer contributions subsequent to the measurement date	-	-
Total	$ 112,139	$ (21,613)

Health:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	$ 18,889	$ (40,912)
Actuarial (Gains)/Losses	107,660	(284,588)
Net difference between projected and actual earnings on OPEB plan investments	-	-
OPEB Investment gains/losses	7,672	(173,663)
Employer contributions subsequent to the measurement date	13,649	-
Total	$ 147,870	$ (499,163)

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

The City reported $13,649 as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date of the Net OPEB liability but before the end of the fiscal year will be recognized as reduction of Net OPEB liability for the year 9/30/2023. Amounts reported as the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average future service to retirement of plan participants as follows:

Years Ended September 30:	
2022	$ (64,242)
2023	(63,773)
2024	(71,442)
2025	(55,535)
2026	(8,892)
Thereafter	(10,532)
Total	$ (274,416)

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, 2022, the City of Kyle abated sales and use taxes totaling $961,477 and property taxes totaling $91,851 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 $389,124.

- A 33 percent sales and use tax abatement to Seton Family of Hospitals for development of facility and increasing employment. The abatement amounted to $572,353.

- A 50 percent property tax abatement to RR HPI, a developer, for assessed incremental property taxes above the base year. The abatement amounted to $91,851.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

EXHIBIT G-1

CITY OF KYLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	$ 13,081,500	$ 13,081,500	$ 16,648,228	$ 3,566,728
General Sales and Use Taxes	12,999,138	12,999,138	14,979,806	1,980,668
Franchise Tax	2,552,500	2,552,500	3,131,409	578,909
Other Taxes	100,000	100,000	121,372	21,372
Licenses and Permits	3,178,500	3,178,500	6,755,537	3,577,037
Intergovernmental Revenue and Grants	5,000	5,000	24,213	19,213
Charges for Services	5,821,500	5,821,500	7,760,514	1,939,014
Fines	520,000	520,000	505,183	(14,817)
Investment Earnings	600,000	600,000	949,992	349,992
Rents and Royalties	5,000	5,000	-	(5,000)
Contributions & Donations from Private Sources	30,000	30,000	54,133	24,133
Other Revenue	1,600,000	1,600,000	238,906	(1,361,094)
Total Revenues	40,493,138	40,493,138	51,169,293	10,676,155
EXPENDITURES:				
Current:				
General Government	11,660,888	11,667,356	12,113,981	(446,625)
Public Safety	11,520,259	11,520,259	9,992,191	1,528,068
Public Works	7,232,164	7,232,164	7,208,199	23,965
Culture and Recreation	3,427,643	3,427,643	3,117,310	310,333
Debt Service:				
Principal on Debt and Right-to-Use Leases	-	-	418,037	(418,037)
Capital Outlay:				
Capital Outlay	640,000	1,134,112	587,030	547,082
Total Expenditures	34,480,954	34,981,534	33,436,748	1,544,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,012,184	5,511,604	17,732,545	12,220,941
OTHER FINANCING SOURCES (USES):				
Transfers In	2,077,199	2,077,199	2,271,699	194,500
Transfers Out (Use)	(7,263,447)	(8,064,009)	(7,901,478)	162,531
Total Other Financing Sources (Uses)	(5,186,248)	(5,986,810)	(5,629,779)	357,031
Net Change	825,936	(475,206)	12,102,766	12,577,972
Fund Balance - October 1 (Beginning)	-	21,025,709	21,025,709	-
Fund Balance - September 30 (Ending)	$ 825,936	$ 20,550,503	$ 33,128,475	$ 12,577,972

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

CITY OF KYLE
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEARD ENDED SEPTEMBER 30, 2022

Budgetary Information

The Council adopts an "appropriated budget" for the General Fund. The City adopts a budget for certain special revenue funds but is not required to legally adopt an annual budget and may spend special revenue fund resources without a legally adopted budget. 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. If the budget is exceeded the City is not required to go back to Council for an amendment. All budget appropriations lapse at year end. Amounts encumbered prior to year-end will lapse 3 months after year end.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Contributions - OPEB
September 30, 2022

Year Ending September 30,	Actuarial Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 156,608	$ 156,500	$ 108	$ 3,291,000	7.25%
2018	156,500	156,500	-	3,490,000	9.55%
2019	156,500	156,500	-	3,184,000	6.14%
2020	156,500	159,035	(2,535)	2,961,000	5.30%
2021	156,500	156,500	-	2,726,000	-60.54%
2022	156,500	-	156,500	2,726,000	-60.54%

Beginning fiscal year September 30, 2018, the ADC is calculated in accordance with the Employer's funding policy, if one exists. Prior to September 30, 2018 the ADC is equal to the Annual Required Contributions (ARC) calculated under GASB Statement No. 45.

Beginning fiscal year ending September 30, 2018, the ADC is calculated in accordance with the Employer's funding policy, if one exists. Prior to the current period, the ADC is equal to the Annual Required Contribution (ARC) calculated under GASB Statement No. 45.

Notes to Schedule

Valuation date	9/30/2021 (and measurement date)
Actuarial cost method	Entry Age normal
Asset valuation method	Market value
Discount rate	7.25%
Salary scale	3.00%
Expected Return on Assets	7.25%
Healthcare Cost Trend Rates	5.99% grading to 4.87%; Group 1 retires at 5% and Group 2 at 3% per year
Mortality	RP 2000 projected

This OPEB schedule in the required supplementary information is intended to show information for ten years. Additional information will be displayed as it becomes available.

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Changes in the Employers Net OPEB Liability and Related Ratios
For the last five Fiscal Years

	2022	2021	2020	2019	2018	2017
Reconciliation of Total OPEB Liability						
Service cost	$ 18,044	$ 17,681	$ 18,407	$ 52,958	$ 50,112	$ 50,485
Interest on total pension liability	37,137	40,438	42,428	108,343	100,810	79,145
Change of benefit terms	-	-	(797,728)	-	-	-
Differences between expected and actual experience	(56,116)	(56,025)	(214,286)	(122,181)	177,209	-
Change of Assumptions	(31,536)	(31,536)	(20,954)	28,137	-	-
Expected net benefit payments	-	-	-	(5,893)	(5,875)	(5,123)
Net change in total pension liability	$ (32,471)	$ (29,442)	$ (972,133)	$ 61,364	$ 322,256	$ 124,507
Total OPEB Liability at beginning of year	$ 598,204	$ 627,646	$ 1,599,779	$ 1,538,415	$ 1,216,159	$ 1,091,652
Total OPEB Liability at end of year (a)	$ 565,733	$ 598,204	$ 627,646	$ 1,599,779	$ 1,538,415	$ 1,216,159
Fiduciary net position:						
Employer contributions	-	156,500	$ 159,035	$ 156,500	$ 156,500	$ 156,500
Member contributions	-	-	-	-	-	-
Investment income net of investment expense	(447,598)	366,165	199,110	59,309	83,045	109,860
Benefit payments/refunds of contributions	-	-	-	-	(2,303)	(5,123)
Administrative expenses	(12,617)	(19,003)	(17,577)	(16,660)	(9,834)	(12,427)
Net change in fiduciary net position	$ (460,215)	$ 503,662	$ 340,568	$ 199,149	$ 227,409	$ 248,810
Fiduciary net position at beginning of year	$ 2,248,443	$ 1,744,780	$ 1,404,212	$ 1,205,063	$ 977,654	$ 728,844
Fiduciary net position at end of year (b)	$ 1,788,228	$ 2,248,443	$ 1,744,780	$ 1,404,212	$ 1,205,063	$ 977,654
Net OPEB liability/(asset) at end of year = (a) - (b)	$ (1,222,495)	$ (1,650,240)	$ (1,117,135)	$ 195,566	$ 333,352	$ 238,505
Fiduciary net position as a % of total OPEB liability	316.09%	375.87%	277.99%	87.78%	78.33%	80.39%
Covered payroll	$ 2,726,000	$ 2,726,000	$ 2,961,000	$ 3,184,000	$ 3,490,000	$ 3,291,000
Net OPEB liability as a % of covered payroll	-44.85%	-60.54%	-37.73%	6.14%	9.55%	7.25%

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Investment Returns - OPEB
For the last six Fiscal Years

Annual Money-Weighted Rate of Return	2017	2018	2019	2020	2021	2022
Net Investment Expenses	11.21%	7.46%	4.40%	12.90%	19.69%	-1.32%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in Total OPEB Liability and Related Ratios - SDBF
For the Year Ended September 30, 2022

Total OPEB Liability for the Supplemental Death Benefit Fund

	2022	2021	2020	2019
Total Service Cost	$ 47,438	$ 32,212	$ 20,831	$ 22,658
Interest on the Total OPEB Liability	7,974	8,389	8,364	6,996
Current-Period Benefit Changes	-	-	-	-
Differences between expected and actual experience	10,378	(9,812)	(7,672)	4,344
Changes in assumptions or other inputs	16,837	58,214	53,681	(17,825)
Projected Earnings on Plan Investments (Reduction of Expense)	-	-	-	-
Benefit payments	(4,591)	(1,342)	(1,225)	(1,133)
Net Change	$ 78,036	$ 87,661	$ 73,979	$ 15,040
Total OPEB liability, beginning	**377,275**	**289,614**	**215,635**	**200,595**
Total OPEB liability, ending	**$ 455,311**	**$ 377,275**	**$ 289,614**	**$ 215,635**
Covered - employee payroll	15,302,060	13,421,461	12,253,645	11,328,847
Total liability as a percentage of covered - payroll	2.98%	2.81%	2.36%	1.90%

Notes to Schedule:
The OPEB schedule in the required supplementary information is intended to show information for ten years.
Additional information will be displayed as it becomes available.

Summary of Actuarial Assumptions:

Inflation 2.50%
Salary Increases 3.50% to 11.50% including inflation
Discount rate 1.84%
Retirees' share of benefit-related costs $0

Mortality rates - service retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates - disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate wil be applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in Net Pension Liability and Related Ratios

For the Last Eight Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service Cost	$ 2,705,404	$ 2,389,020	$ 2,151,740	$ 1,978,017	$ 1,749,440	$ 1,565,958	$ 1,315,411	$ 1,137,933
Interest (on the Total Pension Liability)	2,250,979	1,998,021	1,731,169	1,517,366	1,342,527	1,192,749	1,090,180	950,075
Changes of benefit terms	-	-	-	-	-	-	6,942	-
Difference between expected and actual experience	744,572	(141,014)	337,529	63,015	(189,672)	(185,089)	(82,587)	59,381
Change of assumptions	-	-	168,232	-	-	-	6,064	-
Benefits Payments, including refunds of employee contributions	(739,474)	(573,913)	(533,971)	(421,654)	(431,097)	(461,759)	(254,208)	(228,929)
Net Change in Total Pension Liability	$ 4,961,481	$ 3,672,114	$ 3,854,699	$ 3,136,744	$ 2,471,198	$ 2,111,859	$ 2,081,802	$ 1,918,460
Total Pension Liability - Beginning	32,364,875	28,692,761	24,838,062	21,701,318	19,230,120	17,118,263	15,036,461	13,118,001
Total Pension Liability - Ending (a)	**$ 37,326,356**	**$ 32,364,875**	**$ 28,692,761**	**$ 24,838,062**	**$ 21,701,318**	**$ 19,230,120**	**$ 17,118,263**	**$ 15,036,461**
Plan Fiduciary Net Position								
Contributions - Employer	$ 1,985,514	$ 1,682,576	$ 1,530,481	$ 1,405,910	$ 1,297,509	$ 1,112,797	$ 969,980	$ 691,539
Contributions - Employee	1,071,144	939,502	857,755	793,019	715,726	639,540	582,777	528,470
Net Investment Income	3,785,102	1,903,925	3,111,839	(566,454)	2,109,464	882,061	17,316	581,772
Benefits Payments, including refunds of employee contributions	(739,474)	(573,913)	(533,971)	(421,654)	(431,097)	(461,759)	(254,208)	(228,929)
Administrative Expense	(17,471)	(12,292)	(17,539)	(10,929)	(10,916)	(9,950)	(10,543)	(6,071)
Other	119	(480)	(527)	(571)	(553)	(536)	(521)	(499)
Net Change in Plan Fiduciary Net Position	6,084,934	3,939,319	4,948,039	1,199,322	3,680,133	2,162,153	1,304,801	1,566,282
Plan Fiduciary Net Position - Beginning	28,964,858	25,025,539	20,077,500	18,878,178	15,198,045	13,035,892	11,731,091	10,164,809
Plan Fiduciary Net Position - Ending (b)	**$ 35,049,792**	**$ 28,964,858**	**$ 25,025,539**	**$ 20,077,500**	**$ 18,878,178**	**$ 15,198,045**	**$ 13,035,892**	**$ 11,731,091**
Net Pension Liability - Ending (a) - (b)	**$ 2,276,564**	**$ 3,400,017**	**$ 3,667,222**	**$ 4,760,562**	**$ 2,823,140**	**$ 4,032,075**	**$ 4,082,371**	**$ 3,305,370**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.90%	89.49%	87.22%	80.83%	86.99%	79.03%	76.15%	78.02%
Covered Payroll	$ 15,302,060	$ 13,421,461	$ 12,253,645	$ 11,328,847	$ 10,224,662	$ 9,136,279	$ 8,325,383	$ 8,071,984
Net Pension Liability as a Percentage of Covered Payroll	14.88%	25.33%	29.93%	42.02%	27.61%	44.13%	49.04%	40.95%

* Schedules are intended to show information for ten years and the additional years' information will be displayed as it becomes available, amounts presented for the year end were determined as of December 31, the measurement date.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2013	$ 532,591	$ 532,591	$ -	$ 6,665,732	8.0%
2014	627,943	627,943	-	7,550,582	8.3%
2015	953,338	936,923	16,415	8,686,216	10.8%
2016	1,160,869	1,116,031	44,838	9,207,541	12.1%
2017	1,225,528	1,240,665	(15,137)	9,868,892	12.6%
2018	1,391,093	1,414,894	(23,801)	11,149,680	12.7%
2019	1,479,117	1,479,117	-	11,149,680	13.3%
2020	1,530,481	1,530,481	-	12,253,645	12.5%
2021	1,846,501	1,846,501	-	13,421,461	13.8%
2022	2,149,897	2,149,897	-	15,302,060	14.0%

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	23 Years
Asset Valuation Method	10 Year smoothed market: 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rate that are specific to the City's plan of benefits. Last update for the 2019 valuation pursuant to an experience study of the Period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The Rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes	There were no benefit changes during the year.

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(this page intentionally left blank)

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

(this page intentionally left blank)

Financial Advisory Services
Provided By:

SAMCO Capital