



THE CITY OF KYLE, TEXAS
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



FOR THE YEAR ENDED
SEPTEMBER 30, 2017

THE CITY OF KYLE, TEXAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



City Manager
J. Scott Sellers

Director of Finance
Perwez A. Moheet, CPA

FOR THE YEAR ENDED
SEPTEMBER 30, 2017

Prepared by Financial Services Department



Elected Officials

Mayor
Travis Mitchell

Mayor Pro Tem
Shane Arabie

Council Member, District 1
Dex Ellison

Council Member, District 2
Tracy Scheel

Council Member, District 4
Alex Villalobos

Council Member, District 5
Damon Fogley

Council Member, District 6
Daphne Tenorio

**CITY OF KYLE, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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INTRODUCTORY SECTION





CITY OF KYLE

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

March 14, 2018

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Kyle, Texas for the year ended September 30, 2017. The CAFR provides detailed information regarding the City's financial condition and activities to City Council, Boards and Commissions, citizens of Kyle, City management and staff, bondholders, and other interested parties.

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

The basic financial statements and accompanying notes to the financial statements have been audited by the independent firm of RSM US LLP, Certified Public Accountants. This audit satisfies Article VIII, Section 8.13 of the City Charter which requires an annual audit of all accounts of the City by an independent Certified Public Accountant.

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

REPORTING ENTITY

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

KYLE'S GOVERNMENT, ECONOMY, AND OUTLOOK

General Information

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

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

The City covers approximately thirty (30) square miles and has an estimated population of 43,400 in 2018. Kyle is a thriving community with easy access to major highways and roadways including Interstate Highway 35. Kyle is strategically located eight miles north of San Marcos, 20 miles south of Austin and 60 miles north of San Antonio. Kyle is the second largest city in Hays County and enjoys a south-central location convenient to most major population and employment centers in Texas.

Local Economy

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

Among the major indicators of a stable yet an expanding local economy include growth in population, building permits, taxable valuations, property tax collection rate, and the trend for sales tax collections. We are pleased to report that the annual increase in building permits increased by 6.1%, taxable valuations increased by 12.8% (tax year 2017) as compared to the prior tax year, annual property tax collection rate has continued to surpass the 98.0% level, and sales tax collections increased by 10.8% as compared to the prior year as well. Total population in the City of Kyle is projected to increase to an estimated 50,000 residents by the year 2020.

Long-term Planning

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

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

Major Initiatives

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

- Public Safety Program Initiatives
- Street Maintenance & Reconstruction Program
- City-wide Beautification Plan
- Park Improvement Program
- Storm Drainage Improvement & Flood Risk Mitigation Program

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

A number of major programs were initiated and completed in the City of Kyle during fiscal year 2017. These included the following:

- Completion of engineering study and design for the City's wastewater treatment plant expansion.
- Construction of Bunton Road was completed and construction plans for two other major roadways were completed for the \$36 million bond package approved by the citizens. This roadway improvement program when completed will increase commercial and industrial development throughout the City of Kyle.
- Completion of right-of-way acquisitions and design for the City's Southside, Elliott Branch, and Bunton Creek wastewater collection system improvement projects.
- Streamlining of the City's development and permitting process completed.
- Completion of major improvements throughout the City's parks system.

FINANCIAL INFORMATION

Budgetary Information

The fiscal year 2018 Approved Budget totals \$84.2 million and includes \$23.9 million for the General Fund to provide public safety, code enforcement, parks, street maintenance, library, and other municipal services to the citizens of Kyle.

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

The fiscal year 2018 Approved Budget was adopted with a property tax rate decrease of \$0.0332 to \$0.5416 per \$100 of assessed taxable valuation. The budget provides for a merit increase for City employees, compliance with the meet and confer requirements for civil service employees, addition of new positions for police officers, public works, animal control, and emergency dispatch operations.

The Approved Budget for fiscal year 2018 did not include any rate increase for water, wastewater, storm drainage or other fees and charges for various city services. A 4.0% rate increase was included for solid waste collection service based on the contract terms entered by the City with Texas Disposal Systems.

Bond Rating

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

Financial Policies

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

Internal Controls

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

Budgetary Controls

As required under the City Charter, the annual operating budget is proposed by the City Manager and approved by the City Council after holding many public discussions, deliberations, workshops, and hearings. Primary responsibility for budget variance analysis of actual expense or revenue and overall programs rests with the City department operating the program. As evidenced in the financial statements, notes, and schedules included in the CAFR, the City of Kyle continues to meet its responsibility for sound financial management, transparency, and accountability.

Budgetary compliance is a significant tool for managing and controlling governmental activities, as well as ensuring conformance with the City's budgetary limits and specifications. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Levels of budgetary control, that is the levels at which expenditures cannot legally exceed appropriated amounts, are established at the department level within individual funds. The City utilizes an encumbrance system of accounting as one mechanism to accomplish effective budgetary control. Encumbered amounts lapse at year end and a few items are re-appropriated as part of the following year's budget. Another budgetary control is the monthly revenue and expenditure report summarizing by department budget and actual balances with variances that are generated and reviewed by the Finance and the City Manager's Office. Each quarter, the Financial Services Department provides reports to City Council on the status of revenue, expenditures and fund balance of each fund based on actual to date financial data.

Risk Management

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

Transparency in Financial Reporting

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

capital improvements plan, check registers, financial policies, official statements, and other financial reports.

OTHER INFORMATION

Awards

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

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

The City of Kyle was also the recipient of the Distinguished Budget Presentation Award presented by the Government Finance Officers Association (GFOA) for the fiscal year beginning October 2017. This award is the highest form of recognition in governmental budgeting and represents a significant achievement by an organization.

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

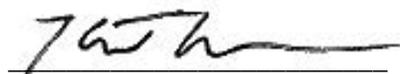
Acknowledgments

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

We also want to acknowledge the thorough, professional, and timely manner in which the City's independent auditor, RSM US LLP, conducted the audit.

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

Respectfully submitted,

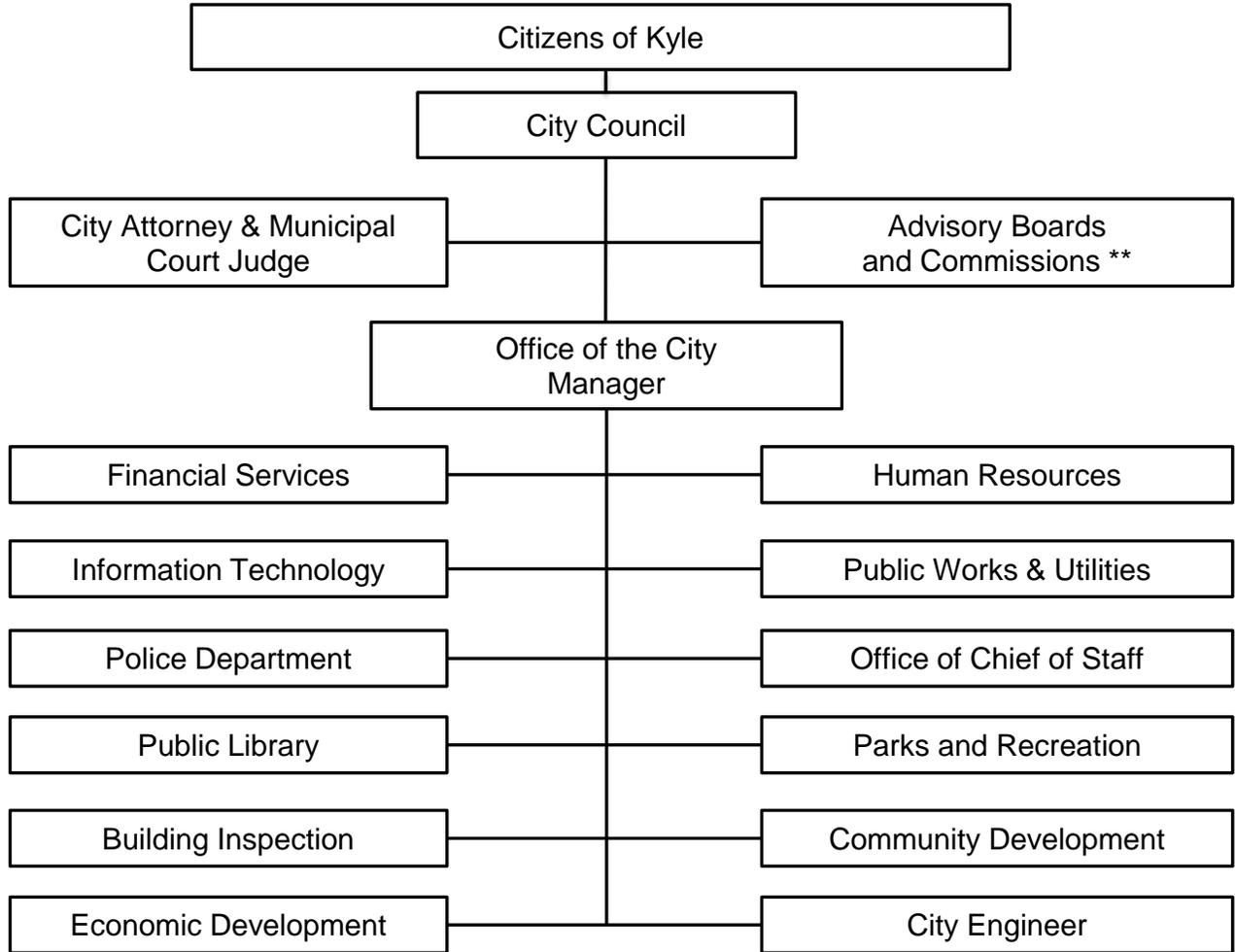


J. Scott Sellers
City Manager



Perwez A. Moheet, CPA
Director of Finance

City of Kyle - Organization Chart



** List of Advisory Boards and Commissions

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

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



Elected Officials and Executive Management Team

City Council

| | |
|----------------------|---------------------------|
| Travis Mitchell..... | Mayor |
| Shane Arabie..... | Mayor Pro-Tem, District 3 |
| Dex Ellison..... | District 1 |
| Tracy Scheel..... | District 2 |
| Alex Villalobos..... | District 4 |
| Damon Fogley..... | District 5 |
| Daphne Tenorio..... | District 6 |

Executive Management Team

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



Government Finance Officers Association

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

Presented to

**City of Kyle
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION





RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kyle, Texas (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2017, 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.

Emphasis of Matter

As described in Note V- C, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The effect of the adoption of this standard was a restated beginning fiduciary fund net position, additional note disclosures and required supplementary information about the City's other postemployment benefit plan. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

RSM US LLP

Austin, Texas
March 14, 2018

The City management is pleased to present the City of Kyle's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2017.

The Management's Discussion and Analysis (MD&A) section of the CAFR presents a narrative overview and analysis of the financial activities of the City of Kyle for the year ended September 30, 2017. 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 2017 resulting in a net position of \$163.8 million as of September 30, 2017. Of the total \$163.8 million net position, \$28.0 million remained unrestricted and is available to meet any future obligations of the City.
- Net position for all governmental activities totaled \$68.6 million and \$95.2 million for business-type activities at September 30, 2017.
- \$5.0 million or 12.2% decrease in the combined fund balance totaling \$35.9 million for all governmental funds at September 30, 2017 as compared to the prior fiscal year.
- \$3.3 million or 31.4% increase in the ending balance of the City's General Fund totaling \$13.8 million at September 30, 2017 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, 2017, the City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$163.8 million.

Below are summary highlights of the City's Net Position as of the end of fiscal year 2017 at September 30, 2017:

- Governmental Activities:
 - ❖ Current and Other Assets decreased by \$5.8 million or 13.1% primarily from the net results of operations.
 - ❖ Capital Assets increased by a net \$8.4 million or 7.3% at fiscal year-end. Capital outlay total \$10.4 million net of depreciation of \$4.9 million.
 - ❖ Liabilities decreased by a net \$6.0 million or 5.9% as a result of debt service payments.

- Business-type Activities:
 - ❖ Current and Other Assets increased by a \$9.3 million or 37.8% primarily from the net results of operations.
 - ❖ Capital Assets increased by a net \$9.7 million or 17.8%, primarily from wastewater projects.
 - ❖ Total liabilities increased by a net \$0.9 million or 40.6% primarily from the addition of the new Storm Drainage Fund 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, 2017 (With Comparative Totals for September 30, 2016) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | Government Activities | | Business-type Activities | | Totals | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current & other assets | \$ 38,337,192 | \$ 44,131,217 | \$ 33,976,806 | \$ 24,654,187 | \$ 72,313,998 | \$ 68,785,404 |
| Capital assets | 122,703,958 | 114,352,785 | 63,915,105 | 54,243,210 | 186,619,063 | 168,595,995 |
| Total assets | \$ 161,041,150 | \$ 158,484,002 | \$ 97,891,911 | \$ 78,897,397 | \$ 258,933,061 | \$ 237,381,399 |
| Total Deferred Outflow of Resources | | | | | | |
| Charge for Refunding Pension Plan | \$ 2,658,438 | \$ 2,629,181 | \$ - | \$ - | \$ 2,658,438 | \$ 2,629,181 |
| | 1,140,122 | 1,285,483 | 392,429 | 324,101 | 1,532,551 | 1,609,584 |
| Total Deferred | \$ 3,798,560 | \$ 3,914,664 | \$ 392,429 | \$ 324,101 | \$ 4,190,989 | \$ 4,238,765 |
| Liabilities | \$ 3,200,105 | \$ 3,261,473 | \$ 2,025,799 | \$ 1,353,817 | \$ 5,225,904 | \$ 4,615,290 |
| Non-current liabilities | 92,851,685 | 98,791,366 | 1,032,463 | 822,014 | 93,884,148 | 99,613,380 |
| Total liabilities | \$ 96,051,790 | \$ 102,052,839 | \$ 3,058,262 | \$ 2,175,831 | \$ 99,110,052 | \$ 104,228,670 |
| Total Deferred Inflow of Resources | | | | | | |
| Pension Plan | \$ 161,094 | \$ 49,068 | \$ 55,449 | \$ 14,158 | \$ 216,543 | \$ 63,226 |
| Total Deferred | \$ 161,094 | \$ 49,068 | \$ 55,449 | \$ 14,158 | \$ 216,543 | \$ 63,226 |
| Net investment in capital assets | \$ 52,720,070 | \$ 49,390,461 | \$ 63,915,105 | \$ 54,243,210 | \$ 116,635,175 | \$ 103,633,671 |
| Restricted | 2,215,617 | 1,450,855 | 16,957,034 | 13,482,480 | 19,172,651 | 14,933,335 |
| Unrestricted | 13,691,139 | 9,455,449 | 14,298,490 | 9,305,819 | 27,989,629 | 18,761,268 |
| Total of Net Position | \$ 68,626,826 | \$ 60,296,765 | \$ 95,170,629 | \$ 77,031,509 | \$ 163,797,455 | \$ 137,328,274 |

The largest portion of the City's \$163.8 million net position includes \$116.6 million or 71.2% 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 \$163.8 million net position is its restricted resources totaling \$19.2 million or 11.7% to be used for capital improvements. The City's \$163.8 million net position also includes resources restricted for special purposes such as for the municipal court and law enforcement in the amount of \$0.23 million or 0.14% and \$2.0 million or 1.2% for debt service. The remaining balance of the City's \$163.8 million net position comprised of unrestricted resources totaling \$28.0 million or 17.1% 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, 2017 | | | | | | |
| (With Comparative Totals for September 30, 2016) | | | | | | |
| | Government Activities | | Business-type Activities | | Totals | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenue | | | | | | |
| Program Revenue | | | | | | |
| Charges for services | \$ 7,383,240 | \$ 5,336,732 | \$ 17,842,460 | \$ 17,675,893 | \$ 25,225,700 | \$ 23,012,625 |
| Operating grants and contributions | 152,279 | 129,307 | - | - | 152,279 | 129,307 |
| Capital grants and contributions | - | - | 9,934,823 | 1,717,379 | 9,934,823 | 1,717,379 |
| General Revenue | | | | | | |
| Property taxes | 14,270,496 | 12,548,983 | - | - | 14,270,496 | 12,548,983 |
| Sales tax | 7,227,633 | 6,540,475 | - | - | 7,227,633 | 6,540,475 |
| Franchise tax | 1,435,270 | 1,210,935 | - | - | 1,435,270 | 1,210,935 |
| Other taxes | 281,996 | 267,150 | - | - | 281,996 | 267,150 |
| Contributions | | | | | | |
| not restricted | 2,959,602 | 5,528,007 | - | - | 2,959,602 | 5,528,007 |
| Investment earnings | 383,362 | 162,335 | 72,365 | 31,606 | 455,727 | 193,941 |
| Miscellaneous | 208,541 | 1,607,235 | 3,090,249 | 815,026 | 3,298,790 | 2,422,261 |
| Total Revenue | \$ 34,302,419 | \$ 33,331,159 | \$ 30,939,897 | \$ 20,239,904 | \$ 65,242,316 | \$ 53,571,063 |
| Expense | | | | | | |
| General government | \$ 7,086,422 | \$ 6,749,251 | \$ - | \$ - | \$ 7,086,422 | \$ 6,749,251 |
| Public safety | 7,101,534 | 6,196,660 | - | - | 7,101,534 | 6,196,660 |
| Public works | 7,456,046 | 6,989,253 | - | - | 7,456,046 | 6,989,253 |
| Culture/Recreation | 3,006,348 | 2,765,839 | - | - | 3,006,348 | 2,765,839 |
| Interest on long term debt | 2,853,031 | 3,640,280 | - | - | 2,853,031 | 3,640,280 |
| Issuance Costs | - | 150,447 | - | - | - | 150,447 |
| Other debt service | 20,425 | 826 | - | - | 20,425 | 826 |
| Water/Wastewater/Storm Drainage | - | - | 11,249,332 | 10,524,295 | 11,249,332 | 10,524,295 |
| Total Expenses | \$ 27,523,806 | \$ 26,492,556 | \$ 11,249,332 | \$ 10,524,295 | \$ 38,773,137 | \$ 37,016,851 |
| Change in net position | | | | | | |
| before Transfers | \$ 6,778,613 | \$ 6,838,603 | \$ 19,690,565 | \$ 9,715,609 | \$ 26,469,178 | \$ 16,554,212 |
| Transfers (net) | 1,551,446 | 3,042,669 | (1,551,446) | (3,042,669) | - | - |
| Change in net position | 8,330,060 | 9,881,272 | 18,139,119 | 6,672,940 | 26,469,179 | 16,554,212 |
| Net position - beginning | 60,296,765 | 50,415,493 | 77,031,509 | 70,358,569 | 137,328,274 | 120,774,062 |
| Net position - ending | \$ 68,626,826 | \$ 60,296,765 | \$ 95,170,629 | \$ 77,031,509 | \$ 163,797,455 | \$ 137,328,274 |

Governmental Activities – Government-wide Statements

Governmental activities increased the City's net position by \$8.3 million. Key elements of this change in net position are explained below:

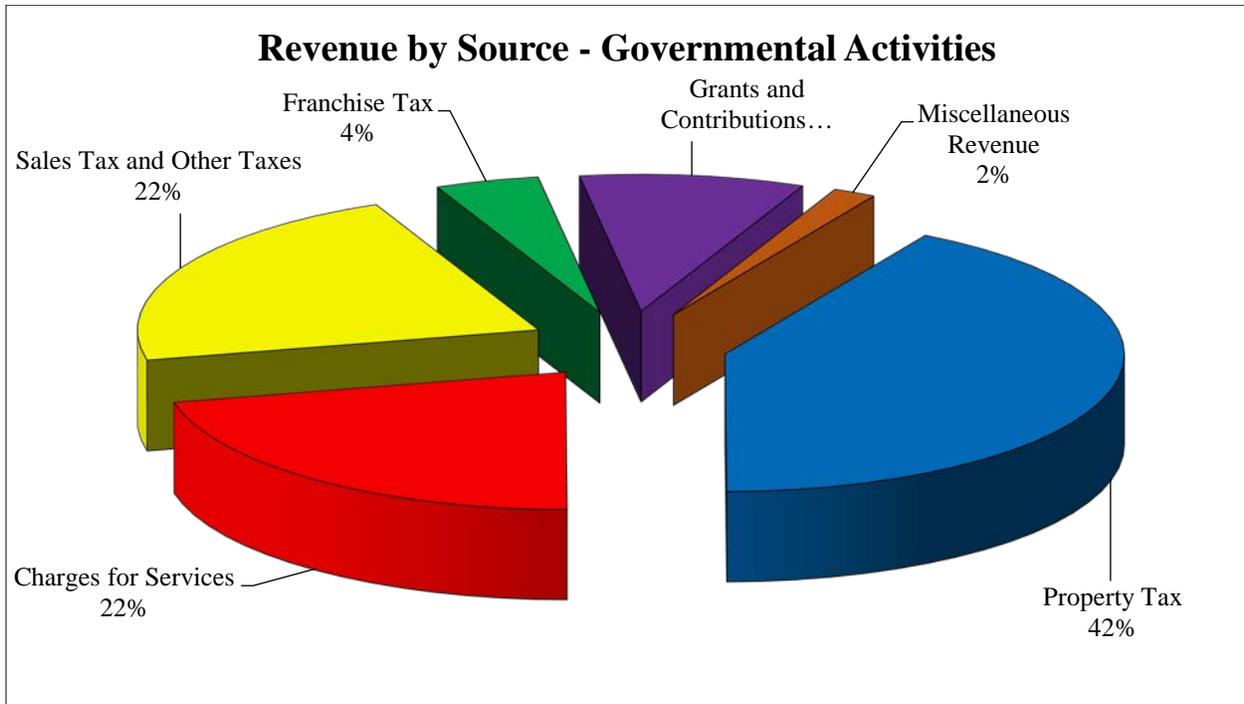
Program Revenue. Total program revenue, which are charges for services, operating grants/contributions and capital grants/contributions increased by approximately \$2.1 million from the prior year due mainly to net increase in charges for services of \$2.0 million and net increase in operating grants/contributions of \$0.02 million.

General Revenue. Property taxes, sales tax, franchise fees, and other taxes increased by \$2.6 million or 12.9%. Property tax increased by \$1.7 million or 13.7%, sales tax increased by \$0.7 million or 10.5%, franchise fee increased by \$0.2 million or 18.5% and other taxes increased \$0.01 million or 5.6% from the prior fiscal year.

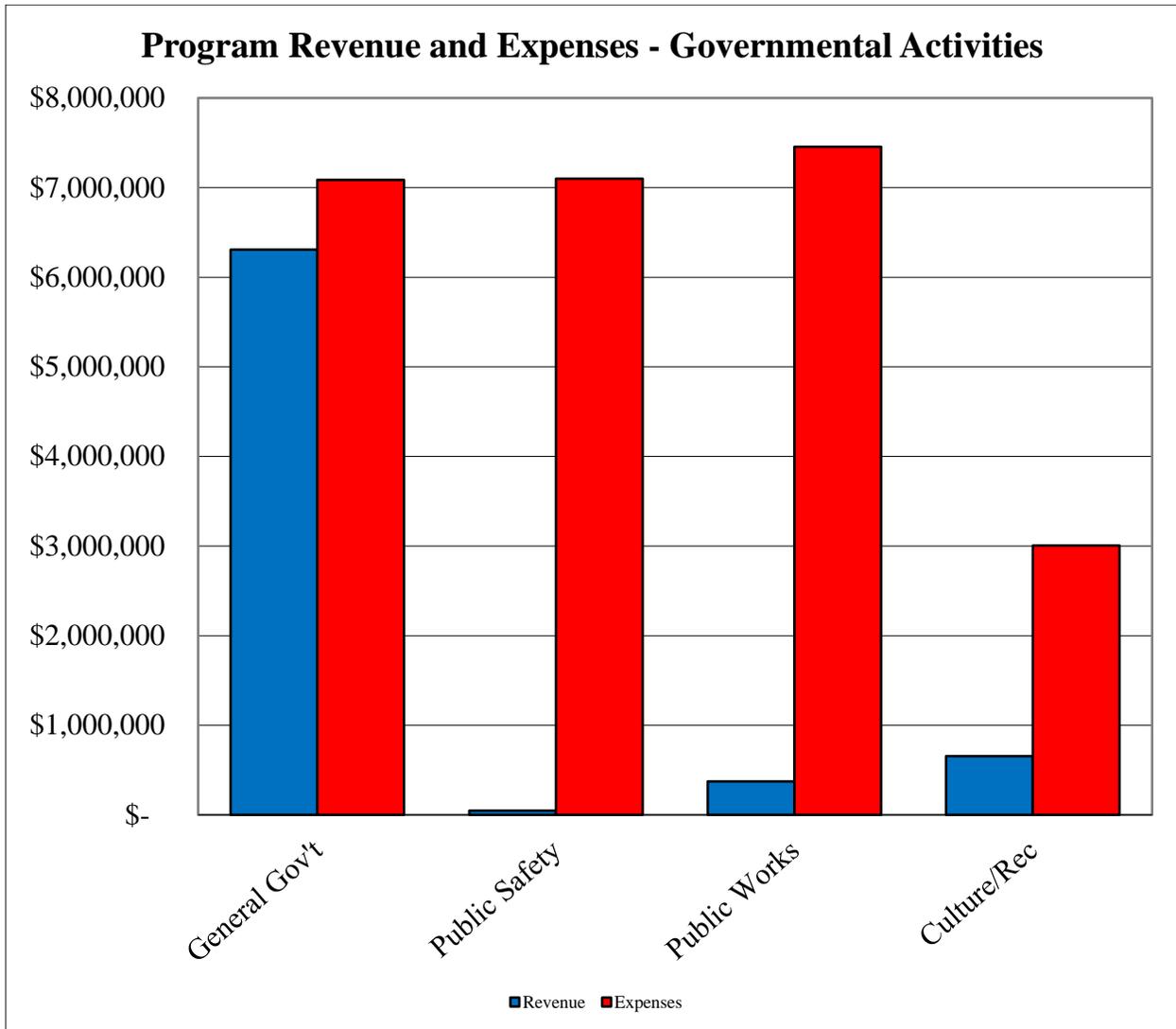
Expenses. Governmental expenses resulted in an overall increase of \$1.0 million or 3.9% compared to the prior year. Following are the main reasons for the increase in expenditures:

- General Government increased by \$0.3 million or 5.0%.
- Public Safety increased by \$0.9 million or 14.6%. This increase is due to the increase in EMS funding, higher operating costs and the Meet & Confer negotiations that were approved for the City's civil service officers.
- Public Works increased by \$0.5 million or 6.7%. This increase is the result of increase in operating costs associated with sanitation and recycling services.
- Culture and Recreation increased by \$0.2 million or 8.7% and Bond Interest decreased by \$0.8 million or 21.6%.
- Other Debt Service Expense, which includes fiscal agent fees and issuance costs, increased by \$0.02 million.
- Water, Wastewater, and Storm Drainage funds increased by \$0.7 million or 6.9%.
- The legal level of budgetary control is maintained at the function level.

Budget Variances. All expenditures for the City's General Fund functions and activities were within adopted budget appropriations for fiscal year 2017. The following two charts illustrate first, a breakdown of general governmental activity revenue by source and second, a comparison of program revenue and expenditures by function.



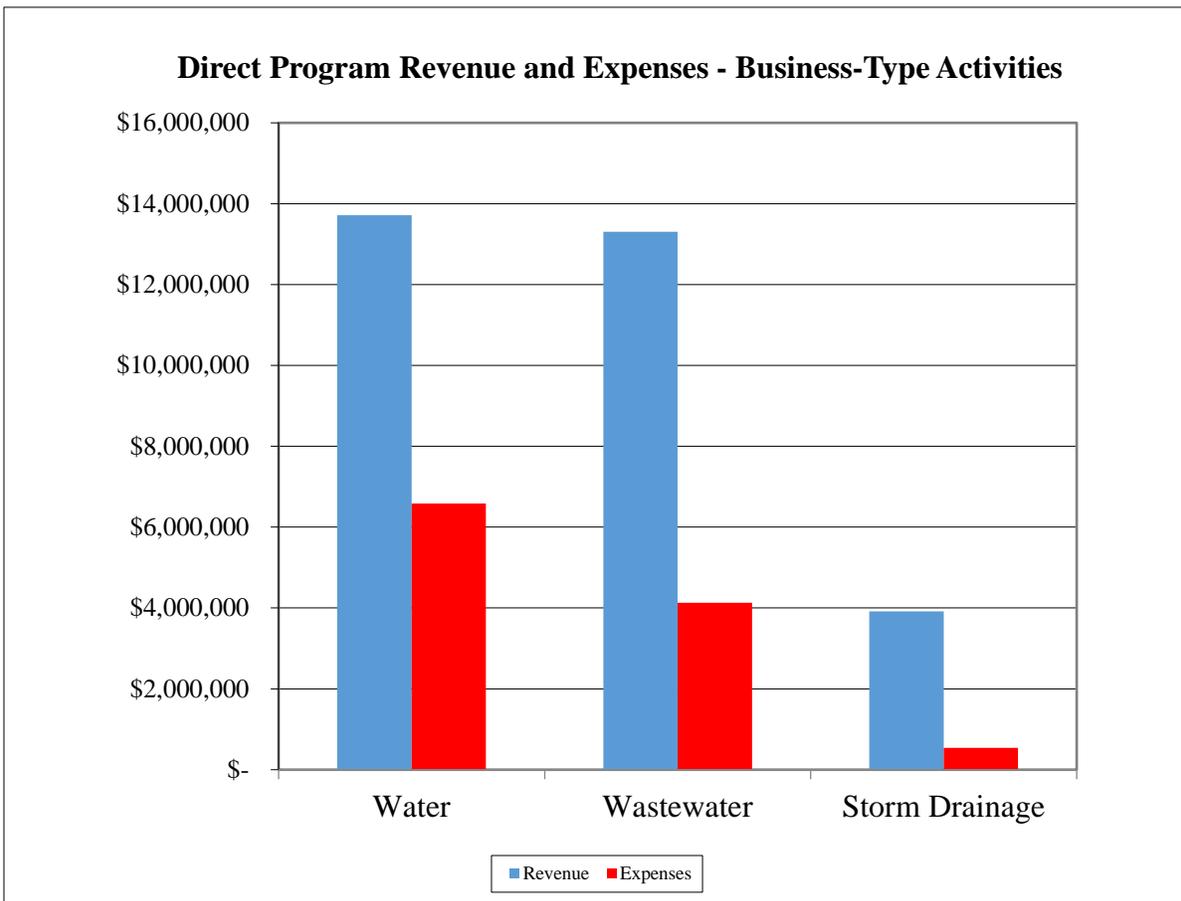
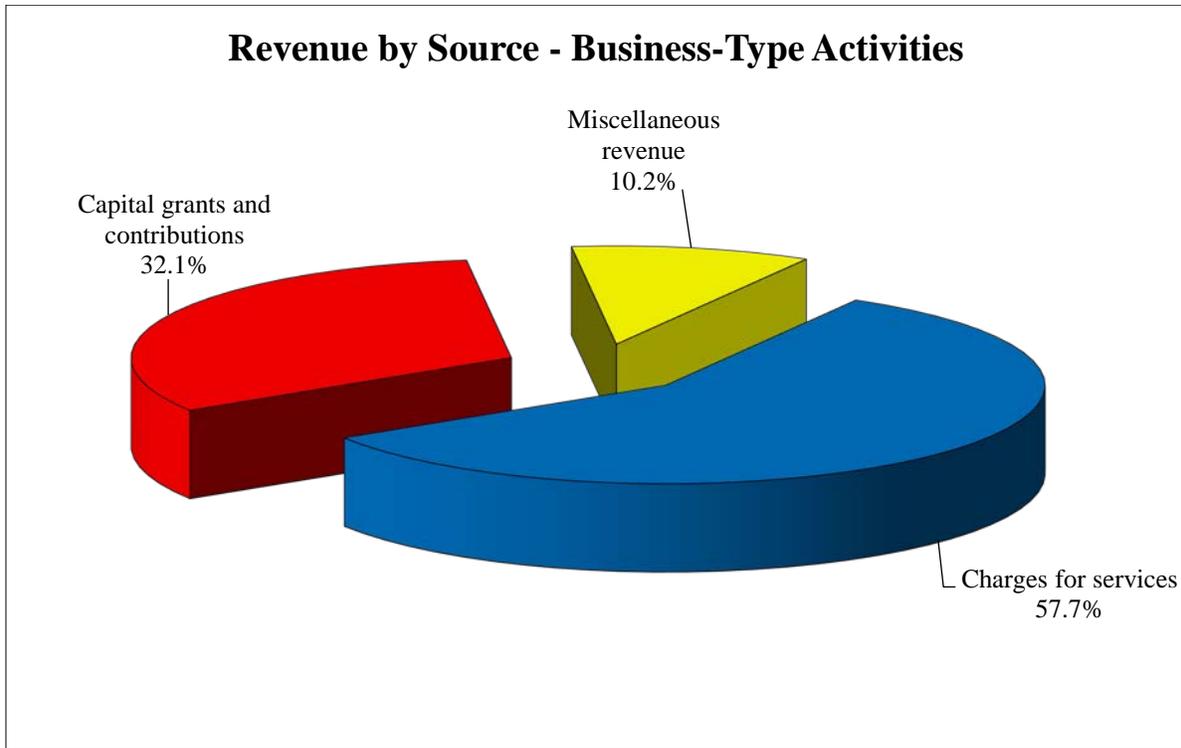
- As shown in the above chart, the primary sources of revenue for governmental activities are from property taxes (\$14.2 million or 42%), charges for services (\$7.3 million or 22%), and sales and other tax (\$7.5 million or 22%).
- Charges for services include revenue sources such as fees for building inspections, plan review, recreational program fees, trash collection charges, etc.
- Revenue from property taxes increased by \$1.7 million or 13.7% between 2016 and 2017. This increase is due to the increase in the certified tax roll for taxable assessed valuations from \$2.31 billion in 2016 to \$2.64 billion in 2017. The property tax rate adopted effective October 2016 (fiscal year 2017) was \$0.5748 per \$100 of assessed valuation which is a decrease of \$0.01 from the previous year.
- Sales and other taxes which represented \$7.5 million or 22.0% of total revenue for governmental activities increased from the prior year.



- Based on the chart above Public Works is the largest expense function (\$7.5 million or 27.2%), which includes all street maintenance and sanitation services. This is followed by Public Safety (\$7.1 million or 25.8%), General Government (\$7.1 million or 25.7%), and Culture/Recreation (\$3.0 million or 10.9%).
- 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 \$18.1 million in fiscal year 2017. This was the net result of \$30.9 million in revenue, \$11.2 million in expenses, and \$1.6 million in transfers out. The two charts below provide similar information as shown previously but only for business-type activities instead of governmental activities.



Revenue. Charges for services revenue for business-type activities include City's Water, Wastewater and Storm Drainage Utility operations which increased from the prior year. Revenue from charges for services increased by \$0.2 million or 0.9% from the prior year due to the addition of new customers. Contributions for capital grants increased by \$8.2 million as compared to the previous year. Investment earnings increased by \$0.04 million or 129.0% due to the use of cash and investments to pay for operating and capital activities.

Expenses. Business-type expenses totaled \$11.3 million, an overall increase of \$0.7 million or 6.9% from the prior fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

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

Governmental Funds

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

As of September 30, 2017, the City's governmental funds reported combined ending fund balance of \$35.8 million. Of this amount \$22.0 million is restricted and the remaining \$13.8 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, 2017, the unassigned fund balance totaled \$13.8 million. The unassigned General Fund Balance increased by \$3.3 million or 31.4% at September 30, 2017 as compared to the prior fiscal year primarily due a combination of increase in revenue and reduction in budgeted expenditures. The current year tax collection rate was 99% of the levy.

Overall, total General Fund revenue increased by \$3.1 million or 16.7% and actual expenditures increased by approximately \$0.3 million or 1.5% during fiscal year 2017 as compared to the prior fiscal year 2016. General government functions, which serves as a roll-up for non-specific activities, increased by \$0.4 million or 5.8% over the prior year. Public Safety increased by \$0.6 million or 11.1%, Culture/Recreation increased by \$0.1 million or 7.0% and Public Works increased by \$0.2 million or 6.6%. The increase was mainly due to increases in personnel costs and operating costs.

The Debt Service Fund is used to account for financial activity related to the City's general bonded indebtedness, as well as other long-term obligations. Revenues from property taxes use for Debt Service increased from \$7.6 million to \$8.7 million in 2017. The related debt service decreased from \$8.4 million to \$8.2 million, which is primarily attributable to lower outstanding debt in 2017.

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 2017, fund balance decreased by \$9.0 million. The decrease in the Capital Projects was mainly due to fund the following projects: (i) paying professional services to plan, design, the acquisition of rights-of-way and the construction and improvement of the following City streets: Bunton Creek Road, North Burleson Street, Goforth Road, Lehman Road, and Marketplace Avenue.

Other Governmental Funds – In addition to the General Fund, Governmental Funds include Special Revenue Funds, Debt Service Fund and Capital Projects Funds. As of September 30, 2017, the all Other Governmental Funds reported combined ending fund balance of \$1.9 million. Please refer to Exhibit C-3 on pages 25 and 26 and Exhibit H-2 on pages 76 through 78 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 \$0.2 million or 1.9% decrease from the prior year, the operating revenue for the wastewater fund showed a \$0.9 million or 12.0% decrease from the previous year. The new storm drainage fund had an operating revenue of \$1.2 million. This is primarily due to a new rate implemented, growth in customer base, and the continuing drought conditions during the year. Factors that contributed to the increase in net position are discussed in the business-type activities section of the government-wide statements.

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

The City of Kyle's investment in capital assets for its governmental and business type activities as of September 30, 2017, totaled \$186.6 million (net of accumulated depreciation). This investment in capital assets include land, buildings and improvements, equipment, vehicles, infrastructure, and construction in progress. The total increase in the City of Kyle's investment in capital assets for the fiscal year ended September 30, 2017 was \$18.0 million or 10.7% 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, 2017 (With Comparative Totals for September 30, 2016) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | Government Activities | | Business-type Activities | | Totals | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 3,282,742 | \$ 3,282,742 | \$ 691,935 | \$ 691,935 | \$ 3,974,677 | \$ 3,974,677 |
| Buildings | 17,222,188 | 17,222,188 | 3,113,623 | 3,113,623 | 20,335,811 | 20,335,811 |
| Improvements other than buildings | 4,383,927 | 4,219,386 | 78,051,378 | 68,030,766 | 82,435,305 | 72,250,152 |
| Machinery and equipment | 5,140,535 | 4,979,617 | 2,512,359 | 1,474,934 | 7,652,895 | 6,454,551 |
| Infrastructure | 117,438,502 | 108,774,644 | - | - | 117,438,502 | 108,774,644 |
| Construction in Progress | 18,672,905 | 14,476,386 | 3,887,683 | 3,059,618 | 22,560,587 | 17,536,004 |
| Less: Accumulated depreciation | (43,436,842) | (38,602,178) | (24,341,873) | (22,127,666) | (67,778,715) | (60,729,844) |
| Total | \$ 122,703,957 | \$ 114,352,785 | \$ 63,915,105 | \$ 54,243,210 | \$ 186,619,062 | \$ 168,595,995 |

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

- Road improvements totaled approximately \$8.6 million for the year.
- Design and right-of-way acquisition primarily completed for the road projects.
- Contributed capital for the year totaled \$13.5 million.

Detailed information on capital asset activity for the fiscal year ended September 30, 2017 is provided in Note D to the Financial Statements on pages 47 to 49.

Debt Management

At September 30, 2017, the City's net outstanding debt totaled \$90.3 million. This is a decrease of approximately \$5.2 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, 2017, with a comparison of outstanding debt from the prior year. In addition, please refer to Note F – Long-Term Liabilities on page 50 in the Notes to the Financial Statement for detailed information on the changes in long-term debt.

| City of Kyle, Texas Outstanding Debt Information September 30, 2017 (With Comparative Totals for September 30, 2016) | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|--------------------------|-------------|----------------------|----------------------|
| | Government Activities | | Business-type Activities | | Totals | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Debt obligations | \$ 40,495,000 | \$ 42,340,000 | \$ - | \$ - | \$ 40,495,000 | \$ 42,340,000 |
| Premium on bonds | 4,751,760 | 5,076,009 | - | - | 4,751,760 | 5,076,009 |
| Refunding bonds | 45,080,000 | 48,115,000 | - | - | 45,080,000 | 48,115,000 |
| Capital lease - Plant | - | - | - | - | - | - |
| Total | <u>\$ 90,326,760</u> | <u>\$ 95,531,009</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 90,326,760</u> | <u>\$ 95,531,009</u> |

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 2017 showed that the City of Kyle's local economy has fully recovered and the outlook over the next year's budget development cycle is that of continued growth.

Among the major indicators of a stable yet an expanding local economy include growth in population, building permits, taxable valuations, property tax collection rate, and the trend for sales tax collections. Accordingly, we are pleased to report the following trends in the economic indicators for the fiscal year ended September 30, 2017:

- 16% increase in building permits from the prior year.
- 8.0% increase in taxable assessed property valuations from the prior year.
- 99.4% annual property tax collection rate.
- 4.6% projected increase in population in the City of Kyle annually through the year 2020.
- Public Safety Program Initiatives.
- Street Maintenance & Reconstruction Program.
- Park Improvement Program.
- Water and Wastewater Infrastructure Improvement & Expansion Program.

- Downtown Revitalization Grant Program.
- Downtown Beautification Plan.
- Annexation Plan.
- Tourism Plan.

| Variations in Budget Appropriations | | | |
|------------------------------------------------------|----------------------------|-------------------------|---------------------------|
| General Fund (Budgetary Basis) - Expenditures | | | |
| | Original Budget | Final Budget | Actual Results |
| General Government | \$ 7,416,015 | \$ 7,936,078 | \$ 6,768,178 |
| Public Safety | 7,125,487 | 7,125,487 | 6,244,455 |
| Public Works | 3,916,433 | 3,916,433 | 3,484,563 |
| Culture and Recreation | 2,445,945 | 2,460,158 | 2,259,263 |
| Capital Outlay | 936,000 | 1,637,960 | 686,493 |
| | <u>\$ 21,839,880</u> | <u>\$ 23,076,116</u> | <u>\$ 19,442,952</u> |

Changes in original budget appropriations to the final amended budget appropriations resulted in a net \$1,236,236 increase in appropriations. This increase can be summarized by the following:

- General Government increased by approximately \$520,063 due to budget amendments and due to rollover from prior year appropriations.
- Culture and Recreation and Capital Outlay had a net change of approximately \$716,173 increase to adjusted appropriated balances to meet changing needs of the City throughout the year.

Next Year's Budget

The fiscal year 2017-18 Approved Budget totals \$84.1 million and includes \$23.9 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 2017-18 Budget was adopted with a property tax rate decrease of \$0.0100 to \$0.5416 per \$100 of assessed taxable valuation. The budget provides for an average 3.0% pay increase for City employees, compliance with the meet and confer requirements for civil service employees, addition of positions for police officers, library, public works, animal control, and emergency dispatch operations.

The Approved Budget for fiscal year 2018 did not include any rate increase for water, wastewater, or fees and charges for city services. A 4.0% rate increase is included for solid waste collection service based on the contract terms entered by the City with Texas Disposal Systems.

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS



CITY OF KYLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

EXHIBIT A-1

| | Primary Government | | Total |
|---------------------------------------------------|----------------------------|--------------------------------|-----------------------|
| | Governmental Activities | Business Type Activities | |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 12,974,028 | \$ 15,119,855 | \$ 28,093,883 |
| Restricted Cash and Cash Equivalents | 22,129,418 | 16,916,006 | 39,045,424 |
| Receivables (Net of Allowance for Uncollectibles) | 2,791,234 | 2,218,644 | 5,009,878 |
| Internal Balances | 319,429 | (319,429) | - |
| Prepaid Items | - | 702 | 702 |
| Capital Assets: | | | |
| Nondepreciable, Capital Assets | 21,955,647 | 4,579,617 | 26,535,264 |
| Capital Assets (Net) | 100,748,311 | 59,335,488 | 160,083,799 |
| OPEB Asset | 123,083 | 41,028 | 164,111 |
| Total Assets | <u>161,041,150</u> | <u>97,891,911</u> | <u>258,933,061</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred Charge for Refunding | 2,658,438 | - | 2,658,438 |
| Deferred Outflow Related to Pension Plan | 1,140,122 | 392,429 | 1,532,551 |
| Total Deferred Outflows of Resources | <u>3,798,560</u> | <u>392,429</u> | <u>4,190,989</u> |
| LIABILITIES | | | |
| Accounts Payable | 1,416,180 | 1,119,790 | 2,535,970 |
| Wages and Salaries Payable | 208,271 | 192,292 | 400,563 |
| Compensated Absences Payable | 639,551 | - | 639,551 |
| Contracts Payable | 215,670 | - | 215,670 |
| Customer Deposits | 6,781 | 713,717 | 720,498 |
| Accrued Interest Payable | 393,541 | - | 393,541 |
| Other Current Liabilities | 1,848 | - | 1,848 |
| Liabilities Payable from Restricted Assets | 318,263 | - | 318,263 |
| Noncurrent Liabilities | | | |
| Debt Due Within One Year | 5,045,001 | - | 5,045,001 |
| Bonds Payable - Noncurrent | 84,807,069 | - | 84,807,069 |
| Net Pension Liability | 2,999,615 | 1,032,463 | 4,032,078 |
| Total Liabilities | <u>96,051,790</u> | <u>3,058,262</u> | <u>99,110,052</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred Inflow Related to Pension Plan | 161,094 | 55,449 | 216,543 |
| Total Deferred Inflows of Resources | <u>161,094</u> | <u>55,449</u> | <u>216,543</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 52,720,070 | 63,915,105 | 116,635,175 |
| Restricted for: | | | |
| Restricted for Capital Improvements | - | 16,957,034 | 16,957,034 |
| Restricted for Other | 248,725 | - | 248,725 |
| Restricted for Debt Service | 1,966,892 | - | 1,966,892 |
| Unrestricted Net Position | 13,691,139 | 14,298,490 | 27,989,629 |
| Total Net Position | <u>\$ 68,626,826</u> | <u>\$ 95,170,629</u> | <u>\$ 163,797,455</u> |

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

CITY OF KYLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Program Revenues | | | |
|----------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| General Government | \$ 7,086,422 | \$ 6,307,587 | - | \$ - |
| Public Safety | 7,101,534 | 46,822 | 106,493 | - |
| Public Works | 7,456,045 | 373,322 | 45,786 | - |
| Culture and Recreation | 3,006,348 | 655,509 | - | - |
| Interest on Debt | 2,853,031 | - | - | - |
| Other Debt Service | 20,425 | - | - | - |
| Total Governmental Activities | 27,523,805 | 7,383,240 | 152,279 | - |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Water Fund | 6,585,910 | 10,189,754 | - | 2,302,230 |
| Wastewater Fund | 4,126,636 | 6,414,361 | - | 4,951,318 |
| Storm Drainage Fund | 536,786 | 1,238,345 | - | 2,681,276 |
| Total Business-Type Activities | 11,249,332 | 17,842,460 | - | 9,934,823 |
| TOTAL PRIMARY GOVERNMENT: | \$ 38,773,137 | \$ 25,225,700 | \$ 152,279 | \$ 9,934,823 |

General Revenues:

Taxes:

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

Grants and Contributions Not Restricted

Investment Earnings

Miscellaneous Revenue

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 |
| \$ (778,835) | \$ - | \$ (778,835) |
| (6,948,219) | - | (6,948,219) |
| (7,036,937) | - | (7,036,937) |
| (2,350,839) | - | (2,350,839) |
| (2,853,031) | - | (2,853,031) |
| (20,425) | - | (20,425) |
| (19,988,286) | - | (19,988,286) |
| - | 5,906,074 | 5,906,074 |
| - | 7,239,043 | 7,239,043 |
| - | 3,382,835 | 3,382,835 |
| - | 16,527,951 | 16,527,951 |
| (19,988,286) | 16,527,951 | (3,460,335) |
| 5,757,434 | - | 5,757,434 |
| 8,513,062 | - | 8,513,062 |
| 7,227,633 | - | 7,227,633 |
| 1,435,270 | - | 1,435,270 |
| 281,996 | - | 281,996 |
| 2,959,603 | - | 2,959,603 |
| 383,362 | 72,365 | 455,727 |
| 208,541 | 3,090,249 | 3,298,790 |
| 1,551,446 | (1,551,446) | - |
| 28,318,347 | 1,611,168 | 29,929,515 |
| 8,330,061 | 18,139,119 | 26,469,180 |
| 60,296,765 | 77,031,509 | 137,328,274 |
| \$ 68,626,826 | \$ 95,170,629 | \$ 163,797,455 |

CITY OF KYLE
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

| | General Fund | Debt Service Fund | Capital Projects |
|----------------------------------------------------------------|----------------------|----------------------|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 12,753,720 | \$ - | \$ - |
| Restricted Cash and Cash Equivalents | - | 2,033,588 | 18,660,995 |
| Receivable (Net) | 2,623,825 | 108,220 | - |
| Due from Other Funds | 331,474 | - | - |
| Total Assets | \$ 15,709,019 | \$ 2,141,808 | \$ 18,660,995 |
| LIABILITIES | | | |
| Accounts Payable | \$ 1,058,115 | \$ 72,662 | \$ 269,373 |
| Wages and Salaries Payable | 205,568 | - | - |
| Contracts Payable | 215,670 | - | - |
| Customer Deposits | 6,781 | - | - |
| Due to Other Funds | 6 | - | - |
| Other Current Liabilities | 1,848 | - | - |
| Liabilities Payable from Restricted Assets | 318,263 | - | - |
| Total Liabilities | 1,806,251 | 72,662 | 269,373 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Property Tax | 73,038 | 102,254 | - |
| Total Deferred Inflows of Resources | 73,038 | 102,254 | - |
| FUND BALANCES | | | |
| Restricted Fund Balance: | | | |
| Restricted Fund Balance - Other | - | - | - |
| Restricted Fund Balance - Capital Projects | - | - | 18,391,622 |
| Restricted Fund Balance - Debt Service | - | 1,966,892 | - |
| Unassigned Fund Balance | 13,829,730 | - | - |
| Total Fund Balances | 13,829,730 | 1,966,892 | 18,391,622 |
| Total Liabilities, Deferred Inflows & Fund Balances | \$ 15,709,019 | \$ 2,141,808 | \$ 18,660,995 |

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

| Other Funds | Total Governmental Funds |
|---------------------|--------------------------------|
| \$ 220,308 | \$ 12,974,028 |
| 1,434,835 | 22,129,418 |
| 59,189 | 2,791,234 |
| - | 331,474 |
| <u>\$ 1,714,332</u> | <u>\$ 38,226,154</u> |
| | |
| \$ 28,069 | \$ 1,428,219 |
| 2,703 | 208,271 |
| - | 215,670 |
| - | 6,781 |
| - | 6 |
| - | 1,848 |
| - | 318,263 |
| <u>30,772</u> | <u>2,179,058</u> |
| | |
| - | 175,292 |
| <u>-</u> | <u>175,292</u> |
| | |
| 248,725 | 248,725 |
| 1,434,835 | 19,826,457 |
| - | 1,966,892 |
| - | 13,829,730 |
| <u>1,683,560</u> | <u>35,871,804</u> |
| | |
| <u>\$ 1,714,332</u> | <u>\$ 38,226,154</u> |

CITY OF KYLE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2017

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|
| Total Fund Balances - Governmental Funds | \$ | 35,871,804 |
| <p>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 ending balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.</p> | | |
| Other long-term liabilities, assets and deferrals | | (96,865) |
| Deferred charge on refunding | 2,658,438 | |
| Net Pension Liability | (2,999,615) | |
| Deferred Inflows Property Tax | 175,292 | |
| Compensated absences | (639,551) | |
| Pension Plan Deferred Inflows | (161,094) | |
| Pension Plan Deferred Outflows | 1,140,122 | |
| Interest Accrual | (393,540) | |
| OPEB Asset | 123,083 | |
| Net Position of Governmental Activities | \$ | 68,626,826 |

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

CITY OF KYLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | General Fund | Debt Service Fund | Capital Projects |
|-----------------------------------------------------------|-----------------|----------------------|---------------------|
| REVENUES: | | | |
| Taxes: | | | |
| Property Taxes | \$ 5,684,396 | \$ 8,410,808 | \$ - |
| General Sales and Use Taxes | 7,227,633 | - | - |
| Franchise Tax | 1,435,270 | - | - |
| Other Taxes | 65,899 | - | - |
| Licenses and Permits | 1,853,819 | - | - |
| Intergovernmental Revenue and Grants | 1,500 | - | - |
| Charges for Services | 4,324,114 | - | - |
| Fines | 473,892 | - | - |
| Special Assessments | - | - | - |
| Investment Earnings | 131,796 | 247,324 | - |
| Rents and Royalties | 33,426 | - | - |
| Contributions & Donations from Private Sources | 72,400 | - | - |
| Other Revenue | 152,030 | 10,261 | - |
| Total Revenues | 21,456,175 | 8,668,393 | - |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 6,768,179 | - | - |
| Public Safety | 6,244,455 | - | - |
| Public Works | 3,484,563 | - | - |
| Culture and Recreation | 2,259,263 | - | - |
| Debt Service: | | | |
| Principal on Debt | - | 4,879,999 | - |
| Interest on Debt | - | 3,258,430 | - |
| Other Debt Service | - | 20,425 | - |
| Capital Outlay: | | | |
| Capital Outlay | 686,493 | - | 9,505,978 |
| Total Expenditures | 19,442,953 | 8,158,854 | 9,505,978 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,013,222 | 509,539 | (9,505,978) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers In | 2,067,552 | 2,253,566 | 535,128 |
| Transfers Out (Use) | (777,051) | (1,882,120) | - |
| Total Other Financing Sources (Uses) | 1,290,501 | 371,446 | 535,128 |
| Net Change in Fund Balances | 3,303,723 | 880,985 | (8,970,850) |
| Fund Balance - October 1 (Beginning) | 10,526,007 | 1,085,907 | 27,362,472 |
| Fund Balance - September 30 (Ending) | \$ 13,829,730 | \$ 1,966,892 | \$ 18,391,622 |

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

| Other Funds | Total Governmental Funds |
|---------------------|--------------------------------|
| \$ - | \$ 14,095,204 |
| - | 7,227,633 |
| - | 1,435,270 |
| 216,097 | 281,996 |
| - | 1,853,819 |
| 150,780 | 152,280 |
| 358,093 | 4,682,207 |
| - | 473,892 |
| 373,323 | 373,323 |
| 4,242 | 383,362 |
| - | 33,426 |
| 1,126 | 73,526 |
| <u>12,823</u> | <u>175,114</u> |
| <u>1,116,484</u> | <u>31,241,052</u> |
| 138,607 | 6,906,786 |
| 141,998 | 6,386,453 |
| - | 3,484,563 |
| 162,139 | 2,421,402 |
| - | 4,879,999 |
| - | 3,258,430 |
| - | 20,425 |
| <u>210,658</u> | <u>10,403,129</u> |
| <u>653,402</u> | <u>37,761,187</u> |
| <u>463,082</u> | <u>(6,520,135)</u> |
| 147,051 | 5,003,297 |
| <u>(792,680)</u> | <u>(3,451,851)</u> |
| <u>(645,629)</u> | <u>1,551,446</u> |
| <u>(182,547)</u> | <u>(4,968,689)</u> |
| <u>1,866,107</u> | <u>40,840,493</u> |
| <u>\$ 1,683,560</u> | <u>\$ 35,871,804</u> |

CITY OF KYLE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | (4,968,689) |
| 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 2017 capital outlays and debt principal payments is to increase (decrease) the change in net position. | | 15,283,128 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position. | | (4,938,032) |
| 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. | | 2,953,655 |
| Change in Net Position of Governmental Activities | \$ | 8,330,061 |

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

CITY OF KYLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

| | Business-Type Activities - Enterprise Funds | | | |
|----------------------------------------------------|---------------------------------------------|----------------------|---------------------------|------------------------------|
| | Water Fund | Wastewater Fund | Storm Drainage Fund | Total Enterprise Funds |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 6,873,694 | \$ 7,697,685 | \$ 548,476 | \$ 15,119,855 |
| Restricted Cash and Cash Equivalents | 4,138,333 | 12,777,673 | - | 16,916,006 |
| Accounts Receivable-Net of Uncollectible Allowance | 1,168,953 | 824,120 | 225,571 | 2,218,644 |
| Due from Other Funds | 2,382 | 150,073 | - | 152,455 |
| Prepaid Items | 361 | 234 | 107 | 702 |
| OPEB Asset | 41,028 | - | - | 41,028 |
| Total Current Assets | 12,224,751 | 21,449,785 | 774,154 | 34,448,690 |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Nondepreciable Capital Assets | 1,303,563 | 3,276,054 | - | 4,579,617 |
| Capital Assets - Net of Accumulated Depreciation | 25,993,192 | 30,337,639 | 3,004,657 | 59,335,488 |
| Total Noncurrent Assets | 27,296,755 | 33,613,693 | 3,004,657 | 63,915,105 |
| Total Assets | 39,521,506 | 55,063,478 | 3,778,811 | 98,363,795 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflow Related to Pension Plan | 161,698 | 148,135 | 82,596 | 392,429 |
| Total Deferred Outflows of Resources | 161,698 | 148,135 | 82,596 | 392,429 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 509,107 | 375,674 | 235,009 | 1,119,790 |
| Wages and Salaries Payable | 98,733 | 78,970 | 14,589 | 192,292 |
| Customer Deposits | 437,905 | 275,812 | - | 713,717 |
| Due to Other Funds | 360,519 | 111,365 | - | 471,884 |
| Total Current Liabilities | 1,406,264 | 841,821 | 249,598 | 2,497,683 |
| NonCurrent Liabilities: | | | | |
| Payable from Restricted Assets - Noncurrent: | | | | |
| Net Pension Liability | 425,421 | 389,738 | 217,304 | 1,032,463 |
| Total Noncurrent Liabilities | 425,421 | 389,738 | 217,304 | 1,032,463 |
| Total Liabilities | 1,831,685 | 1,231,559 | 466,902 | 3,530,146 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflow Related to Pension Plan | 22,848 | 20,931 | 11,670 | 55,449 |
| Total Deferred Inflows of Resources | 22,848 | 20,931 | 11,670 | 55,449 |
| NET POSITION | | | | |
| Investment in Capital Assets | 27,296,755 | 33,613,693 | 3,004,657 | 63,915,105 |
| Restricted for Capital Improvement- Impact Fee | 4,179,361 | 12,777,673 | - | 16,957,034 |
| Unrestricted Net Position | 6,352,555 | 7,567,757 | 378,178 | 14,298,490 |
| Total Net Position | \$ 37,828,671 | \$ 53,959,123 | \$ 3,382,835 | \$ 95,170,629 |

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

CITY OF KYLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Business-Type Activities - Enterprise Funds | | | |
|---------------------------------------------|---------------------------------------------|----------------------|---------------------------|------------------------------|
| | Water Fund | Wastewater Fund | Storm Drainage Fund | Total Enterprise Funds |
| OPERATING REVENUES: | | | | |
| Charges for Services | \$ 10,189,754 | \$ - | \$ - | \$ 10,189,754 |
| Charges for Sewerage Service | - | 6,414,361 | - | 6,414,361 |
| Storm Drainage Fee | - | - | 1,238,345 | 1,238,345 |
| Rents and Royalties | 48,600 | - | - | 48,600 |
| Other Revenue | 71,320 | 44,101 | - | 115,421 |
| Total Operating Revenues | <u>10,309,674</u> | <u>6,458,462</u> | <u>1,238,345</u> | <u>18,006,481</u> |
| OPERATING EXPENSES: | | | | |
| Personnel Services - Salaries and Wages | 1,482,091 | 1,380,297 | 374,148 | 3,236,536 |
| Purchased Professional & Technical Services | 3,969,575 | 1,065,327 | 103,344 | 5,138,246 |
| Other Operating Costs | 328,184 | 323,823 | 8,337 | 660,344 |
| Depreciation | 806,060 | 1,357,189 | 50,957 | 2,214,206 |
| Total Operating Expenses | <u>6,585,910</u> | <u>4,126,636</u> | <u>536,786</u> | <u>11,249,332</u> |
| Operating Income | <u>3,723,764</u> | <u>2,331,826</u> | <u>701,559</u> | <u>6,757,149</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Contingency Loss | (478,404) | - | - | (478,404) |
| Investment Earnings | 16,133 | 56,232 | - | 72,365 |
| Other Non-Operating Revenues | 1,561,670 | 1,842,962 | - | 3,404,632 |
| Total Non-operating Revenue (Expenses) | <u>1,099,399</u> | <u>1,899,194</u> | <u>-</u> | <u>2,998,593</u> |
| Income Before Contributions & Transfers | 4,823,163 | 4,231,020 | 701,559 | 9,755,742 |
| Capital Contributions | 2,302,230 | 4,951,318 | 2,681,276 | 9,934,824 |
| Transfers In | 710,000 | 1,970,000 | - | 2,680,000 |
| Transfers Out (Use) | (1,681,227) | (2,550,219) | - | (4,231,446) |
| Change in Net Position | 6,154,166 | 8,602,119 | 3,382,835 | 18,139,120 |
| Total Net Position - October 1 (Beginning) | <u>31,674,505</u> | <u>45,357,004</u> | <u>-</u> | <u>77,031,509</u> |
| Total Net Position - September 30 (Ending) | <u>\$ 37,828,671</u> | <u>\$ 53,959,123</u> | <u>\$ 3,382,835</u> | <u>\$ 95,170,629</u> |

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

CITY OF KYLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Business-Type Activities - Enterprise Funds | | | |
|-----------------------------------------------------------------|---------------------------------------------|--------------------|---------------------------|------------------------------|
| | Water Fund | Wastewater Fund | Storm Drainage Fund | Total Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from Customers | \$ 9,941,422 | \$ 6,150,771 | \$ 1,012,774 | \$ 17,104,967 |
| Payments to Suppliers | (4,106,187) | (1,161,435) | 26,218 | (5,241,404) |
| Payment to Employees | (1,551,367) | (1,285,098) | (130,585) | (2,967,050) |
| Net cash provided by operating activities | \$ 4,283,868 | \$ 3,704,238 | \$ 908,407 | \$ 8,896,513 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Transfers Out | \$ (971,227) | \$ (580,219) | - | \$ (1,551,446) |
| Net cash used by non-capital financing activities | \$ (971,227) | \$ (580,219) | - | \$ (1,551,446) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of Capital Assets | \$ (474,791) | \$ (1,580,552) | \$ (359,931) | \$ (2,415,274) |
| Other Non-Operating Revenues | 1,561,670 | 1,842,962 | - | 3,404,632 |
| Net cash used by capital and related financing activities | \$ 1,086,879 | \$ 262,410 | \$ (359,931) | \$ 989,358 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of investment | \$ - | \$ - | \$ - | \$ - |
| Interest and investment revenue received | 16,133 | 56,232 | - | 72,365 |
| Net cash used by investing activities | \$ 16,133 | \$ 56,232 | \$ - | \$ 72,365 |
| Net increase in cash and cash equivalents | \$ 4,415,653 | \$ 3,442,661 | \$ 548,476 | \$ 8,406,790 |
| Cash and cash equivalents - beginning of year | \$ 6,596,374 | \$ 17,032,697 | \$ - | \$ 23,629,071 |
| Cash and cash equivalents - end of year | \$ 11,012,027 | \$ 20,475,358 | \$ 548,476 | \$ 32,035,863 |
| Noncash flow information | | | | |
| Capital Contribution | \$ 2,302,230 | \$ 4,951,318 | \$ 2,681,276 | \$ 9,934,824 |

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

CITY OF KYLE, TEXAS
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Business-Type Activities - Enterprise Funds | | | |
|----------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------|---------------------------|------------------------------|
| | Water Fund | Wastewater Fund | Storm Drainage Fund | Total Enterprise Funds |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income | \$ 3,682,735 | \$ 2,331,825 | \$ 701,560 | \$ 6,716,120 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Depreciation | \$ 806,060 | \$ 1,357,189 | \$ 50,957 | \$ 2,214,206 |
| Changes in assets and liabilities | | | | |
| Prepaid Items | \$ (2,184) | \$ (149,936) | \$ - | \$ (152,120) |
| Accounts receivable | (389,169) | (307,251) | (225,571) | (921,991) |
| Accounts payable | (3,283) | 375,273 | 137,899 | 509,889 |
| Wages and salaries payable | 9,364 | 20,553 | 14,589 | 44,506 |
| Customer deposits | 20,917 | (440) | - | 20,477 |
| Due to other funds | 197,039 | 2,378 | - | 199,417 |
| Pension Liability | (84,728) | 77,873 | 217,304 | 210,449 |
| Deferred Outflows | 32,763 | (18,495) | - | 14,268 |
| Deferred Inflows | 14,353 | 15,268 | 11,670 | 41,291 |
| Net cash provided by operating activities | <u>\$ 4,283,868</u> | <u>\$ 3,704,238</u> | <u>\$ 908,407</u> | <u>\$ 8,896,513</u> |

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

CITY OF KYLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2017

| | OPEB Trust Fund | Agency Fund |
|----------------------------------|----------------------------|------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 9,704 | \$ 151,059 |
| Investments | 967,950 | |
| Accounts Receivable (Net) | | 5,441 |
| Total assets | 977,654 | 156,500 |
| LIABILITIES | | |
| Other liability | \$ - | \$ 156,500 |
| Total liabilities | \$ - | \$ 156,500 |
| NET POSITION | | |
| Net position restricted for OPEB | \$ 977,654 | |
| Total net position | \$ 977,654 | |

The accompanying notes are an integral part of the financial statements.

CITY OF KYLE
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2017

| | <u>OPEB</u> <u>Trust Fund</u> |
|---------------------------------------------------------|----------------------------------|
| ADDITIONS | |
| Contributions | \$ 156,500 |
| Net Investments income | - |
| Interest and dividends (includes fair value changes) | 109,860 |
| Total Additions | <u>\$ 266,360</u> |
| | |
| DEDUCTIONS | |
| Benefit payments | \$ 5,123 |
| Administrative expenses | 12,427 |
| Total Deductions | <u>\$ 17,550</u> |
| Change in net position | \$ 248,810 |
| NET POSITION, beginning, as restated | <u>\$ 728,844</u> |
| NET POSITION, ending | <u><u>\$ 977,654</u></u> |

The accompanying notes are an integral part of the financial statements.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Mayor and Council are elected by the public and they have the authority to make decisions, appoint administrators and managers, and significantly influence operations. They also have the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity, and Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*". The accompanying financial statements comply with the provisions of GASB Statement No. 14 and 61. There are no component units which satisfy requirements for blending within the City's financial statements or for discrete presentation.

Current GASB Statement Implementations

Effective October 1, 2016, the City adopted GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objectives of this statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and accessing accountability. The adoption of this statement added additional disclosures and included the reporting of fiduciary trust fund for the City's OPEB Trust.

Future GASB Statement Implementations

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

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

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

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

The City has not fully determined the effects that implementation of this statement will have on the City's financial statements.

B. Government-wide and Fund Financial Statements

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

B. Government-wide and Fund Financial Statements (Cont'd)

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 now 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 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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied as a lien attaches to the real property by operation of law. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

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

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

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

D. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund balances and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the proceeds of revenue sources, those proceeds' restrictions or commitments for which they are to be spent and the means by which spending activities are controlled. The City has three types of funds: governmental, proprietary, and fiduciary. The fund financial statements provide more detailed information about the City's most significant funds, but not on the City as a whole. Major governmental and enterprise funds are reported separately in the fund financial statements. Nonmajor funds are aggregated in the fund financial statements and independently presented in the combining statements. The criteria used to determine if a governmental or enterprise fund should be reported as a major fund are as follows: the total assets and deferred outflows of resources, the total liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10.0% of the corresponding element total for all funds of that category or type (that is, total governmental or total enterprise funds), and the same element that met the 10.0% criterion above in the governmental or enterprise fund is at least 5.0% of the corresponding element total for all governmental and enterprise funds combined.

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

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

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

The Capital Projects Fund - is used to pay for professional services to plan, design, the acquisition for rights-of-way and the construction and improvement of the following City Streets: Bunton Creek Road, North Burlison 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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

D. Fund Accounting (Cont'd)

The City reports the following major enterprise fund:

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:

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 agency fund is the Other Post Employment Benefits Fund (Retiree Health Insurance). The other post-employment benefit trust fund is used to account for the accumulation of resources for post-employment benefits to qualified plan participants.

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

Cash and Cash Equivalents

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

Investments

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

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or, (b) secured by obligations that are described by (1); (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with a third-party selected or approved by the City, and placed through a primary government securities dealer. Investments maturing within one year of date of purchase are stated at 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, prepayment speeds, and fixed income security pricing models. The City carries investments on debt securities with original maturities of one year or less at the date of purchase at amortized cost.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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.

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 capitalized once the project is completed and the related asset 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:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and improvements | 25 to 40 |
| Waterworks and wastewater systems | 10 to 50 |
| Infrastructure | 20 to 33 |
| Machinery and equipment | 5 to 10 |

Compensated Absences

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

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

Compensated Absences (Cont'd)

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

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

Long-term Obligations

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

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

Fund Equity

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

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

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

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

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

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

At September 30, 2017, the City has the following fund balance classifications:

| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Governmental Fund | Total |
|-------------------------------|----------------------|-------------------------|--------------------------|----------------------------------|----------------------|
| Fund Balance | | | | | |
| Non-Spendable Prepaids | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted: | | | | | |
| Capital Projects | \$ - | \$ - | \$ 18,391,622 | \$ - | \$ 18,391,622 |
| Debt Service | - | 1,966,892 | - | - | 1,966,892 |
| Road and Park Improvements | - | - | - | 1,434,835 | 1,434,835 |
| Public Safety | - | - | - | 225,918 | 225,918 |
| Economic Development, HOT | - | - | - | 14,844 | 14,844 |
| Other Development | - | - | - | 7,963 | 7,963 |
| | <u>\$ -</u> | <u>\$ 1,966,892</u> | <u>\$ 18,391,622</u> | <u>\$ 1,683,560</u> | <u>\$ 22,042,074</u> |
| Unassigned: | | | | | |
| Unassigned | \$ 13,829,730 | \$ - | \$ - | \$ - | \$ 13,829,730 |
| | <u>\$ 13,829,730</u> | <u>\$ 1,966,892</u> | <u>\$ 18,391,622</u> | <u>\$ 1,683,560</u> | <u>\$ 35,871,804</u> |

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

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

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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

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

Estimates

The preparation of financial statements in conformity with 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:

| | <u>Historic Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Value End of Year</u> | <u>Change in Net Position</u> |
|-----------------------------------------|--------------------------|-------------------------------------|--------------------------------------|-----------------------------------|
| <u>Capital Assets - End of Year</u> | | | | |
| Non-Depreciable Assets | \$ 21,955,647 | | \$ 21,955,647 | |
| Depreciable Assets | <u>144,185,153</u> | <u>43,436,843</u> | <u>100,748,310</u> | |
| Change in Net Position | <u>\$ 166,140,800</u> | <u>\$ 43,436,843</u> | <u>\$ 122,703,957</u> | 122,703,957 |
| <u>Long-term Debt - End of Year</u> | | | | |
| Bonds Payable | | | <u>\$ 89,852,070</u> | |
| Change in Net Position | | | <u>\$ 89,852,070</u> | <u>(89,852,070)</u> |
| Net Adjustment to Net Position | | | | <u>\$ 32,851,887</u> |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

| | Amount | Adjustment to Change in Net Position |
|-------------------------------|------------|--------------------------------------------|
| Amortization of Bond Premiums | \$ 798,940 | \$ 798,940 |
| GF Contributed Capital | 3,598,207 | 3,598,207 |
| Compensated Absences | 639,551 | (639,551) |
| Deferred Inflows Property Tax | 175,292 | 175,292 |
| Pension Expense | 3,355 | 3,355 |
| Capital Asset Deletions | 712,131 | (712,131) |
| Interest Accrual | 393,541 | (393,541) |
| OPEB Asset | 123,083 | 123,083 |
| | | \$ 2,953,654 |

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

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

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2017, the City had the following investments:

| | Pooled cash and investments | |
|-----------------------------------|------------------------------------|---------------|
| | Unrestricted | Restricted |
| General Fund | \$ 12,754,042 | \$ - |
| Debt Service | - | 2,033,588 |
| Capital Projects | - | 18,660,995 |
| Nonmajor governmental funds | 220,308 | 1,434,835 |
| Water Fund | 6,873,528 | 4,138,333 |
| Wastewater Fund | 7,697,577 | 12,777,673 |
| Nonmajor enterprise | 548,427 | - |
| Fiduciary and OPEB Trust | 1,128,713 | - |
| | \$ 29,222,595 | \$ 39,045,424 |
| | | |
| Total pooled cash and investments | \$ 68,268,019 | |
| | | |
| Total Investments | | |
| TexPool | \$ 27,760,920 | |
| TexSTAR | 21,136,842 | |
| Mutual Fund | 3,335,386 | |
| Toyota CP | 3,499,579 | |
| JP Morgan CP | 2,972,000 | |
| Freddie Mac | 2,985,099 | |
| FED Home LN Discount | 1,996,128 | |
| Federal Home Loan Bank | 1,995,678 | |
| Federal Home Loan MTG | 7,377 | |
| Total Investments | \$ 65,689,009 | |
| ADD: | | |
| Deposits | 1,601,356 | |
| | \$ 67,290,365 | |
| | | |
| OPEB Trust | \$ 977,654 | |
| | \$ 68,268,019 | |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 37 days as of September 30, 2017.

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 29 days at September 30, 2017.

TexSTAR does not meet the requirements of GASB Statement No. 79, and as such, measures and reports its investments at fair value. The City carries its investment in TexSTAR at fair value measured using NAV.

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

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

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

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

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

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017, the City's investment of \$6,471,579 in commercial paper and \$6,984,277 in agency securities 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 and TexSTAR is carried at net asset value share which is based on amortized cost. Accordingly, the City is not required to disclose these investments within the GASB Statement No. 72 hierarchy for investments. The City's mutual fund invest in fixed income securities seeking current income while preserving capital and liquidity. The City's mutual fund is measured at NAV. The City's trust funds invest in a combination of mutual funds seeking long-term capital appreciation through the use of portfolios of small cap equity securities, international equities and fixed income securities. The trust fund holds exchange traded funds which are valued daily.

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 market values by limiting the weighted average maturity of its investment portfolio to a maximum of 180 days. At September 30, 2017 the City holds \$6,471,579 in corporate commercial paper with weighted average maturity of 15 days and \$6,984,277 of US Agency securities, with a weighted average maturity of 140 days.

Custodial Credit Risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2017, 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 government securities were rated AA+ and Commercial Paper were rated AA- by Standard & Poor's Investors Service. 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, 2017, the City had no investments exposed to concentration of credit risk. As of September 30, 2017, investments in a single issuer that exceed 5% of the investment portfolio includes \$3,499,579 held in commercial paper.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 | | | Water | Wastewater | Storm | Total |
|------------------------------------|----------------------------|--------------------------|-------------------------|----------------------------|--------------------------|--------------------------|----------------------------|
| | General | Debt Service | Other | | | Drainage | |
| Receivables: | | | | | | | |
| Accounts: | | | | | | | |
| Customers | \$ 823,079 | \$ - | \$ - | \$ 1,485,104 | \$ 1,034,889 | \$ 225,571 | \$ 3,568,643 |
| Court Warrants Receivable | 2,394,416 | - | - | - | - | - | 2,394,416 |
| Developers | 285,636 | - | - | - | - | - | 285,636 |
| Property Tax | 77,708 | 108,220 | - | - | - | - | 185,928 |
| Sales Tax | 1,267,019 | - | - | - | - | - | 1,267,019 |
| Other | 42,142 | - | 59,189 | - | - | - | 101,331 |
| Gross Receivables | <u>\$ 4,890,000</u> | <u>\$ 108,220</u> | <u>\$ 59,189</u> | <u>\$ 1,485,104</u> | <u>\$ 1,034,889</u> | <u>\$ 225,571</u> | <u>\$ 7,802,973</u> |
| Less: Allowance for Uncollectibles | <u>(2,266,175)</u> | <u>-</u> | <u>-</u> | <u>(316,151)</u> | <u>(210,769)</u> | <u>-</u> | <u>(2,793,095)</u> |
| Net Total Receivables | <u><u>\$ 2,623,825</u></u> | <u><u>\$ 108,220</u></u> | <u><u>\$ 59,189</u></u> | <u><u>\$ 1,168,953</u></u> | <u><u>\$ 824,120</u></u> | <u><u>\$ 225,571</u></u> | <u><u>\$ 5,009,878</u></u> |

C. Property Taxes

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

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

D. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

| <u>Governmental Activities:</u> | <u>Balance 10/1/2016</u> | <u>Additions</u> | <u>Disposals/ Transfers</u> | <u>Balance 9/30/2017</u> |
|----------------------------------------------|------------------------------|-----------------------------|---------------------------------|------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,282,742 | \$ - | \$ - | \$ 3,282,742 |
| Construction in progress | 14,476,386 | 9,697,846 | (5,501,328) | 18,672,905 |
| Total capital assets not being depreciated | <u>\$ 17,759,128</u> | <u>\$ 9,697,846</u> | <u>\$ (5,501,328)</u> | <u>\$ 21,955,647</u> |
| Capital assets being depreciated: | | | | |
| Buildings | \$ 17,222,188 | \$ - | \$ - | \$ 17,222,188 |
| Improvements other than buildings | 4,219,386 | 208,182 | (43,641) | 4,383,927 |
| Infrastructure | 108,774,645 | 8,663,858 | - | 117,438,501 |
| Machinery and equipment | 4,979,616 | 250,269 | (89,349) | 5,140,536 |
| Total capital assets being depreciated | <u>\$ 135,195,835</u> | <u>\$ 9,122,308</u> | <u>\$ (132,990)</u> | <u>\$ 144,185,153</u> |
| Accumulated depreciation: | | | | |
| Buildings | \$ (3,185,086) | \$ (473,468) | \$ - | \$ (3,658,555) |
| Improvements other than buildings | (2,154,463) | (315,008) | 17,469 | (2,452,002) |
| Infrastructure | (30,476,879) | (3,701,193) | - | (34,178,072) |
| Machinery and equipment | (2,785,750) | (448,363) | 85,899 | (3,148,213) |
| Total accumulated depreciation | <u>\$ (38,602,178)</u> | <u>\$ (4,938,032)</u> | <u>\$ 103,368</u> | <u>\$ (43,436,842)</u> |
| Total capital assets being depreciated (net) | <u>\$ 96,593,657</u> | <u>\$ 4,184,276</u> | <u>\$ (29,622)</u> | <u>\$ 100,748,310</u> |
| Governmental activities capital assets (net) | <u><u>\$ 114,352,785</u></u> | <u><u>\$ 13,882,122</u></u> | <u><u>\$ (5,530,950)</u></u> | <u><u>\$ 122,703,957</u></u> |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

D. Capital Assets (Cont'd)

| <u>Business Type Activities:</u> | <u>Balance 10/1/2016</u> | <u>Additions</u> | <u>Disposals/ Transfers</u> | <u>Balance 9/30/2017</u> |
|-----------------------------------------------|------------------------------|-----------------------|---------------------------------|------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | | | | |
| Water | \$ 415,161 | \$ - | \$ - | \$ 415,161 |
| Wastewater | 276,774 | - | - | 276,774 |
| Construction in progress | | | | |
| Water | 1,201,224 | 165,583 | (478,404) | 888,402 |
| Wastewater | 1,858,394 | 1,426,670 | (285,783) | 2,999,280 |
| Total capital assets not being depreciated | <u>\$ 3,751,553</u> | <u>\$ 1,592,252</u> | <u>\$ (764,187)</u> | <u>\$ 4,579,618</u> |
| Capital assets being depreciated: | | | | |
| Buildings | | | | |
| Water | \$ 14,071 | \$ - | \$ - | \$ 14,071 |
| Wastewater | 3,099,552 | - | - | 3,099,552 |
| Improvements other than buildings | | | | |
| Water | 34,160,922 | 2,342,515 | - | 36,503,436 |
| Wastewater | 33,869,844 | 4,996,822 | - | 38,866,666 |
| Storm Drainage | - | 2,681,276 | - | 2,681,276 |
| Machinery and equipment | | | | |
| Water | 727,499 | 268,926 | - | 996,425 |
| Wastewater | 747,435 | 394,160 | - | 1,141,596 |
| Storm Drainage | - | 374,338 | - | 374,338 |
| Total capital assets being depreciated | <u>\$ 72,619,324</u> | <u>\$ 11,058,037</u> | <u>\$ -</u> | <u>\$ 83,677,361</u> |
| Accumulated depreciation: | | | | |
| Buildings | | | | |
| Water | \$ (6,900) | \$ (2,191) | \$ - | \$ (9,091) |
| Wastewater | (38,461) | (218,946) | - | (257,408) |
| Improvements other than buildings | | | | |
| Water | (10,150,560) | (755,083) | - | (10,905,643) |
| Wastewater | (10,814,862) | (1,063,497) | - | (11,878,359) |
| Storm Drainage | - | (36,982) | - | (36,982) |
| Machinery and equipment | | | | |
| Water | (557,220) | (48,787) | - | (606,007) |
| Wastewater | (559,662) | (74,746) | - | (634,408) |
| Storm Drainage | - | (13,975) | - | (13,975) |
| Total accumulated depreciation | <u>\$ (22,127,666)</u> | <u>\$ (2,214,207)</u> | <u>\$ -</u> | <u>\$ (24,341,873)</u> |
| Total capital assets being depreciated (net) | <u>\$ 50,491,657</u> | <u>\$ 8,843,830</u> | <u>\$ -</u> | <u>\$ 59,335,488</u> |
| Business type activities capital assets (net) | <u>\$ 54,243,211</u> | <u>\$ 10,436,082</u> | <u>\$ (764,187)</u> | <u>\$ 63,915,105</u> |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 | \$ 142,811 |
| Public safety | 420,606 |
| Public works | 3,909,863 |
| Culture and recreation | <u>464,752</u> |
| Total Depreciation Expense - Governmental Activities | <u><u>\$ 4,938,032</u></u> |
| | |
| Business Type Activities: | |
| Water and Wastewater | <u>\$ 2,214,206</u> |
| Total Depreciation Expense - Business Type Activities | <u><u>\$ 2,214,206</u></u> |

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2017, is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|----------------------|--------------------------|
| General Fund | Water and wastewater | <u><u>\$ 319,429</u></u> |

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

Interfund transfers during the year ended September 30, 2017, are as follows:

| Transfers In | Transfers out | | | | | Total |
|-----------------------|----------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| | General Fund | Debt Service | Nonmajor Governmental | Water Fund | Wastewater Fund | |
| General Fund | \$ 510,000 | | \$ 257,552 | \$ 650,000 | \$ 650,000 | \$ 2,067,552 |
| Debt Service Fund | - | 1,882,120 | - | 321,227 | 50,219 | 2,253,566 |
| Capital Projects | 73,029 | - | 462,099 | - | - | 535,128 |
| Nonmajor Governmental | 74,022 | - | 73,029 | - | - | 147,051 |
| Water Fund | - | - | - | 710,000 | - | 710,000 |
| Wastewater Fund | 120,000 | - | - | - | 1,850,000 | 1,970,000 |
| | <u>\$ 777,051</u> | <u>\$ 1,882,120</u> | <u>\$ 792,680</u> | <u>\$ 1,681,227</u> | <u>\$ 2,550,219</u> | <u>\$ 7,683,297</u> |

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

F. Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

| | Balance 10/1/2016 | Additions | Reduction | Balance 9/30/2017 | Due Within One Year |
|----------------------------------|----------------------|--------------|--------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonded Indebtedness | \$ 42,340,000 | \$ - | \$ 1,845,000 | \$ 40,495,001 | \$ 1,380,000 |
| Premium on Bond Issuance | 5,076,009 | - | 798,940 | 4,277,069 | - |
| Refunding Bonds | 48,115,000 | - | 3,035,000 | 45,080,000 | 3,665,001 |
| Pension Liability | 3,260,357 | 1,459,429 | 1,720,171 | 2,999,615 | - |
| Total Governmental Activities | \$ 98,791,366 | \$ 1,459,429 | \$ 7,399,111 | \$ 92,851,685 | \$ 5,045,001 |
| | | | | | |
| | Balance 10/1/2016 | Additions | Reduction | Balance 9/30/2017 | Due Within One Year |
| Business Type Activities: | | | | | |
| Pension Liability | \$ 822,014 | \$ 652,431 | \$ 441,982 | \$ 1,032,463 | \$ - |
| Total Business Type Activities | \$ 822,014 | \$ 652,431 | \$ 441,982 | \$ 1,032,463 | \$ - |

Bonded Indebtedness

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

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

Governmental Activities:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| \$22,800,000 Combination Tax and Revenue Certificates of Obligation - Series 2008, principal due annually in series through 2033, interest due semi-annually at 3.50% to 5.00%. | \$ 700,000 |
| \$15,315,000 General Obligation Refunding Bonds - Series 2009, principal due annually in series through 2025, interest due semi-annually at 4.125%. | 4,220,000 |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

F. Long-term Liabilities (Cont'd)

Bonded Indebtedness (Cont'd)

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| \$4,290,000 Combination Tax and Revenue Certificates of Obligation - Series 2010, principal due annually in series through 2030, interest due semi-annually at 3.00% to 4.05%. | \$ 3,400,000 |
| \$3,390,000 General Obligation Refunding Bonds - Series 2011, principal due annually in series through 2024, interest due semi-annually at 1.4% to 3.40%. | 2,240,000 |
| \$13,720,000 General Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 3.0% to 4.0% | 12,915,000 |
| \$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% | 4,800,000 |
| \$1,875,000 Tax Notes - Series 2014, principal due annually in series through 2021, interest due semi-annually at 2.0% to 3.0% | 1,115,000 |
| \$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%. | 40,695,000 |
| \$8,520,000 General Obligation Refunding Bonds - Series 2016, principal due annually in series through 2031, interest due semi-annually at 3.0% to 4.0%. | 8,520,001 |
| | \$ 85,575,001 |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

F. Long-term Liabilities (Cont'd)

Debt Service Requirements

Annual debt service requirements are as follows:

| Fiscal Year Ending September 30, | Principal | Interest | Total |
|-------------------------------------|----------------------|----------------------|-----------------------|
| 2018 | \$ 5,045,000 | \$ 3,115,730 | \$ 8,160,730 |
| 2019 | 5,235,000 | 2,931,468 | 8,166,468 |
| 2020 | 5,430,000 | 2,738,118 | 8,168,118 |
| 2021 | 5,630,000 | 2,545,913 | 8,175,913 |
| 2022 | 5,540,000 | 2,351,308 | 7,891,308 |
| 2023-2027 | 28,130,000 | 8,650,064 | 36,780,064 |
| 2028-2032 | 21,730,000 | 4,086,659 | 25,816,659 |
| 2033-2035 | 8,835,000 | 521,825 | 9,356,825 |
| | <u>\$ 85,575,000</u> | <u>\$ 26,941,083</u> | <u>\$ 112,516,083</u> |

G. Contingent Arbitrage Liabilities

The City has invested a portion of GO bond proceeds as a reserve for the retirement of the bonds. Any excess of interest revenue earned on invested proceeds over interest paid on the bonds must be rebated to the federal government every five years. The City has no arbitrage liability as of September 30, 2017.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017, the City paid \$2,382,696 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, 2017, the City paid \$687,097 under the water supply contract.

C. Benefit Plans

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2016, the following employee were covered by the benefit terms:

| | |
|------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 16 |
| Inactive employees entitled to but not yet receiving benefits | 73 |
| Active employees | <u>179</u> |
| Total | 268 |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Funding Policy

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

Net Pension Liability

The City's net pension liability was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--------------------------------------------------------------------|
| Inflation | 2.5% per year |
| Salary Increases | 3.0% per year |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, white blue collar adjustments, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

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

Actuarial assumptions used in the December 31, 2015, valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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:

Rate of Return Target Allocation

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|--------------------------|----------------------------------------------------------------|
| Domestic Equity | 17.50% | 4.55% |
| International Equity | 17.50% | 6.10% |
| Core Fixed Income | 10.00% | 1.00% |
| Non-Core Fixed Income | 20.00% | 3.65% |
| Real Return | 10.00% | 4.03% |
| Real Estate | 10.00% | 5.00% |
| Absolute Return | 10.00% | 4.00% |
| Private Equity | 5.00% | 8.00% |
| Total | 100.00% | |

Discount rate:

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 / (Asset) (a) – (b) |
| Balance at 10/1/2016 | \$ 17,118,261 | \$ 13,035,892 | \$ 4,082,369 |
| Changes for the year: | | | - |
| Service cost | 1,565,958 | - | 1,565,958 |
| Interest | 1,192,749 | - | 1,192,749 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | (185,089) | - | (185,089) |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 1,112,797 | (1,112,797) |
| Contributions - employee | - | 639,540 | (639,540) |
| Net investment income | - | 882,061 | (882,061) |
| Benefit payments, including refunds of employee contributions | (461,759) | (461,759) | - |
| Administrative expense | - | (9,950) | 9,950 |
| Other changes | - | (536) | 536 |
| Net changes | 2,111,859 | 2,162,153 | (50,294) |
| Balance at 9/30/2017 | \$ 19,230,120 | \$ 15,198,045 | \$ 4,032,075 |

Sensitivity of the net pension liability to changes in the discount rate:

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

| | 1 % Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|------------------------------|-----------------------|-----------------------------------------|----------------------|
| City's Net Pension Liability | \$ 7,591,404 | \$ 4,032,075 | \$ 1,186,575 |

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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Pension Expense

For the year ended September 30, 2017, the City recognized pension expense of \$1,405,232, comprised as follows:

| | |
|--------------------------------------------------------------------------|---------------------|
| Total Service Cost | \$ 1,565,958 |
| Interest on the Total Pension Liability | 1,192,749 |
| Current-Period Benefit Changes | - |
| Employee Contributions (Reduction of Expense) | (639,540) |
| Projected Earnings on Plan Investments (Reduction of Expense) | (879,923) |
| Administrative Expense | 9,950 |
| Other Changes in Fiduciary Net Position | 536 |
| Recognition of Current Year Outflow (Inflow) of Resources - Liabilities | (28,301) |
| Recognition of Current Year Outflow (Inflow) of Resources - Assets | (428) |
| Amortization of Current Year Outflow (Inflow) of Resources - Liabilities | (2,494) |
| Amortization of Current Year Outflow (Inflow) of Resources - Assets | <u>186,725</u> |
| Total Pension Expense | <u>\$ 1,405,232</u> |

The funds used to liquidate the net pension obligations have been the general fund and the water/wastewater/storm drainage fund at a rate of 74% and 26% respectively, of the annual required contribution.

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

At September 30, 2017 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 | \$ 32,752 | \$ (216,542) |
| Changes in actuarial assumptions | 4,262 | - |
| Difference between projected and actual investment earnings | 534,222 | - |
| Contributions subsequent to the measurement date | 961,314 | - |
| Total | <u>\$ 1,532,550</u> | <u>\$ (216,542)</u> |

The City reported \$961,314 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|-------------------------|-------------------|
| Year ended December 31: | |
| 2017 | \$ 155,502 |
| 2018 | 155,502 |
| 2019 | 129,549 |
| 2020 | (33,976) |
| 2021 | (36,600) |
| Thereafter (4) | <u>(15,283)</u> |
| | <u>\$ 354,694</u> |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Supplemental Death Benefits Fund

Plan Description

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2016, 2015, and 2014 were \$12,796, \$11,020, and \$7,849, respectively, which equaled the required contributions each year.

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

Post Retirement Health Insurance Plan

Plan Description

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

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

Other Post Employment Benefits (OPEB)

The following is the participant summary as of October 1, 2015 (the most recent actuarial valuation date):

| | |
|-------------------|----|
| Active Employees | 56 |
| Retired Employees | 1 |
| Total | 57 |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Annual OPEB Cost and Net OPEB Obligation under GASB Statement No. 45

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contributions of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a 30 year period. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan and changes in the net OPEB obligation for the year ended September 30, 2017.

| | Total 2017 | Government Wide | Business Type |
|------------------------------------|---------------|--------------------|------------------|
| Annual Required Contribution (ARC) | \$ 153,071 | \$ 114,803 | \$ 38,268 |
| Interest on OPEB | (13,520) | (10,140) | (3,380) |
| Adjustment to ARC | 17,057 | 12,793 | 4,264 |
| Annual OPEB Costs | \$ 156,608 | \$ 117,456 | \$ 39,152 |
| Contributions made | 126,000 | 94,500 | 31,500 |
| Increase in net OPEB obligation | \$ 30,608 | \$ 22,956 | \$ 7,652 |
| Net OPEB obligation | (194,719) | (146,039) | (48,680) |
| Net OPEB Asset at end of year | \$ (164,111) | \$ (123,083) | \$ (41,028) |

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

The City's annual OPEB cost and the percentage cost contributed to the plan for fiscal year ended September 30, 2017:

| Year Ended September 30 | Annual OPEB Cost | Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) | Percent of Annual OPEB Contribution |
|----------------------------|---------------------|------------------------------------|-----------------------------------|-------------------------------------------|
| 2015 | \$ 121,565 | \$ 596,822 | \$ (225,327) | 490.9% |
| 2016 | 156,608 | 126,000 | (194,719) | 80.5% |
| 2017 | 156,608 | 156,500 | (194,611) | 99.9% |

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Funded Status

Although the City contributed \$596,822 to the OPEB benefits as of October 1, 2015, no contributions had been made to a trust as of the last valuation. The funded status of the City's OPEB plan as of the last actuarial valuation is as follows:

| Actuarial Valuation Date | Value of Assets (a) | Liability (AAL) (b) | AAL (UAAL) (b-a) | Fund Ratio (a/b) | Payroll (c) | Percent of Covered Payroll ((b-a)/c) |
|---------------------------------|----------------------------|----------------------------|-------------------------|-------------------------|--------------------|---------------------------------------------|
| 10/1/2013 | \$ - | \$ 979,908 | \$ 979,908 | 0.00% | \$ 3,253,000 | 30% |
| 10/1/2015 | 552,563 | 1,106,326 | 553,763 | 49.95% | 3,195,000 | 17% |
| 10/1/2016 | 552,563 | 1,106,326 | 553,763 | 49.95% | 3,195,000 | 17% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past exceptions and new estimates are made about the future. In accordance with GASB 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, the City will obtain new actuarial valuations for its OPEB plan at least every three years.

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

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

Actuarial Methods and Assumptions

| | |
|-------------------------------------------------|-----------------------------------------|
| Actuarial Valuation Date | October 1, 2015 |
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Level Dollar |
| Remaining Amortization Period | 30 Years - Open |
| Actuarial Assumptions | |
| Inflation Rate | 2.50% |
| Discount Rate | 6.00% |
| Healthcare trends and Contributions increases | 6.12 in 2016 Graded to 4.87% in 2060 |
| Acceptance rate - medical (civilian and police) | 100% |
| Mortality | RP 2000 projected |
| Turnover and retirement rates | Municipal experience |

CITY OF KYLE, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Annual GASB Statement No. 74 Disclosures

Benefits

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: Medicare supplement and prescription drugs

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). The \$300 amount is CPI indexed (\$331.17 as of 10/1/2016). 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 | \$2,000 i/ \$4,000 f | None |
| Coinsurance | 85% | 55% |
| Preventive care and annual exam | 100% | 100% |

The annual premiums paid for the period ending September 30, 2017 were \$5,440.

Investments

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, 2017 are summarized in the following table:

| | <u>Target Allocation</u> | <u>Real Return</u> |
|-----------------------------------|--------------------------|--------------------|
| Large Cap stock S&P 500 | 37% | 5.70% |
| Mid/small cap stocks Russell 2000 | 12% | 6.50% |
| International stocks MSCI EAFE | 17% | 5.40% |
| Bonds Barclays US | 33% | 2.50% |
| Multi-sector bonds | 0% | 3.50% |
| Real estate | 0% | 4.80% |
| Cash equivalents | 1% | 0.0% |
| | <u>100%</u> | |

CITY OF KYLE, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (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 2015-16 year 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.

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

The following presents the GASB 74 Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|--------------------|-------------|---------------|-------------|
| | 6.25% | 7.25% | 8.25% |
| Net OPEB Liability | 544,566 | 238,505 | 7,123 |

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

The following presents the GASB 74 Net OPEB Liability of the City, as well as what the City's Net OPEB Liability 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 | Healthcare Cost Trend Rates | 1% Increase |
|--------------------|---------------------------|--------------------------------|---------------------------|
| | 5.12% Grading to 3.87% | 6.12% Grading to 4.87% | 7.12% Grading to 5.87% |
| Net OPEB Liability | 7,104 | 238,505 | 539,000 |

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 11.21%.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

The components of net OPEB liability under GASB Statement 74 at September 30, 2017 were as follows:

| | |
|-------------------------------------------------------|----------------------------|
| Reconciliation of Total OPEB Liability | |
| Service cost | \$ 50,485 |
| Interest on total pension liability | 79,145 |
| Expected net benefit payments | <u>(5,123)</u> |
| | |
| Net change in total pension liability | \$ 124,507 |
| | |
| Total OPEB Liability at beginning of year | <u>\$ 1,091,652</u> |
| | |
| Total OPEB Liability at end of year (a) | <u><u>\$ 1,216,159</u></u> |
| | |
| Fiduciary net position: | |
| Employer contributions | \$ 156,500 |
| Member contributions | - |
| Investment income net of investment expense | 109,860 |
| Benefit payments/refunds of contributions | (5,123) |
| Administrative expenses | <u>(12,427)</u> |
| Net change in fiduciary net position | \$ 248,810 |
| | |
| Fiduciary net position at beginning of year | <u>\$ 728,844</u> |
| | |
| Fiduciary net position at end of year (b) | <u>977,654</u> |
| | |
| Net OPEB liability/(asset) at end of year = (a) - (b) | <u><u>\$ 238,505</u></u> |
| | |
| Fiduciary net position as a % of total OPEB liability | 80.39% |
| Covered payroll | \$ 3,291,000 |
| Net OPEB liability as a % of covered payroll | 7.25% |

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

CITY OF KYLE, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (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 | 9/30/16 rolled forward to a measurement date of 9/30/17 for GASB 74 purposes using update procedures |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar |
| Remaining amortization period | 26 years |
| Asset valuation | Market value |
| Discount rate | 7.25% |
| Salary scale | 3.0% |
| Expected Return on Assets | 7.25% |
| Healthcare Cost Trend Rates | 4.62% grading to 4.87%; Group 1 retirees at 5% and Group 2 at 3% per year |
| Mortality | RP 2000 projected |

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, 2017, the City of Kyle abated sales and use taxes totaling \$824,086 and property taxes totaling \$0.00 under these programs, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 33 percent sales and use tax abatement to DDR, a developer, for taxable items collected on-site by the Retail Occupants and remitted to the State Comptroller. The abatement amounted to \$355,812.
- A 33 percent sales and use tax abatement to Seton Family of Hospitals for development of facility and increasing employment. The abatement amounted to \$433,193.
- A 67 percent sales and use tax abatement to Nomoland to promote commercial development and increase employment. The abatement amounted to \$35,081.



**REQUIRED
SUPPLEMENTARY
INFORMATION
(UNAUDITED)**



CITY OF KYLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive or (Negative) |
|------------------------------------------------------------|--------------------|---------------------|----------------------|------------------------------------------------------------|
| | Original | Final | | |
| REVENUE | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 5,528,900 | \$ 5,528,900 | \$ 5,684,396 | \$ 155,496 |
| General Sales and Use Taxes | 7,395,000 | 7,395,000 | 7,227,633 | (167,367) |
| Franchise Tax | 1,233,000 | 1,233,000 | 1,435,270 | 202,270 |
| Other Taxes | 82,000 | 82,000 | 65,899 | (16,101) |
| Licenses and Permits | 1,425,500 | 1,425,500 | 1,853,819 | 428,319 |
| Intergovernmental Revenue and Grants | - | - | 1,500 | 1,500 |
| Charges for Services | 3,952,950 | 3,952,950 | 4,324,114 | 371,164 |
| Fines | 772,400 | 772,400 | 473,892 | (298,508) |
| Investment Earnings | 30,000 | 30,000 | 131,796 | 101,796 |
| Rents and Royalties | 10,000 | 10,000 | 33,426 | 23,426 |
| Contributions & Donations from Private Sources | 55,900 | 55,900 | 72,400 | 16,500 |
| Other Revenue | 53,000 | 53,000 | 152,030 | 99,030 |
| Total Receipts | <u>20,538,650</u> | <u>20,538,650</u> | <u>21,456,175</u> | <u>917,525</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 7,416,015 | 7,936,078 | 6,768,178 | 1,167,900 |
| Public Safety | 7,125,487 | 7,125,487 | 6,244,455 | 881,032 |
| Public Works | 3,916,433 | 3,916,433 | 3,484,563 | 431,870 |
| Culture and Recreation | 2,445,945 | 2,460,158 | 2,259,263 | 200,895 |
| Capital Outlay: | | | | |
| Capital Outlay | 936,000 | 1,637,960 | 686,493 | 951,467 |
| Total Disbursements | <u>21,839,880</u> | <u>23,076,116</u> | <u>19,442,952</u> | <u>3,633,164</u> |
| Excess (Deficiency) of Receipts Over (Under) Disbursements | <u>(1,301,230)</u> | <u>(2,537,466)</u> | <u>2,013,223</u> | <u>4,550,689</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 2,067,552 | 2,437,552 | 2,067,552 | (370,000) |
| Transfers Out (Use) | (651,965) | (1,054,865) | (777,051) | 277,814 |
| Total Other Financing Sources (Uses) | <u>1,415,587</u> | <u>1,382,687</u> | <u>1,290,501</u> | <u>(92,186)</u> |
| Net Change in Cash Balance | 114,357 | (1,154,779) | 3,303,724 | 4,458,503 |
| Cash Balance - October 1 (Beginning) | - | 10,526,007 | 10,526,007 | - |
| Cash Balance - September 30 (Ending) | <u>\$ 114,357</u> | <u>\$ 9,371,228</u> | <u>\$ 13,829,731</u> | <u>\$ 4,458,503</u> |

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

CITY OF KYLE
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Budgetary Information

An annual general fund budget is prepared and adopted under the modified accrual basis of accounting prior to the beginning of each fiscal year for all revenue and expenditures. 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. 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.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLANS
SEPTEMBER 30, 2017**

**Schedule of OPEB Contributions
Schedule of Funding Progress - GASB Statement No. 45**

| <u>Year Ending September 30,</u> | <u>Annual Required Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Pensionable Net OPEB Obligation (Asset)</u> | <u>Actual Percent Contributed</u> |
|--------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------------------|--------------------------------------------------------|-------------------------------------------|
| 2015 | \$ 121,565 | \$ 596,822 | \$ (475,257) | \$ (225,327) | 490.9% |
| 2016 | 156,608 | 126,000 | 30,608 | (196,719) | 80.5% |
| 2017 | 156,608 | 156,500 | 108 | (169,111) | 99.9% |

Significant assumptions for the OPEB are as follows:

| | |
|--------------------------------------------------|-----------------------------------------|
| Actuarial Valuation date | October 1, 2015 |
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Level Dollar |
| Remaining Amortization Period | 30 Years - Open |
| Actuarial Assumptions | |
| Inflation Rate | 2.50% |
| Discount Rate | 6.00% |
| Healthcare trends and Contributions increases | 6.12 in 2016 Graded to 4.87% in 2060 |
| Acceptance Rate - medical | 100% |
| Mortality | RP 2000 Projected |
| Turnover and retirement rates | Municipal experience |

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Changes in the Employers Net OPEB Liability and Related Ratios
For the most Recent Year

| | | |
|-------------------------------------------------------|----|-------------------------|
| Reconciliation of Total OPEB Liability | | |
| Service cost | \$ | 50,485 |
| Interest on total pension liability | | 79,145 |
| Expected net benefit payments | | <u>(5,123)</u> |
| Net change in total pension liability | \$ | 124,507 |
| Total OPEB Liability at beginning of year | \$ | <u>1,091,652</u> |
| Total OPEB Liability at end of year (a) | \$ | <u><u>1,216,159</u></u> |
| Fiduciary net position: | | |
| Employer contributions | \$ | 156,500 |
| Member contributions | | - |
| Investment income net of investment expense | | 109,860 |
| Benefit payments/refunds of contributions | | (5,123) |
| Administrative expenses | | <u>(12,427)</u> |
| Net change in fiduciary net position | | 248,810 |
| Fiduciary net position at beginning of year | \$ | <u>728,844</u> |
| Fiduciary net position at end of year (b) | \$ | <u>977,654</u> |
| Net OPEB liability/(asset) at end of year = (a) - (b) | \$ | <u><u>238,505</u></u> |
| Fiduciary net position as a % of total OPEB liability | | 80.39% |
| Covered payroll | \$ | 3,291,000 |
| Net OPEB liability as a % of covered payroll | | 7.25% |

Beginning fiscal year ending September 30, 2017, the ADC is calculated in accordance with the Employer's funding policy, if one exists. Prior to the current period, the ADC is equal to the Annual Required Contribution (ARC) calculated under GASB Statement No. 45.

Notes to Schedule

| | |
|-------------------------------|-----------------------------------------------------------------------------|
| Valuation date | September 30, 2017 |
| Actuarial cost method | Entry Age normal |
| Amortization period | Level dollar |
| Asset valuation method | Market value |
| Discount rate | 7.25% |
| Salary scale | 3.00% |
| Expected Return on Assets | 7.25% |
| Healthcare Cost Trend Rates | 4.62% grading to 4.87%; Group 1 retires at 5% and Group 2 at 3% per year |
| Mortality | RP 2000 projected |
| Money-Weighted Rate of Return | 11.21% |

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Investment Returns - OPEB
For the most Recent Year

Annual Money-Weighted Rate of Return

Net Investment Expenses

11.21%

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SEPTEMBER 30, 2017

Schedule of Changes in Net Pension Liability and Related Ratios
For the Last Three Fiscal Years*

| | 2017 | 2016 | 2015 |
|-------------------------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Total pension liability | | | |
| Service Cost | \$ 1,565,958 | \$ 1,315,411 | \$ 1,137,933 |
| Interest (on the Total Pension Liability) | 1,192,749 | 1,090,180 | 950,075 |
| Changes of benefit terms | - | 6,942 | - |
| Difference between expected and actual experience | (185,089) | (82,587) | 59,381 |
| Change of assumptions | - | 6,064 | - |
| Benefits Payments, including refunds of employee contributions | (461,759) | (254,208) | (228,929) |
| Net Change in Total Pension Liability | <u>\$ 2,111,859</u> | <u>\$ 2,081,802</u> | <u>1,918,460</u> |
| Total Pension Liability - Beginning | <u>17,118,261</u> | <u>15,036,461</u> | <u>13,118,001</u> |
| Total Pension Liability - Ending (a) | <u><u>\$ 19,230,120</u></u> | <u><u>\$ 17,118,263</u></u> | <u><u>\$15,036,461</u></u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 1,112,797 | \$ 969,980 | \$ 691,539 |
| Contributions - Employee | 639,540 | 582,777 | 528,470 |
| Net Investment Income | 882,061 | 17,316 | 581,772 |
| Benefits Payments, including refunds of employee contributions | (461,759) | (254,208) | (228,929) |
| Administrative Expense | (9,950) | (10,543) | (6,071) |
| Other | (536) | (521) | (499) |
| Net Change in Plan Fiduciary Net Position | <u>2,162,153</u> | <u>1,304,801</u> | <u>1,566,282</u> |
| Plan Fiduciary Net Position - Beginning | <u>13,035,892</u> | <u>11,731,091</u> | <u>10,164,809</u> |
| Plan Fiduciary Net Position - Ending (b) | <u><u>\$ 15,198,045</u></u> | <u><u>\$ 13,035,892</u></u> | <u><u>\$11,731,091</u></u> |
| Net Pension Liability - Ending (a) - (b) | \$ 4,032,075 | \$ 4,082,371 | \$ 3,305,370 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 79.03% | 76.15% | 78.02% |
| Covered Employee Payroll | \$ 9,136,279 | \$ 8,325,383 | \$ 8,071,984 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 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
RETIREMENT PLAN
SEPTEMBER 30, 2017**

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 |
|--------------------------------------|----------------------------------------------------|---------------------------------------------|-------------------------------------------------|--------------------------------------------|--------------------------------------------------------------|
| 2008 | \$ 464,867 | \$ 464,867 | \$ - | \$ 4,375,040 | 10.6% |
| 2009 | 478,717 | 478,717 | - | 4,506,291 | 10.6% |
| 2010 | 478,717 | 478,717 | - | 5,415,229 | 8.8% |
| 2011 | 482,584 | 482,584 | - | 5,801,502 | 8.3% |
| 2012 | 524,649 | 524,649 | - | 6,165,072 | 8.5% |
| 2013 | 532,591 | 532,591 | - | 6,665,732 | 8.0% |
| 2014 | 627,943 | 627,943 | - | 7,550,582 | 8.3% |
| 2015 | 953,338 | 936,923 | 16,415 | 8,686,216 | 10.8% |
| 2016 | 1,160,869 | 1,116,031 | 44,838 | 9,207,541 | 12.1% |
| 2017 | 1,225,528 | 1,240,665 | (15,137) | 9,868,892 | 12.6% |

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Notes There were no benefit changes during the year.



COMBINING STATEMENTS



CITY OF KYLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2017

| | Police Forfeiture | Police Special Revenue | Court Special Revenue | Library Building |
|--------------------------------------------|----------------------|------------------------------|-----------------------------|---------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 23,553 | \$ 17,026 | \$ 185,417 | \$ - |
| Restricted Cash and Cash Equivalents | - | - | - | - |
| Receivable (Net) | - | - | - | - |
| Total Assets | <u>\$ 23,553</u> | <u>\$ 17,026</u> | <u>\$ 185,417</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ - | \$ 78 | \$ - |
| Wages and Salaries Payable | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>78</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| Restricted Fund Balance - Other | 23,553 | 17,026 | 185,339 | - |
| Restricted Fund Balance - Capital Projects | - | - | - | - |
| Total Fund Balances | <u>23,553</u> | <u>17,026</u> | <u>185,339</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 23,553</u> | <u>\$ 17,026</u> | <u>\$ 185,417</u> | <u>\$ -</u> |

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

| General Government Grants | Hotel Occupancy | Bunton Creek PID | Blanco River Ranch PID | KAYAK Outreach Fund | Total Nonmajor Special Revenue Funds | 2009 Tax Notes Fund | 2010 CO Bond Fund |
|---------------------------------|--------------------|---------------------|------------------------------|---------------------------|-----------------------------------------------|---------------------------|-------------------------|
| \$ (51,225) | \$ 37,636 | \$ 5,325 | \$ 1,450 | \$ 1,126 | \$ 220,308 | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| 59,189 | - | - | - | - | 59,189 | - | - |
| <u>\$ 7,964</u> | <u>\$ 37,636</u> | <u>\$ 5,325</u> | <u>\$ 1,450</u> | <u>\$ 1,126</u> | <u>\$ 279,497</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 5,199 | \$ 22,792 | \$ - | \$ - | \$ - | \$ 28,069 | \$ - | \$ - |
| 2,703 | - | - | - | - | 2,703 | - | - |
| <u>7,902</u> | <u>22,792</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>30,772</u> | <u>-</u> | <u>-</u> |
| 62 | 14,844 | 5,325 | 1,450 | 1,126 | 248,725 | - | - |
| - | - | - | - | - | - | - | - |
| <u>62</u> | <u>14,844</u> | <u>5,325</u> | <u>1,450</u> | <u>1,126</u> | <u>248,725</u> | <u>-</u> | <u>-</u> |
| <u>\$ 7,964</u> | <u>\$ 37,636</u> | <u>\$ 5,325</u> | <u>\$ 1,450</u> | <u>\$ 1,126</u> | <u>\$ 279,497</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF KYLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2017

| | CIP Park Development Fund | Road Improvement Fund | Total Nonmajor Governmental Funds |
|--------------------------------------------|---------------------------------|-----------------------------|--------------------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ 220,308 |
| Restricted Cash and Cash Equivalents | 683,771 | 751,064 | 1,434,835 |
| Receivable (Net) | - | - | 59,189 |
| Total Assets | <u>\$ 683,771</u> | <u>\$ 751,064</u> | <u>\$ 1,714,332</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ - | \$ - | \$ 28,069 |
| Wages and Salaries Payable | - | - | 2,703 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>30,772</u> |
| FUND BALANCES | | | |
| Restricted Fund Balance: | | | |
| Restricted Fund Balance - Other | - | - | 248,725 |
| Restricted Fund Balance - Capital Projects | 683,771 | 751,064 | 1,434,835 |
| Total Fund Balances | <u>683,771</u> | <u>751,064</u> | <u>1,683,560</u> |
| Total Liabilities and Fund Balances | <u>\$ 683,771</u> | <u>\$ 751,064</u> | <u>\$ 1,714,332</u> |

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

CITY OF KYLE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Police Forfeiture | Police Special Revenue | Court Special Revenue | Library Building |
|-----------------------------------------------------------|----------------------|------------------------------|-----------------------------|---------------------|
| REVENUES: | | | | |
| Taxes: | | | | |
| Other Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Revenue and Grants | - | 3,572 | - | - |
| Charges for Services | - | - | 25,742 | - |
| Special Assessments | - | - | - | - |
| Investment Earnings | 8 | - | - | - |
| Contributions & Donations from Private Sources | - | - | - | - |
| Other Revenue | 12,823 | - | - | - |
| Total Revenues | <u>12,831</u> | <u>3,572</u> | <u>25,742</u> | <u>-</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | - | - | 16,981 | - |
| Public Safety | 2,458 | - | - | - |
| Culture and Recreation | - | - | - | - |
| Capital Outlay: | | | | |
| Capital Outlay | - | - | 14,663 | - |
| Total Expenditures | <u>2,458</u> | <u>-</u> | <u>31,644</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>10,373</u> | <u>3,572</u> | <u>(5,902)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | - | - | - | - |
| Transfers Out (Use) | - | - | (18,600) | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(18,600)</u> | <u>-</u> |
| Net Change in Fund Balance | 10,373 | 3,572 | (24,502) | - |
| Fund Balance - October 1 (Beginning) | <u>13,180</u> | <u>13,454</u> | <u>209,841</u> | <u>-</u> |
| Fund Balance - September 30 (Ending) | <u>\$ 23,553</u> | <u>\$ 17,026</u> | <u>\$ 185,339</u> | <u>\$ -</u> |

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

| General Government Grants | Hotel Occupancy | Bunton Creek PID | Blanco River Ranch PID | KAYAK Outreach Fund | Total Nonmajor Special Revenue Funds | 2009 Tax Notes Fund | 2010 CO Bond Fund |
|---------------------------------|--------------------|---------------------|------------------------------|---------------------------|-----------------------------------------------|---------------------------|-------------------------|
| \$ - | \$ 216,097 | \$ - | \$ - | \$ - | \$ 216,097 | \$ - | \$ - |
| 147,208 | - | - | - | - | 150,780 | - | - |
| - | 56,177 | - | - | - | 81,919 | - | - |
| - | - | 26,596 | 35,000 | - | 61,596 | - | - |
| - | 824 | - | - | - | 832 | - | - |
| - | - | - | - | 1,126 | 1,126 | - | - |
| - | - | - | - | - | 12,823 | - | - |
| <u>147,208</u> | <u>273,098</u> | <u>26,596</u> | <u>35,000</u> | <u>1,126</u> | <u>525,173</u> | - | - |
| 45,786 | - | 42,290 | 33,550 | - | 138,607 | - | - |
| 139,540 | - | - | - | - | 141,998 | - | - |
| 2,448 | 159,691 | - | - | - | 162,139 | - | - |
| 459 | - | - | - | - | 15,122 | - | - |
| <u>188,233</u> | <u>159,691</u> | <u>42,290</u> | <u>33,550</u> | <u>-</u> | <u>457,866</u> | - | - |
| <u>(41,025)</u> | <u>113,407</u> | <u>(15,694)</u> | <u>1,450</u> | <u>1,126</u> | <u>67,307</u> | - | - |
| 74,022 | - | - | - | - | 74,022 | - | - |
| - | (238,952) | - | - | - | (257,552) | - | - |
| <u>74,022</u> | <u>(238,952)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(183,530)</u> | <u>-</u> | <u>-</u> |
| 32,997 | (125,545) | (15,694) | 1,450 | 1,126 | (116,223) | - | - |
| <u>(32,935)</u> | <u>140,389</u> | <u>21,019</u> | <u>-</u> | <u>-</u> | <u>364,948</u> | <u>-</u> | <u>-</u> |
| <u>\$ 62</u> | <u>\$ 14,844</u> | <u>\$ 5,325</u> | <u>\$ 1,450</u> | <u>\$ 1,126</u> | <u>\$ 248,725</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF KYLE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | CIP Park Development Fund | Road Improvement Fund | Total Nonmajor Governmental Funds |
|--------------------------------------------------------------|---------------------------------|-----------------------------|--------------------------------------------|
| REVENUES: | | | |
| Taxes: | | | |
| Other Taxes | \$ - | \$ - | \$ 216,097 |
| Intergovernmental Revenue and Grants | - | - | 150,780 |
| Charges for Services | 276,174 | - | 358,093 |
| Special Assessments | - | 311,727 | 373,323 |
| Investment Earnings | - | 3,410 | 4,242 |
| Contributions & Donations from Private Sources | - | - | 1,126 |
| Other Revenue | - | - | 12,823 |
| Total Revenues | <u>276,174</u> | <u>315,137</u> | <u>1,116,484</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | - | - | 138,607 |
| Public Safety | - | - | 141,998 |
| Culture and Recreation | - | - | 162,139 |
| Capital Outlay: | | | |
| Capital Outlay | 195,536 | - | 210,658 |
| Total Expenditures | <u>195,536</u> | <u>-</u> | <u>653,402</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>80,638</u> | <u>315,137</u> | <u>463,082</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers In | 73,029 | - | 147,051 |
| Transfers Out (Use) | - | (535,128) | (792,680) |
| Total Other Financing Sources (Uses) | <u>73,029</u> | <u>(535,128)</u> | <u>(645,629)</u> |
| Net Change in Fund Balance | 153,667 | (219,991) | (182,547) |
| Fund Balance - October 1 (Beginning) | <u>530,104</u> | <u>971,055</u> | <u>1,866,107</u> |
| Fund Balance - September 30 (Ending) | <u>\$ 683,771</u> | <u>\$ 751,064</u> | <u>\$ 1,683,560</u> |

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

CITY OF KYLE
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 SEPTEMBER 30, 2017

| | BALANCE OCTOBER 1 2016 | ADDITIONS | DEDUCTIONS | BALANCE SEPTEMBER 30 2017 |
|------------------------------|------------------------------|-------------------|-------------------|---------------------------------|
| AGENCY FUND | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 151,809 | \$ 166,943 | \$ 167,693 | \$ 151,059 |
| Other Receivables | 5,123 | 12,086 | 11,768 | 5,441 |
| Total Assets | <u>\$ 156,932</u> | <u>\$ 179,029</u> | <u>\$ 179,461</u> | <u>\$ 156,500</u> |
| Liabilities: | | | | |
| Other Noncurrent Liabilities | <u>\$ 156,932</u> | <u>\$ 167,693</u> | <u>\$ 168,125</u> | <u>\$ 156,500</u> |

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



STATISTICAL SECTION



STATISTICAL SECTION (Unaudited)

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

Contents:

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Economic and Demographic Indicators

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

Operating Information

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

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

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

| | Fiscal Year | | | | | | | | | |
|--------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental Activities: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 4,424,922 | \$ 22,793,304 | \$ 22,165,260 | \$ 19,916,516 | \$ 23,683,097 | \$ 14,671,989 | \$ 22,888,184 | \$ 35,630,219 | \$ 49,390,461 | \$ 52,720,071 |
| Restricted | 1,164,038 | 14,885,094 | 7,675,097 | 8,732,402 | 9,356,577 | 12,634,224 | 11,015,147 | 1,765,670 | 1,450,855 | 2,149,427 |
| Unrestricted | 2,526,906 | (2,145,906) | 2,755,182 | 5,623,227 | 3,780,819 | 6,125,545 | 8,394,091 | 13,019,607 | 9,455,449 | 13,101,265 |
| Total Governmental Activities Net Assets: | \$ 8,115,866 | \$ 35,532,492 | \$ 32,595,539 | \$ 34,272,145 | \$ 36,820,493 | \$ 33,431,758 | \$ 42,297,422 | \$ 50,415,496 | \$ 60,296,765 | \$ 67,970,763 |
| Business-Type Activities: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 21,821,334 | \$ 46,381,859 | \$ 47,161,919 | \$ 47,325,520 | \$ 46,132,410 | \$ 47,840,753 | \$ 48,085,808 | \$ 50,597,881 | \$ 54,243,210 | \$ 63,915,105 |
| Restricted | 6,313,624 | 5,172,176 | 4,392,111 | 6,019,545 | 6,491,073 | 6,513,500 | 8,470,600 | 10,854,507 | 13,482,480 | 16,916,006 |
| Unrestricted | 6,430,049 | 6,559,611 | 5,509,710 | 2,397,371 | 1,490,060 | 3,384,379 | 6,520,462 | 8,906,182 | 9,305,819 | 14,298,489 |
| Total Business-Type Activities Net Assets: | \$ 34,565,007 | \$ 58,113,646 | \$ 57,063,740 | \$ 55,742,436 | \$ 54,113,543 | \$ 57,738,632 | \$ 63,076,870 | \$ 70,358,570 | \$ 77,031,509 | \$ 95,129,600 |
| Primary Government: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 26,246,256 | \$ 69,175,163 | \$ 69,327,179 | \$ 67,242,036 | \$ 69,815,507 | \$ 62,512,742 | \$ 70,973,992 | \$ 86,228,100 | \$ 103,633,671 | \$ 116,635,176 |
| Restricted | 7,477,662 | 20,057,270 | 12,067,208 | 14,751,947 | 15,847,650 | 19,147,724 | 9,858,328 | 12,620,177 | 14,933,335 | 19,065,433 |
| Unrestricted | 8,956,955 | 4,413,705 | 8,264,892 | 8,020,598 | 5,270,879 | 9,509,924 | 24,541,972 | 21,925,789 | 18,761,268 | 27,399,754 |
| Total Primary Government Net Position: | \$ 42,680,873 | \$ 93,646,138 | \$ 89,659,279 | \$ 90,014,581 | \$ 90,934,036 | \$ 91,170,390 | \$ 105,374,292 | \$ 120,774,066 | \$ 137,328,274 | \$ 163,100,363 |

Source: Annual Financial Reports

* GASB 34 implemented 2004

* Statement of Net Assets on Audit Report

* Reported as Net Position beginning 2013

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

| | Fiscal Year | | | | | | | | | |
|--------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| EXPENSES | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 4,403,797 | \$ 3,908,523 | \$ 4,394,186 | \$ 3,904,284 | \$ 4,538,616 | \$ 4,995,981 | \$ 5,939,271 | \$ 7,265,995 | \$ 6,749,251 | \$ 7,209,505 |
| Public safety | 2,980,223 | 3,002,585 | 3,551,788 | 3,982,409 | 4,282,402 | 4,918,997 | 5,052,323 | 5,687,000 | 6,196,660 | 7,101,534 |
| Public Works | 1,176,879 | 3,781,337 | 4,571,021 | 4,820,597 | 4,622,523 | 4,820,247 | 5,363,579 | 6,648,193 | 6,989,256 | 7,456,046 |
| Transportation | N/A | 11,792 | 14,556 | - | - | - | - | - | - | - |
| Culture and Recreation | 1,537,534 | 1,618,947 | 1,613,611 | 1,711,714 | 1,873,292 | 2,032,591 | 2,095,111 | 2,497,592 | 2,765,839 | 3,006,348 |
| Term Debt | 1,363,409 | 2,648,190 | 2,900,787 | 2,735,822 | 2,916,954 | 2,194,889 | 2,873,587 | 2,167,498 | 3,640,280 | 3,327,722 |
| Other Debt Service Fees | 23,672 | 60,525 | 150,630 | 163,138 | 73,507 | 122,958 | (3,842) | 492,049 | 151,273 | 20,425 |
| Total Governmental Activities Expenses: | \$ 11,485,514 | \$ 15,031,899 | \$ 17,196,579 | \$ 17,317,964 | \$ 18,307,294 | \$ 19,085,663 | \$ 21,320,029 | \$ 24,758,327 | \$ 26,492,559 | \$ 28,121,580 |
| Business-Type Activities: | | | | | | | | | | |
| Water, Wastewater & Storm Drainage | \$ 4,775,204 | \$ 7,164,119 | \$ 7,709,085 | \$ 7,986,821 | \$ 7,986,821 | \$ 9,743,280 | \$ 10,340,478 | \$ 10,728,373 | \$ 10,524,295 | \$ 11,290,356 |
| Total Business-Type Activities Expenses: | \$ 4,775,204 | \$ 7,164,119 | \$ 7,709,085 | \$ 7,986,821 | \$ 7,986,821 | \$ 9,743,280 | \$ 10,340,478 | \$ 10,728,373 | \$ 10,524,295 | \$ 11,290,356 |
| Total Primary Government Program Expenses: | \$ 16,260,718 | \$ 22,196,018 | \$ 24,905,664 | \$ 25,304,785 | \$ 27,740,468 | \$ 28,828,943 | \$ 31,660,507 | \$ 35,486,699 | \$ 37,016,854 | \$ 39,411,936 |
| PROGRAM REVENUES | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | \$ 2,152,923 | \$ 2,626,500 | \$ 2,366,033 | \$ 2,533,733 | \$ 3,398,356 | \$ 3,243,742 | \$ 3,628,935 | \$ 4,299,587 | \$ 3,878,720 | \$ 6,482,701 |
| Public Safety | 3,844 | - | - | - | - | - | - | - | 12,214 | 46,822 |
| Public Works | 699,252 | - | - | - | 85,006 | 100,154 | 163,715 | 62,544 | 630,368 | 373,322 |
| Culture and Recreation | 367,110 | 353,948 | 298,203 | 494,822 | 297,231 | 281,481 | 263,493 | 449,310 | 815,430 | 655,509 |
| Operating Grants and Contributions | 112,761 | 7,972 | 73,623 | 44,987 | 179,766 | 99,722 | 271,053 | 135,308 | 129,307 | 93,990 |
| Capital Grants and Contributions | - | 6,661,522 | 1,225,852 | 3,264,029 | 564,882 | 6,537,651 | - | - | - | - |
| Total Governmental Activities Program Revenues: | \$ 3,335,890 | \$ 9,649,942 | \$ 3,963,711 | \$ 6,337,571 | \$ 4,525,241 | \$ 10,262,750 | \$ 4,327,196 | \$ 4,946,749 | \$ 5,466,039 | \$ 7,652,344 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water, Wastewater & Storm Drainage | \$ 6,263,208 | \$ 6,403,308 | \$ 6,092,391 | \$ 7,208,355 | \$ 10,533,330 | \$ 12,761,147 | \$ 15,523,262 | \$ 16,226,692 | \$ 17,675,893 | \$ 17,842,460 |
| Operating Grants and Contributions | N/A | N/A | N/A | N/A | N/A | N/A | - | - | - | - |
| Capital Grants and Contributions | 1,256,918 | 3,249,687 | 1,117,699 | 1,504,003 | 357,518 | 2,660,316 | 1,563,847 | 3,509,187 | 1,717,379 | 9,934,823 |
| Total Business-Type Activities Program Revenues: | \$ 7,520,126 | \$ 9,652,995 | \$ 7,210,090 | \$ 8,712,358 | \$ 10,890,848 | \$ 15,421,463 | \$ 17,087,109 | \$ 19,735,879 | \$ 19,393,272 | \$ 27,777,283 |
| Total Primary Government Program Revenues: | \$ 10,856,016 | \$ 19,302,937 | \$ 11,173,801 | \$ 15,049,929 | \$ 15,416,089 | \$ 25,684,213 | \$ 21,414,305 | \$ 24,682,628 | \$ 24,859,311 | \$ 35,429,627 |

* GASB 34 implemented 2004

* Statement of Net Assets on Audit Report

* Reported as Net Position beginning 2013

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

| | Fiscal Year | | | | | | | | | |
|-----------------------------------------------------------|-----------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| NET (EXPENSE) REVENUES | | | | | | | | | | |
| Governmental Activities | \$ (5,281,062) | \$ (5,381,957) | \$ (13,232,868) | \$ (10,980,393) | \$ (13,782,053) | \$ (8,822,913) | \$ (16,992,833) | \$ (19,811,577) | \$ (21,026,520) | \$ (20,469,236) |
| Business-Type Activities | 1,439,486 | 2,488,876 | (498,995) | 725,537 | 1,477,674 | 5,678,183 | 6,746,631 | 9,007,506 | 8,868,978 | 16,486,927 |
| Total Primary Government Net Expense: | <u>\$ (3,841,576)</u> | <u>\$ (2,893,081)</u> | <u>\$ (13,731,863)</u> | <u>\$ (10,254,856)</u> | <u>\$ (12,304,379)</u> | <u>\$ (3,144,730)</u> | <u>\$ (10,246,202)</u> | <u>\$ (10,804,071)</u> | <u>\$ (12,157,542)</u> | <u>\$ (3,982,309)</u> |
| GENERAL REVENUES AND OTHER CHANGES IN NET POSITION | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property | \$ 2,672,547 | \$ 4,740,009 | \$ 6,020,859 | \$ 6,198,567 | \$ 7,280,721 | \$ 8,013,734 | \$ 8,919,432 | \$ 9,753,418 | \$ 12,548,983 | \$ 14,270,496 |
| Sales Taxes | 1,916,203 | 2,641,752 | 2,462,043 | 3,160,944 | 3,540,287 | 4,008,733 | 4,611,401 | 6,676,810 | 6,540,475 | 7,227,633 |
| Occupancy Tax/ Other | 82,172 | 131,950 | 95,351 | 132,580 | 142,301 | 175,615 | 200,753 | 244,065 | 267,150 | 281,996 |
| Franchise Taxes | 382,440 | 636,961 | 701,786 | 764,347 | 912,112 | 973,391 | 1,042,212 | 1,149,213 | 1,210,935 | 1,435,270 |
| Grants and Contributions Not Restricted | N/A | N/A | N/A | N/A | 534 | 311,942 | 9,241,337 | 9,182,145 | 5,528,007 | 2,959,602 |
| Miscellaneous Revenue | 57,883 | 387,510 | 261,351 | 182,388 | 142,433 | 828,499 | 1,391,064 | 1,495,354 | 1,607,235 | 383,362 |
| Investment Earnings | 619,830 | 472,503 | 258,120 | 87,766 | 33,008 | 65,014 | 19,761 | 27,734 | 162,335 | 33,427 |
| Transfers In (Out) | 1,354,860 | 1,046,255 | 634,323 | 1,046,255 | 2,542,575 | 2,267,055 | 2,011,505 | 1,359,611 | 3,042,671 | 1,551,446 |
| Total Governmental Activities: | <u>\$ 7,085,935</u> | <u>\$ 10,056,940</u> | <u>\$ 10,397,833</u> | <u>\$ 11,572,847</u> | <u>\$ 14,593,971</u> | <u>\$ 16,643,983</u> | <u>\$ 27,437,465</u> | <u>\$ 29,888,350</u> | <u>\$ 30,907,791</u> | <u>\$ 28,143,232</u> |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | \$ 641,310 | \$ 297,500 | \$ 72,358 | \$ 36,957 | \$ 17,221 | \$ 12,201 | \$ 9,109 | \$ 9,602 | \$ 31,606 | \$ 72,365 |
| Miscellaneous Revenue | - | - | 11,054 | 19,708 | 78,194 | 98,402 | 268,519 | 118,034 | 815,026 | 3,090,249 |
| Transfers | (1,354,860) | (1,046,225) | (634,323) | (1,653,506) | (2,542,575) | (2,267,055) | (2,011,505) | (1,359,610) | (3,042,670) | (1,551,446) |
| Total Business-Type Activities: | <u>\$ (713,550)</u> | <u>\$ (748,725)</u> | <u>\$ (550,911)</u> | <u>\$ (1,596,841)</u> | <u>\$ (2,447,160)</u> | <u>\$ (2,156,452)</u> | <u>\$ (1,733,877)</u> | <u>\$ (1,231,974)</u> | <u>\$ (2,196,038)</u> | <u>\$ 1,611,168</u> |
| Total Primary Government: | <u>\$ 6,372,385</u> | <u>\$ 9,308,215</u> | <u>\$ 9,846,922</u> | <u>\$ 9,976,006</u> | <u>\$ 12,146,811</u> | <u>\$ 14,487,531</u> | <u>\$ 25,703,588</u> | <u>\$ 28,656,376</u> | <u>\$ 28,711,753</u> | <u>\$ 29,754,400</u> |
| CHANGE IN NET POSITION | | | | | | | | | | |
| Governmental Activities | \$ 1,804,873 | \$ 4,674,983 | \$ (2,835,035) | \$ 1,226,606 | \$ 811,918 | \$ (3,388,731) | \$ 10,444,631 | \$ 10,076,773 | \$ 9,881,272 | \$ 7,673,996 |
| Business-Type Activities | 725,936 | 1,740,121 | (1,049,906) | (871,304) | (969,486) | 3,521,731 | 5,012,753 | 7,775,532 | 6,672,940 | 18,098,095 |
| Total Primary Government: | <u>\$ 2,530,809</u> | <u>\$ 6,415,104</u> | <u>\$ (3,884,941)</u> | <u>\$ 355,302</u> | <u>\$ (157,568)</u> | <u>\$ 133,000</u> | <u>\$ 15,457,384</u> | <u>\$ 17,852,305</u> | <u>\$ 16,554,212</u> | <u>\$ 25,772,091</u> |

* GASB 34 implemented 2004

* Statement of Activities - Audit Report

* Reported as Net Position beginning 2013

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

| General Fund | Fiscal Year | | | | | | | | | |
|------------------------------------------|----------------------|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,543 | \$ 544 | \$ 274 | \$ - |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | 3,117,139 | 3,215,956 | 2,395,901 | 2,987,923 | 4,499,032 | 6,042,113 | 9,197,439 | 10,792,030 | 10,579,829 | 13,190,179 |
| Unassigned | - | - | - | 2,987,923 | 4,499,032 | 6,042,113 | 9,198,982 | 10,792,574 | 10,580,103 | 13,190,179 |
| Total General Fund: | \$ 3,117,139 | \$ 3,215,956 | \$ 2,395,901 | \$ 2,987,923 | \$ 4,499,032 | \$ 6,042,113 | \$ 9,198,982 | \$ 10,792,574 | \$ 10,580,103 | \$ 13,190,179 |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,470,548 | \$ 9,911,757 | \$ - | \$ - | \$ - |
| Restricted | 716,698 | - | - | 8,732,402 | 9,068,035 | - | - | 34,866,424 | 29,949,538 | 21,975,884 |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned, reported in: | - | - | - | - | - | - | - | - | - | - |
| Special Revenue Funds | 617,224 | 247,978 | (457,142) | - | - | 2,163,676 | 1,103,400 | 447,064 | 397,883 | - |
| Capital Projects Funds | 13,728,465 | 14,885,084 | 7,463,344 | - | - | - | - | - | - | - |
| Debt Service Funds | - | (10,863) | 211,753 | - | 288,540 | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | (32,935) | 7,901 |
| Total All Other Governmental Func | \$ 15,062,387 | \$ 15,122,199 | \$ 7,217,955 | \$ 8,732,402 | \$ 9,356,575 | \$ 12,634,224 | \$ 11,015,157 | \$ 35,313,488 | \$ 30,314,486 | \$ 21,983,785 |

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

| | Fiscal Year | | | | | | | | | |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| REVENUES | | | | | | | | | | |
| Taxes | \$ 5,914,126 | \$ 8,180,272 | \$ 9,324,804 | \$ 10,256,438 | \$ 11,875,421 | \$ 13,171,473 | \$ 14,773,798 | \$ 17,742,969 | \$ 20,291,629 | \$ 23,040,103 |
| Licenses and Permits | 661,828 | 535,815 | 385,522 | 433,095 | 490,914 | 658,889 | 1,133,789 | 1,364,274 | 1,288,899 | 1,853,819 |
| Charges for Services | 1,600,513 | 1,532,085 | 1,672,470 | 2,080,721 | 2,526,263 | 2,877,317 | 3,057,051 | 3,732,620 | 4,256,135 | 4,682,207 |
| Fines | 923,903 | 912,548 | 606,244 | 514,739 | 708,864 | 708,003 | 900,574 | 1,082,343 | 536,490 | 473,892 |
| Intergovernmental | 112,761 | 666,474 | 47,301 | 1,668,149 | 438,887 | - | - | - | - | - |
| Claims and Reimbursements | - | 183,319 | - | - | - | - | - | - | - | - |
| Impact Fees | 37,424 | - | - | - | - | - | - | - | - | - |
| Investment Earnings | 618,253 | 472,503 | 258,120 | 87,766 | 33,008 | 65,014 | 19,761 | 27,734 | 162,331 | 383,362 |
| Rents and Royalties | - | - | 55,964 | 103,230 | 77,020 | 10,170 | 9,541 | 12,193 | 9,990 | 33,426 |
| Contributions | - | 150 | 26,322 | 26,900 | 354,746 | 196,974 | 270,600 | 157,900 | 57,000 | 73,526 |
| Grants | - | - | - | - | - | 154,391 | 271,054 | 135,309 | 134,307 | 93,990 |
| Special Assessments | - | - | - | - | 85,005 | 100,154 | 163,715 | 62,543 | 630,368 | 373,323 |
| Other Revenues | 243,893 | 204,197 | 205,387 | 79,158 | 34,960 | 99,343 | 182,537 | 52,822 | 222,085 | 175,114 |
| Total Revenues: | \$ 10,112,701 | \$ 12,687,363 | \$ 12,582,134 | \$ 15,250,196 | \$ 16,625,098 | \$ 18,041,728 | \$ 20,782,420 | \$ 24,370,707 | \$ 27,589,234 | \$ 31,182,762 |
| EXPENDITURES | | | | | | | | | | |
| General Government | \$ 4,237,304 | \$ 3,833,254 | \$ 4,128,677 | \$ 3,483,039 | \$ 4,164,638 | \$ 4,625,183 | \$ 4,775,580 | \$ 7,945,084 | \$ 6,619,422 | \$ 7,070,047 |
| Public Safety | 2,460,281 | 2,844,383 | 3,381,478 | 3,747,172 | 4,032,622 | 4,585,521 | 4,688,313 | 5,301,677 | 5,779,585 | 6,680,928 |
| Public Works | 1,176,879 | 2,052,671 | 2,277,370 | 2,309,052 | 2,078,669 | 2,271,857 | 2,516,122 | 3,190,093 | 3,268,313 | 3,546,183 |
| Planning | - | - | - | - | - | - | - | - | - | - |
| Transportation | - | 11,792 | 14,556 | - | - | - | - | - | - | - |
| Culture and Recreation | 1,427,982 | 1,481,231 | 1,469,421 | 1,529,912 | 1,652,530 | 1,635,161 | 1,759,972 | 2,080,956 | 2,360,247 | 2,541,596 |
| Other - Non Departmental | - | - | - | - | - | - | - | - | - | - |
| Capital Outlay | 14,955,670 | 5,100,327 | 7,442,027 | 4,363,776 | 1,818,360 | 2,444,921 | 3,824,684 | 6,098,985 | 9,574,476 | 10,403,129 |
| Debt Service | - | - | - | - | - | - | - | - | - | - |
| Interest | 1,556,971 | 2,739,522 | 2,225,634 | 2,275,777 | 2,439,260 | 2,214,346 | 2,907,943 | 2,212,231 | 3,894,605 | 3,258,430 |
| Principal | 1,093,894 | 1,605,688 | 2,145,000 | 2,390,000 | 2,630,000 | 3,045,000 | 2,735,000 | 3,490,000 | 4,400,000 | 4,879,999 |
| Other Fees | 882,995 | 2,071 | 85,300 | 1,990 | 3,000 | 494,036 | (3,842) | 492,049 | 151,273 | 20,425 |
| Total Expenditures: | \$ 27,791,976 | \$ 19,670,939 | \$ 23,169,463 | \$ 20,100,718 | \$ 18,819,099 | \$ 21,316,025 | \$ 23,203,772 | \$ 30,811,075 | \$ 36,047,921 | \$ 38,400,737 |

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

| | Fiscal Year | | | | | | | | | |
|--------------------------------------------------------------------|-----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ (17,679,275) | \$ (6,983,582) | \$ (10,587,329) | \$ (4,850,522) | \$ (2,194,011) | \$ (3,274,297) | \$ (2,421,351) | \$ (6,440,401) | \$ (8,458,687) | \$ (7,217,975) |
| OTHER FINANCING SOURCES (USES) | \$ 22,800,000 | \$ 5,600,000 | \$ - | \$ 4,290,000 | \$ - | \$ 19,240,000 | \$ 1,875,000 | \$ 49,665,000 | \$ 8,520,000 | \$ - |
| Bond Issuance Costs | - | - | - | - | - | - | - | - | - | - |
| Bond Sales | 25,604 | - | - | - | - | - | 72,641 | - | - | - |
| Proceeds from Capital Leases | - | - | - | - | - | 511,683 | - | 3,795,604 | 1,048,867 | - |
| Premium or Discount on Debt Issued | - | - | - | - | - | - | - | (22,487,886) | (9,418,419) | - |
| Payment to Refunded Bond Escrow Agent | 2,806,506 | 2,009,695 | 3,673,032 | 3,108,550 | 3,573,832 | 3,854,840 | 4,429,076 | 4,285,338 | 8,482,551 | 5,003,297 |
| Transfers In | (932,556) | (963,440) | (1,212,128) | (1,455,044) | (1,031,257) | (1,587,785) | (2,417,571) | (2,925,727) | (5,439,881) | (3,451,851) |
| Transfers Out | - | - | - | - | - | (13,923,709) | - | - | - | - |
| Other (Uses) | - | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | \$ 24,699,554 | \$ 6,646,255 | \$ 2,460,904 | \$ 5,943,506 | \$ 2,542,575 | \$ 8,095,029 | \$ 3,959,146 | \$ 32,332,329 | \$ 3,193,118 | \$ 1,551,446 |
| NET CHANGES IN FUND BALANCES | \$ 7,020,279 | \$ (337,327) | \$ (8,126,425) | \$ 1,092,984 | \$ 348,564 | \$ 4,820,732 | \$ 1,537,795 | \$ 25,891,928 | \$ (5,265,569) | \$ (5,666,529) |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | 28% | 30% | 28% | 30% | 30% | 30% | 26% | 23% | 31% | 29% |

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

| FISCAL YEAR | Real Property Estimated Actual Value | Personal Property Estimated Actual Value | Less: Exemptions | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Tax Collected |
|-------------|--------------------------------------|------------------------------------------|------------------|------------------------------|-----------------------|--------------------------------|
| 2008 | \$ 1,118,790,278 | \$ 37,347,727 | \$ 57,621,607 | \$ 1,079,609,015 | \$ 0.270700 | \$ 2,922,502 |
| 2009 | \$ 1,289,040,523 | \$ 54,271,922 | \$ 81,818,725 | \$ 1,240,437,167 | \$ 0.373100 | \$ 4,628,071 |
| 2010 | \$ 1,360,483,304 | \$ 45,995,398 | \$ 119,010,849 | \$ 1,287,467,853 | \$ 0.424000 | \$ 5,458,864 |
| 2011 | \$ 1,453,209,263 | \$ 90,011,627 | \$ 196,362,851 | \$ 1,346,858,039 | \$ 0.415399 | \$ 5,594,835 |
| 2012 | \$ 1,485,776,573 | \$ 92,074,324 | \$ 194,548,307 | \$ 1,383,302,590 | \$ 0.484500 | \$ 6,702,101 |
| 2013 | \$ 1,561,358,772 | \$ 96,042,503 | \$ 224,334,342 | \$ 1,433,066,933 | \$ 0.524400 | \$ 7,515,003 |
| 2014 | \$ 1,628,227,793 | \$ 99,641,364 | \$ 227,393,506 | \$ 1,500,475,651 | \$ 0.548300 | \$ 8,227,108 |
| 2015 | \$ 1,806,482,931 | \$ 107,149,372 | \$ 273,333,638 | \$ 1,640,298,665 | \$ 0.548300 | \$ 8,993,758 |
| 2016 | \$ 2,091,111,878 | \$ 117,752,483 | \$ 308,828,876 | \$ 1,946,981,435 | \$ 0.584800 | \$ 11,385,947 |
| 2017 | \$ 2,425,335,695 | \$ 136,504,189 | \$ 338,955,635 | \$ 2,283,013,455 | \$ 0.574800 | \$ 13,122,761 |

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

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

| Fiscal Year | Residential (5/8" and 3/4") | | Multi-Family/ Commercial (2") | | Irrigation (1 1/2") | | Construction (3") | |
|-------------|-----------------------------|-------------|-------------------------------|-------------|---------------------|-------------|-------------------|-------------|
| | Base Charge | 1000 gallon | Base Charge | 1000 gallon | Base Charge | 1000 gallon | Charge | 1000 gallon |
| 2008 | \$ 8.25 | \$ 1.60 | \$ 8.25 | \$ 1.60 | \$ 8.25 | \$ 1.60 | N/A | \$ 3.12 |
| 2009 | \$ 8.25 | \$ 1.60 | \$ 8.25 | \$ 1.60 | \$ 8.25 | \$ 1.60 | N/A | \$ 3.12 |
| 2010 | \$ 17.75 | \$ 2.35 | \$ 88.73 | \$ 4.24 | \$ 44.36 | \$ 4.95 | \$ 141.96 | \$ 4.24 |
| 2011 | \$ 17.75 | \$ 2.35 | \$ 88.73 | \$ 4.24 | \$ 44.36 | \$ 4.95 | \$ 141.96 | \$ 4.24 |
| 2012 | \$ 23.08 | \$ 3.06 | \$ 115.35 | \$ 5.51 | \$ 57.76 | \$ 6.44 | \$ 184.55 | \$ 5.51 |
| 2013 | \$ 27.69 | \$ 3.67 | \$ 138.42 | \$ 6.61 | \$ 69.20 | \$ 7.72 | \$ 221.46 | \$ 6.61 |
| 2014 | \$ 33.23 | \$ 4.40 | \$ 166.10 | \$ 7.94 | \$ 83.04 | \$ 9.27 | \$ 265.75 | \$ 7.94 |
| 2015 | \$ 33.23 | \$ 4.40 | \$ 166.10 | \$ 7.94 | \$ 83.04 | \$ 9.27 | \$ 265.75 | \$ 7.94 |
| 2016 | \$ 33.23 | \$ 4.40 | \$ 166.10 | \$ 7.94 | \$ 83.04 | \$ 9.27 | \$ 265.75 | \$ 7.94 |
| 2017 | \$ 33.23 | \$ 4.40 | \$ 166.10 | \$ 7.94 | \$ 83.04 | \$ 9.27 | \$ 265.75 | \$ 7.94 |

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

| FISCAL YEAR | Residential | Commercial | Total Billed |
|----------------|--------------|--------------|--------------|
| 2008 | \$ 2,534,102 | \$ 692,774 | \$ 3,226,876 |
| 2009 | \$ 2,857,468 | \$ 740,075 | \$ 3,597,543 |
| 2010 | \$ 2,711,226 | \$ 746,337 | \$ 3,457,563 |
| 2011 | \$ 3,348,985 | \$ 1,082,257 | \$ 4,431,242 |
| 2012 | \$ 4,142,899 | \$ 1,321,486 | \$ 5,464,385 |
| 2013 | \$ 4,041,171 | \$ 1,583,061 | \$ 5,624,231 |
| 2014 | \$ 2,683,000 | \$ 1,625,286 | \$ 4,308,286 |
| 2015 | \$ 2,620,354 | \$ 1,305,255 | \$ 3,925,610 |
| 2016 | \$ 2,709,726 | \$ 1,548,330 | \$ 4,258,056 |
| 2017 | \$ 2,784,796 | \$ 1,650,374 | \$ 4,435,170 |

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

| FISCAL YEAR | Residential | Commercial | Total Billed Consumption |
|----------------|-------------|-------------|-----------------------------|
| 2008 | 437,364,754 | 167,554,289 | 604,919,043 |
| 2009 | 565,634,600 | 195,042,170 | 760,676,770 |
| 2010 | 492,748,500 | 178,422,903 | 671,171,403 |
| 2011 | 540,554,250 | 211,750,300 | 752,304,550 |
| 2012 | 523,772,450 | 207,926,400 | 731,698,850 |
| 2013 | 537,766,800 | 206,600,100 | 744,366,900 |
| 2014 | 511,808,500 | 189,038,400 | 700,846,900 |
| 2015 | 495,135,628 | 164,364,300 | 659,499,928 |
| 2016 | 525,859,900 | 180,930,600 | 706,790,500 |
| 2017 | 540,212,800 | 207,635,700 | 747,848,500 |

Source: Billed Consumption Report, City of Kyle Utility Billing
 Service Summary Report, City of Kyle Utility Billing

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

| Fiscal Year | Residential | | Multi-Family/ Commercial | |
|-------------|-------------|----------------------------|--------------------------|----------------------------|
| | Base Charge | Wastewater per 1000 gallon | Base Charge | Wastewater per 1000 gallon |
| 2008 | \$ 9.08 | \$ 1.76 | \$ 9.08 | \$ 1.98 |
| 2009 | \$ 9.08 | \$ 1.76 | \$ 9.08 | \$ 1.98 |
| 2010 | \$ 9.08 | \$ 1.76 | \$ 9.08 | \$ 1.98 |
| 2011 | \$ 10.90 | \$ 2.11 | \$ 10.90 | \$ 2.11 |
| 2012 | \$ 13.63 | \$ 2.64 | \$ 13.63 | \$ 2.98 |
| 2013 | \$ 16.35 | \$ 3.17 | \$ 16.35 | \$ 3.57 |
| 2014 | \$ 17.99 | \$ 3.48 | \$ 17.99 | \$ 3.93 |
| 2015 | \$ 17.99 | \$ 3.48 | \$ 17.99 | \$ 3.93 |
| 2016 | \$ 17.99 | \$ 3.48 | \$ 17.99 | \$ 3.93 |
| 2017 | \$ 17.99 | \$ 3.48 | \$ 17.99 | \$ 3.93 |

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

| FISCAL YEAR | Residential | Commercial | Total Billed |
|----------------|--------------|------------|--------------|
| 2008 | \$ 1,713,192 | \$ 268,675 | \$ 1,981,867 |
| 2009 | \$ 1,912,803 | \$ 223,424 | \$ 2,136,227 |
| 2010 | \$ 1,922,014 | \$ 213,776 | \$ 2,135,789 |
| 2011 | \$ 2,006,249 | \$ 322,319 | \$ 2,328,568 |
| 2012 | \$ 2,268,508 | \$ 512,167 | \$ 2,780,675 |
| 2013 | \$ 3,164,765 | \$ 615,426 | \$ 3,780,191 |
| 2014 | \$ 2,571,502 | \$ 675,661 | \$ 3,247,163 |
| 2015 | \$ 2,673,836 | \$ 556,597 | \$ 3,230,432 |
| 2016 | \$ 2,939,865 | \$ 633,991 | \$ 3,573,856 |
| 2017 | \$ 3,046,286 | \$ 647,438 | \$ 3,693,724 |

Sources: Billed Consumption Report, City of Kyle Utility Billing
Service Summary Report, City of Kyle Utility Billing

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

| Customer | Consumption (in gallons) | Amount Billed | % of Total Consumption |
|-----------------------------|-----------------------------|---------------|---------------------------|
| KYLE CORRECTIONAL CENTER | 21,936,300 | \$ 174,174 | 3.13% |
| SETON MEDICAL CENTER - HAYS | 14,082,900 | \$ 111,818 | 2.01% |
| VISTA AT PLUM CREEK | 10,453,900 | \$ 83,004 | 1.49% |
| KYLE BLUEBONNET, MHP, LLC | 8,401,000 | \$ 66,704 | 1.20% |
| TXKY AZTEC OAKHILL MHP, LLC | 8,270,900 | \$ 65,671 | 1.18% |
| SADDLECREEK APARTMENTS | 6,694,000 | \$ 53,150 | 0.96% |
| MADRONE VENTURES, LLC | 6,094,900 | \$ 48,394 | 0.87% |
| WATER WORKS AUTO SPA | 5,117,800 | \$ 40,635 | 0.73% |
| EDWARD R. COLEMAN | 4,739,600 | \$ 37,632 | 0.68% |
| KYLE APARTMENTS | 4,448,300 | \$ 35,320 | 0.63% |

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

| Fiscal Year | October | November | December | January | February | March | April | May | June | July | August | September | Total |
|--------------------|----------------|-----------------|-----------------|----------------|-----------------|--------------|--------------|------------|-------------|-------------|---------------|------------------|--------------|
| 2008 | \$ 175,097 | \$ 220,841 | \$ 178,492 | \$ 158,377 | \$ 219,687 | \$ 164,544 | \$ 141,720 | \$ 222,905 | \$ 181,993 | \$ 170,570 | \$ 206,162 | \$ 180,536 | \$ 2,220,923 |
| 2009 | \$ 152,824 | \$ 293,362 | \$ 202,720 | \$ 163,713 | \$ 244,361 | \$ 194,190 | \$ 175,689 | \$ 291,357 | \$ 191,341 | \$ 189,912 | \$ 293,591 | \$ 212,424 | \$ 2,605,483 |
| 2010 | \$ 190,866 | \$ 287,557 | \$ 193,086 | \$ 198,193 | \$ 329,379 | \$ 183,839 | \$ 186,005 | \$ 307,208 | \$ 227,390 | \$ 250,891 | \$ 322,535 | \$ 224,068 | \$ 2,901,017 |
| 2011 | \$ 216,921 | \$ 333,590 | \$ 216,162 | \$ 226,155 | \$ 377,557 | \$ 199,597 | \$ 179,339 | \$ 316,730 | \$ 257,077 | \$ 249,528 | \$ 380,685 | \$ 202,592 | \$ 3,155,933 |
| 2012 | \$ 269,861 | \$ 334,179 | \$ 237,532 | \$ 245,372 | \$ 393,544 | \$ 224,751 | \$ 237,156 | \$ 368,315 | \$ 269,170 | \$ 295,375 | \$ 377,378 | \$ 287,654 | \$ 3,540,287 |
| 2013 | \$ 304,269 | \$ 366,291 | \$ 299,073 | \$ 286,436 | \$ 440,059 | \$ 275,360 | \$ 270,778 | \$ 413,730 | \$ 302,670 | \$ 318,477 | \$ 418,723 | \$ 312,867 | \$ 4,008,733 |
| 2014 | \$ 306,735 | \$ 439,337 | \$ 321,293 | \$ 334,830 | \$ 492,820 | \$ 299,643 | \$ 320,355 | \$ 505,339 | \$ 405,019 | \$ 315,129 | \$ 496,713 | \$ 374,188 | \$ 5,016,420 |
| 2015 | \$ 362,331 | \$ 521,872 | \$ 416,690 | \$ 387,232 | \$ 597,254 | \$ 383,110 | \$ 338,851 | \$ 576,976 | \$ 493,472 | \$ 446,136 | \$ 642,442 | \$ 485,237 | \$ 5,651,604 |
| 2016 | \$ 424,152 | \$ 601,054 | \$ 450,182 | \$ 477,871 | \$ 722,526 | \$ 448,593 | \$ 444,310 | \$ 661,516 | \$ 506,314 | \$ 508,767 | \$ 653,235 | \$ 519,583 | \$ 6,418,103 |
| 2017 | \$ 491,669 | \$ 655,907 | \$ 515,743 | \$ 536,291 | \$ 746,924 | \$ 510,619 | \$ 490,365 | \$ 695,240 | \$ 568,871 | \$ 564,812 | \$ 701,981 | \$ 629,767 | \$ 7,108,190 |

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

| FISCAL YEAR | City Direct Rates | | | | Overlapping Rates | | | | | | | Total Direct & Overlapping Rate |
|-------------|-------------------|--------------|----------|-----------------|-------------------|--------------|-----------------------|----------|-------------------------|------------------------|----------|---------------------------------|
| | Operating | Debt Service | Total | School District | County | Special Road | Emergency Services #5 | ACC | Plum Creek Conservation | Plum Creek Groundwater | | |
| 2008 | 0.179000 | 0.093400 | 0.272400 | 1.778000 | 0.037900 | 0.071000 | 0.077000 | 0.000000 | 0.017800 | 0.018000 | 0.018000 | 2.272100 |
| 2009 | 0.120000 | 0.150700 | 0.270700 | 1.461300 | 0.371400 | 0.086000 | 0.077000 | 0.000000 | 0.018000 | 0.018000 | 0.018000 | 2.302400 |
| 2010 | 0.173100 | 0.200000 | 0.373100 | 1.461300 | 0.374900 | 0.080100 | 0.085000 | 0.000000 | 0.019500 | 0.095000 | 0.095000 | 2.488900 |
| 2011 | 0.183000 | 0.241000 | 0.424000 | 1.461300 | 0.418100 | 0.051100 | 0.092500 | 0.000000 | 0.018500 | 0.018500 | 0.018500 | 2.484000 |
| 2012 | 0.216073 | 0.199326 | 0.425399 | 1.461300 | 0.424800 | 0.044400 | 0.095300 | 0.094800 | 0.020000 | 0.020000 | 0.020000 | 2.585999 |
| 2013 | 0.236100 | 0.248400 | 0.484500 | 1.461300 | 0.425100 | 0.044000 | 0.100000 | 0.094800 | 0.020000 | 0.020000 | 0.020000 | 2.649700 |
| 2014 | 0.270300 | 0.254100 | 0.524400 | 1.461300 | 0.425200 | 0.043800 | 0.100000 | 0.094900 | 0.022000 | 0.022000 | 0.022000 | 2.693600 |
| 2015 | 0.270300 | 0.278000 | 0.548300 | 1.537700 | 0.425200 | 0.043800 | 0.100000 | 0.094200 | 0.220000 | 0.022000 | 0.022000 | 2.991200 |
| 2016 | 0.270300 | 0.278000 | 0.548300 | 1.537700 | 0.423200 | 0.043800 | 0.100000 | 0.100500 | 0.022500 | 0.021500 | 0.021500 | 2.797500 |
| 2017 | 0.239500 | 0.335300 | 0.574800 | 1.537700 | 0.401200 | 0.043800 | 0.100000 | 0.100800 | 0.023200 | 0.021400 | 0.021400 | 2.802900 |

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

| 2017 | | |
|-------------------------------------|---------------------------|-------------------------------------------------------|
| Taxpayer | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value |
| SETTLEMENT BRES LLC & | \$ 32,891,527 | 2.30% |
| DDR DB KYLE LP | \$ 30,055,078 | 2.10% |
| BRE DDR BR KYLE TX LLC | \$ 27,716,043 | 1.93% |
| AM KYLE LLC | \$ 24,783,472 | 1.73% |
| MADRONE VENTURES LLC | \$ 22,495,820 | 1.57% |
| OAKS ON GOFORTH LP | \$ 21,283,312 | 1.49% |
| AM PLUM CREEK II LLC | \$ 18,701,246 | 1.30% |
| KYLE APARTMENTS LLC | \$ 17,362,146 | 1.21% |
| STRAND KYLE HOLDINGS LLC | \$ 13,869,742 | 0.97% |
| WAL-MART REAL ESTATE BUSINESS TRUST | \$ 12,931,290 | 0.90% |
| Total | <u>\$ 222,089,676</u> | <u>15.50%</u> |

| 2012 | | |
|------------------------------|---------------------------|-------------------------------------------------------|
| Taxpayer | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value |
| DDR DB KYLE LP | \$ 21,052,160 | 1.92% |
| COLE MT KYLE TX LLC | \$ 19,791,940 | 1.80% |
| SETTLEMENT APARTMENTS LP | \$ 16,895,160 | 1.54% |
| SCC KYLE PARTNERS LTD | \$ 12,933,180 | 1.18% |
| AOH - VANTAGE AT PLUM CRE | \$ 8,299,790 | 0.76% |
| TARGET CORPORATION | \$ 7,714,010 | 0.70% |
| BREMNER, DUKE | \$ 7,600,000 | 0.69% |
| LOWE'S HOME CENTERS INC | \$ 7,417,540 | 0.68% |
| HEB GROCERY CO LP | \$ 6,003,019 | 0.55% |
| HD DEVELOPMENT PROPERTIES LP | \$ 5,994,240 | 0.55% |
| Total | <u>\$ 113,701,039</u> | <u>10.53%</u> |

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

| Fiscal Year Ended | Taxes Levied for the Fiscal year | Collected Within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------------|----------------------------------|----------------------------------------------|--------------------|---------------------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2008 | \$ 2,972,355.89 | \$ 2,936,623.44 | 98.80% | \$ 32,265.29 | \$ 2,968,888.73 | 99.88% |
| 2009 | \$ 4,706,354.87 | \$ 4,659,479.95 | 99.00% | \$ 40,185.28 | \$ 4,699,665.23 | 99.86% |
| 2010 | \$ 5,657,998.02 | \$ 5,602,149.59 | 99.01% | \$ 48,000.85 | \$ 5,650,150.44 | 99.86% |
| 2011 | \$ 5,782,063.25 | \$ 5,728,465.59 | 99.07% | \$ 42,067.15 | \$ 5,770,532.74 | 99.80% |
| 2012 | \$ 6,928,118.28 | \$ 6,881,454.44 | 99.33% | \$ 23,851.83 | \$ 6,905,306.27 | 99.67% |
| 2013 | \$ 7,710,301.90 | \$ 7,614,186.51 | 98.75% | \$ 7,733.64 | \$ 7,621,920.15 | 98.85% |
| 2014 | \$ 8,468,076.05 | \$ 8,418,435.10 | 99.41% | \$ 17,021.64 | \$ 8,435,456.74 | 99.61% |
| 2015 | \$ 9,112,282.80 | \$ 9,064,585.82 | 99.48% | \$ 6,301.96 | \$ 9,070,887.78 | 99.55% |
| 2016 | \$ 11,834,067.14 | \$ 11,764,070.36 | 99.41% | \$ 11,475.29 | \$ 11,775,545.65 | 99.51% |
| 2017 | \$ 13,470,082.98 | \$ 13,407,982.47 | 99.54% | \$ 140,136.95 | \$ 13,548,119.42 | 100.58% |

Source: City of Kyle Internal Reports

Note: Subsequent years includes penalties

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

| Fiscal Year | Certificates of Obligation | | | Governmental Activities | | | Business-type Activities | | | Total | |
|-------------|----------------------------|--------------------------|----------------|---------------------------|---------------------------|----------------|--------------------------|----------------|--------------------------|-------------|--|
| | Obligation | General Obligation Bonds | Capital Leases | State Infrastructure Loan | Deferred Interest Payable | Capital Leases | Compensated Absences | Capital Leases | Total Primary Government | Per Capita | |
| 2008 | \$ 39,628,882 | \$ 30,000 | \$ - | \$ 13,446,441 | \$ 790,941 | \$ 3,850,775 | \$ 12,851 | \$ - | \$ 57,911,980 | \$ 2,709.97 | |
| 2009 | \$ 44,263,475 | \$ - | \$ - | \$ 12,867,693 | \$ 754,001 | \$ 3,704,028 | \$ 29,232 | \$ - | \$ 61,589,197 | \$ 2,421.91 | |
| 2010 | \$ 41,073,068 | \$ 15,290,000 | \$ - | \$ 11,000,000 | \$ 175,300 | \$ 3,548,230 | \$ 66,792 | \$ - | \$ 71,086,598 | \$ 2,537.36 | |
| 2011 | \$ 40,105,425 | \$ 18,430,000 | \$ - | \$ 11,000,000 | \$ 642,000 | \$ 3,259,467 | \$ 78,799 | \$ - | \$ 73,437,692 | \$ 1,838.15 | |
| 2012 | \$ 37,885,750 | \$ 18,010,000 | \$ 93,950 | \$ 11,000,000 | \$ 1,130,169 | \$ 2,952,895 | \$ 93,124 | \$ - | \$ 71,165,888 | \$ 2,099.29 | |
| 2013 | \$ 33,890,000 | \$ 36,660,000 | \$ 44,865 | \$ - | \$ - | \$ 2,952,895 | \$ 64,514 | \$ - | \$ 73,612,274 | \$ 2,165.07 | |
| 2014 | \$ 34,150,000 | \$ 35,540,000 | \$ - | \$ - | \$ - | \$ 2,850,115 | \$ - | \$ - | \$ 72,540,115 | \$ 2,133.53 | |
| 2015 | \$ 11,750,000 | \$ 83,605,000 | \$ - | \$ - | \$ - | \$ 2,650,491 | \$ - | \$ - | \$ 98,005,491 | \$ 2,882.51 | |
| 2016 | \$ 6,860,000 | \$ 83,595,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 90,455,000 | \$ 2,660.44 | |
| 2017 | \$ 5,215,000 | \$ 80,360,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 85,575,000 | \$ 2,171.95 | |

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

| Fiscal Year | General Bonded Debt Outstanding | | |
|-------------|---------------------------------|------------------------------------------------|-------------|
| | Gross Bonded Debt | Percentage of Actual Taxable Value of Property | Per Capita |
| 2008 | \$ 53,237,400 | 4.93% | \$ 2,491.22 |
| 2009 | \$ 60,921,157 | 4.91% | \$ 2,395.64 |
| 2010 | \$ 61,860,798 | 4.80% | \$ 2,208.05 |
| 2011 | \$ 70,837,951 | 5.26% | \$ 2,299.93 |
| 2012 | \$ 68,207,951 | 4.93% | \$ 2,012.03 |
| 2013 | \$ 70,550,000 | 4.92% | \$ 2,075.00 |
| 2014 | \$ 69,690,000 | 4.86% | \$ 2,049.71 |
| 2015 | \$ 95,355,000 | 6.65% | \$ 2,804.56 |
| 2016 | \$ 90,455,000 | 6.31% | \$ 2,660.44 |
| 2017 | \$ 85,575,000 | 5.97% | \$ 2,171.95 |

Source: Debt Book for City of Kyle

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

| Fiscal Year | Population | Average Household Income | | Unemployment Rate |
|-------------|------------|--------------------------|--------|-------------------|
| | | | | |
| 2008 | 21,370 | \$ | 63,852 | 3.9% |
| 2009 | 25,430 | \$ | 65,257 | 5.3% |
| 2009 | 28,016 | \$ | 65,100 | 5.5% |
| 2010 | 29,300 | \$ | 65,100 | 5.3% |
| 2011 | 30,700 | \$ | 65,100 | 4.9% |
| 2012 | 32,100 | \$ | 65,100 | 4.2% |
| 2013 | 33,500 | \$ | 71,063 | 5.4% |
| 2014 | 34,413 | \$ | 77,406 | 2.5% |
| 2016 | 36,800 | \$ | 77,406 | 2.5% |
| 2017 | 39,400 | \$ | 82,872 | 3.3% |

Sources:

Unemployment Rates: <http://www.tracer2.com/cgi/dataAnalysis/LabForceReport.asp>Population: <http://kyleed.com/community-profile/population>

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

| Employer | 2017 | |
|------------------------------------------|---------------|-------------------------------------|
| | Employees | Percentage of Total City Employment |
| Hays County Independent School District | 2,383 | 17.48% |
| Seton Medical Center Hays | 610 | 4.47% |
| HEB Plus* | 208 | 1.53% |
| City of Kyle | 198 | 1.45% |
| Legend Oaks Healthcar & Rehabilitation | 116 | 0.85% |
| Lowes | 108 | 0.79% |
| Warm Springs Rehab Hospital | 100 | 0.73% |
| Home Depot | 100 | 0.73% |
| Austin Community College at Hays | 80 | 0.59% |
| RSI, Inc | 58 | 0.43% |
| Construction Metal Products | 40 | 0.29% |
| Sothwestern Pneumatic | 40 | 0.29% |
| Miscellaneous Steel Industries | 30 | 0.22% |
| Total | 4,071 | 30% |
| Total Employed within Kyle, Texas | 13,633 | |

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

| Function Program | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Government | | | | | | | | | | |
| Administration | 8.00 | 8.00 | 7.00 | 6.00 | 5.00 | 5.00 | 5.00 | 7.00 | 7.00 | 6.00 |
| Human Resources | 0.00 | 2.00 | 2.75 | 2.75 | 3.50 | 3.50 | 3.50 | 2.50 | 2.50 | 2.50 |
| Finance | 3.00 | 4.00 | 4.00 | 5.50 | 5.50 | 5.50 | 6.50 | 6.50 | 6.50 | 6.50 |
| Municipal Court | 3.50 | 3.50 | 3.50 | 4.00 | 4.50 | 4.50 | 4.00 | 4.00 | 4.00 | 4.00 |
| IT | 1.00 | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Planning | 2.50 | 4.50 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 |
| Economic Development | 1.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Building | 7.00 | 7.00 | 7.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 7.00 |
| Street Department | 4.00 | 6.35 | 7.35 | 6.00 | 6.75 | 6.00 | 6.00 | 12.50 | 15.38 | 15.38 |
| Police | | | | | | | | | | |
| Administration | 6.00 | 9.00 | 9.00 | 12.00 | 12.00 | 14.50 | 14.50 | 17.50 | 17.50 | 17.00 |
| Operations | 27.00 | 33.00 | 37.00 | 35.50 | 38.00 | 38.50 | 38.50 | 56.00 | 56.00 | 58.00 |
| Public Works | | | | | | | | | | |
| Administration | 0.00 | 8.65 | 9.65 | 8.75 | 8.25 | 8.25 | 8.00 | 8.50 | 9.82 | 11.14 |
| Water | 9.00 | 5.00 | 7.00 | 14.00 | 14.50 | 12.50 | 12.50 | 12.50 | 12.90 | 12.90 |
| Wastewater | 4.00 | 6.00 | 7.00 | 5.00 | 5.50 | 5.50 | 5.50 | 10.50 | 10.90 | 10.90 |
| Engineering | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 | 0.50 | 4.00 | 3.00 | 3.50 |
| Parks and Recreation | | | | | | | | | | |
| Administration | 0.00 | 3.00 | 3.00 | 5.00 | 4.00 | 4.00 | 4.50 | 5.50 | 6.00 | 6.00 |
| Parks Maintenance | 10.00 | 10.50 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 14.00 | 12.00 | 12.00 |
| Facilities Maintenance | 5.00 | 3.00 | 3.00 | 3.50 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Library | 5.00 | 6.00 | 7.00 | 8.00 | 7.00 | 7.00 | 7.00 | 11.00 | 11.00 | 11.00 |
| Utility Billing | 4.00 | 4.00 | 5.00 | 5.00 | 5.00 | 7.00 | 7.00 | 7.00 | 8.00 | 9.00 |
| Total | 100.00 | 127.50 | 138.25 | 147.00 | 150.50 | 152.75 | 154.00 | 198.00 | 202.50 | 206.82 |

Source: City of Kyle
Note: Does not include Mayor Council

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

| Function Program | Fiscal Year | | | | | | | | | |
|------------------------------------------------------|-------------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Government | | | | | | | | | | |
| Building permits issued | 534 | 328 | 431 | 289 | 244 | 324 | 537 | 635 | 684 | 777 |
| Police | | | | | | | | | | |
| Violations | 3,130 | 3,640 | 4,709 | 4,360 | 6,961 | 8,670 | 10,111 | 5,447 | 3,345 | 5,225 |
| Citations | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Other Public Works | | | | | | | | | | |
| Street resurfacing (miles) | N/A | N/A | N/A | N/A | N/A | 16 | 10 | 2 | 3 | 17 |
| Potholes repaired | N/A | N/A | N/A | 672 | 718 | 926 | 1,053 | 2,007 | 3,253 | 2,752 |
| Street Sweeping - Miles | 574 | 4,037 | 2,623 | 2,613 | 343 | 1,898 | 1,970 | 2,308 | 1,619 | 2,132 |
| Parks and Recreation | | | | | | | | | | |
| Facility Rental Bookings (Guests) | 26,375 | 28,902 | 13,786 | 15,512 | 42,791 | 36,092 | 45,602 | 52,447 | 52,533 | 16,415 |
| Summer Camp | 1,964 | 1,652 | 3,255 | 6,105 | 5,275 | 5,500 | 5,800 | 4,675 | 4,285 | 5,170 |
| Pool (patron count) | 33,909 | 36,508 | 30,254 | 32,078 | 36,511 | 37,000 | 37,000 | 41,813 | 31,852 | 28,126 |
| Library | | | | | | | | | | |
| Circulation Count | 50,103 | 86,611 | 99,129 | 100,121 | 125,715 | 144,904 | 155,860 | 165,175 | 188,222 | 191,275 |
| Patron Count | 83,627 | 81,019 | 95,371 | 91,207 | 119,194 | 126,824 | 133,154 | 138,458 | 139,501 | 153,998 |
| Library Cards Issued | 1,974 | 2,021 | 1,799 | 1,746 | 3,730 | 2,218 | 3,200 | 2,784 | 2,837 | 2,952 |
| Water | | | | | | | | | | |
| New Connections | 2,478 | 2,272 | 2,007 | 1,900 | 2,188 | 2,402 | 2,773 | 3,024 | 2,276 | 3,167 |
| Water leaks | 82 | 88 | 70 | 117 | 80 | 91 | 126 | 108 | 99 | 78 |
| Average Daily Consumption (millions of gallons) | 2.1575 | N/A | 2.0891 | 1.6391 | 2.1225 | 2.443 | 1.9200 | 2.4190 | 2.5920 | 2.2522 |
| Wastewater | | | | | | | | | | |
| Average Daily Sewage Treatment (millions of gallons) | 1.5012 | N/A | 1.5626 | 2.2684 | 1.7207 | 1.838 | 1.6950 | 2.3000 | 2.4570 | 2.4590 |

Source: City of Kyle
 Departmental Reports, City of Kyle

Note: New Connections are by Calendar Year not Fiscal Year

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

| Function Program | Fiscal Year | | | | | | | | | |
|---------------------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Police | | | | | | | | | | |
| Stations/ Sub-Stations | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Patrol Units | 16 | 17 | 18 | 24 | 29 | 27 | 27 | 21 | 21 | 20 |
| Fire | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Parks and Recreation | | | | | | | | | | |
| Acres | 355 | 412 | 462 | 466 | 466 | 569 | 577 | 612 | 612 | 612 |
| Streets | | | | | | | | | | |
| Streets - Linear Feet | 567,888 | 576,448 | 580,748 | 591,248 | 595,248 | 610,518 | 623,170 | 641,396 | 739,493 | 796,818 |
| Water | | | | | | | | | | |
| Fire Hydrants | 783 | 829 | 833 | 847 | 859 | 891 | 905 | 936 | 993 | 1,093 |
| New Water Lines - Linear Feet | 15,084 | 35,592 | 7,142 | 2,653 | 1,894 | 6,703 | 9,963 | 16,950 | 28,080 | 37,045 |
| Ground Water Storage | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Elevated Water Storage | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Wastewater | | | | | | | | | | |
| New Wastewater Lines - Linear Ft | 20,737 | 19,574 | 7,770 | 3,890 | 1,555 | 20,059 | 13,286 | 16,127 | 15,799 | 41,340 |
| Storm Sewers (miles) | 29,369 | 38,948 | 2,945 | 3,937 | 423 | 14,245 | 7,334 | 13,573 | 9,610 | 21,964 |
| Lift Stations | 10 | 10 | 10 | 10 | 9 | 9 | 9 | 11 | 11 | 13 |
| Treatment Capacity (millions of gallons) | N/A | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |

Source: Various City Departments, City of Kyle