

THE CITY OF KYLE, TEXAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



FOR THE YEAR ENDED
SEPTEMBER 30, 2012

THE CITY OF KYLE, TEXAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



City Manager
Lanny S. Lambert

Director of Finance
Perwez A. Moheet, CPA

FOR THE YEAR ENDED
SEPTEMBER 30, 2012

Prepared by Financial Services Department



Elected Officials

Mayor
Lucy Johnson

Mayor Pro Tem
Diane Hervol, District 3

Council Member, District 1
Becky Selbera

Council Member, District 2
Bradley P. Pickett

Council Member, District 4
David Wilson

Council Member, District 5
Samantha Bellows-LeMense

Council Member, District 6
Ray Bryant

CITY OF KYLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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INTRODUCTORY SECTION





CITY OF KYLE

100 W. Center Street
Tel (512) 262-1010

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

Kyle, Texas 78640

February 10, 2012

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

We are pleased to submit to you the first Comprehensive Annual Financial Report (CAFR) of the City of Kyle, Texas for the year ended September 30, 2012. 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 Atchley & Associates 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, code enforcement, public recreation and culture, economic development, solid waste collection and recycling, and for the provision of 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 18.86 square miles and has an estimated population of 37,000 in 2012. Kyle is a thriving community with easy access to major highway 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 taxable valuations, property tax collection rate, and the trend for sales tax collections. We are pleased to report that the annual increase in taxable valuations has averaged 9.4% over the last five years, annual property tax collection rate has continued to surpass the 99% mark, and the increase in the annual sales tax collections has averaged 14.6% over the last five years as well.

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. This 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 this Comprehensive Plan is through the year 2040, when it is projected that approximately 90,000 residents will live in Kyle.

Major Initiatives

A number of major programs were initiated in the City of Kyle during fiscal year 2012. These included the following:

- Opening of the New Public Library
- Opening of Lake Kyle Park Facility
- Groundbreaking for the Austin Community College Campus
- Southside Wastewater Collection System

- Refunding of Outstanding Bonds to Realize Cost Savings
- Aggressive Collection Efforts on Outstanding Court Fines
- New Police Headquarters
- Renovation of Kyle Train Depot
- Strengthening of the City's Ethics Ordinance

FINANCIAL INFORMATION

Budgetary Information

The fiscal year 2013 Approved Budget totals \$42.2 million and includes \$13.6 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, openness, and inclusiveness in government. The City included an extensive public participation process including twenty (20) public hearings and seven (7) City Council workshops 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 2013 Approved Budget was adopted with a property tax rate increase of \$0.0399 to \$0.5244 per \$100 of assessed valuation. The budget provides for a moderate pay increase of 3.5% to regular and civil service City employees, compliance with the meet and confer requirements for civil service employees, addition of positions for police officers, animal control, and emergency dispatch operations.

A 3-year rate plan for the Water and Wastewater Utility was considered by the City Council in fiscal year 2011 to help implement a structural balance between revenue and requirements. The 3-year rate plan provides for a planned rate increase in each of the three years ranging from 10% to 35% per year.

The Approved Budget for fiscal year 2013 provides for a combined system-wide rate increase of 20% for water and wastewater service, a 10.48% increase in solid waste collection service rates, and for the first time established an Emergency Reserve Fund with a \$300,000 initial contribution.

The City's bond rating of A+ was reaffirmed by Standard and Poor's rating agency.

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.

After an extensive public involvement process, the City Council adopted the City's first Debt Management Policy to strengthen the City's overall financial position. The City's financial policies are reviewed as part of the annual budget process and are codified in the Approved Budget document.

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.

Risk Management

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

Transparency in Financial Reporting

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

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit that publishes a Comprehensive Annual Financial Report (CAFR) that meets the GFOA program standards. Even though this is the City of Kyle's first CAFR, City management believes that this 2012 CAFR conforms to the Certificate of Achievement Program requirements. Accordingly, the City management plans to submit the City of Kyle's 2012 CAFR to GFOA for review and consideration for the award.

For the third consecutive year, the City of Kyle was awarded the Gold Leadership Circle Award by the Texas Comptroller of Public Accounts. The Leadership Circle program is designed to recognize local governments across Texas that are striving to meet a high standard for financial reporting and transparency.

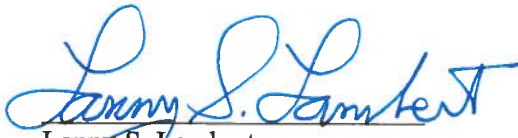
Acknowledgments

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

We acknowledge the thorough, professional, and timely manner in which the City's independent auditor, Atchley & Associates LLP, conducted the audit.

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

Respectfully submitted,

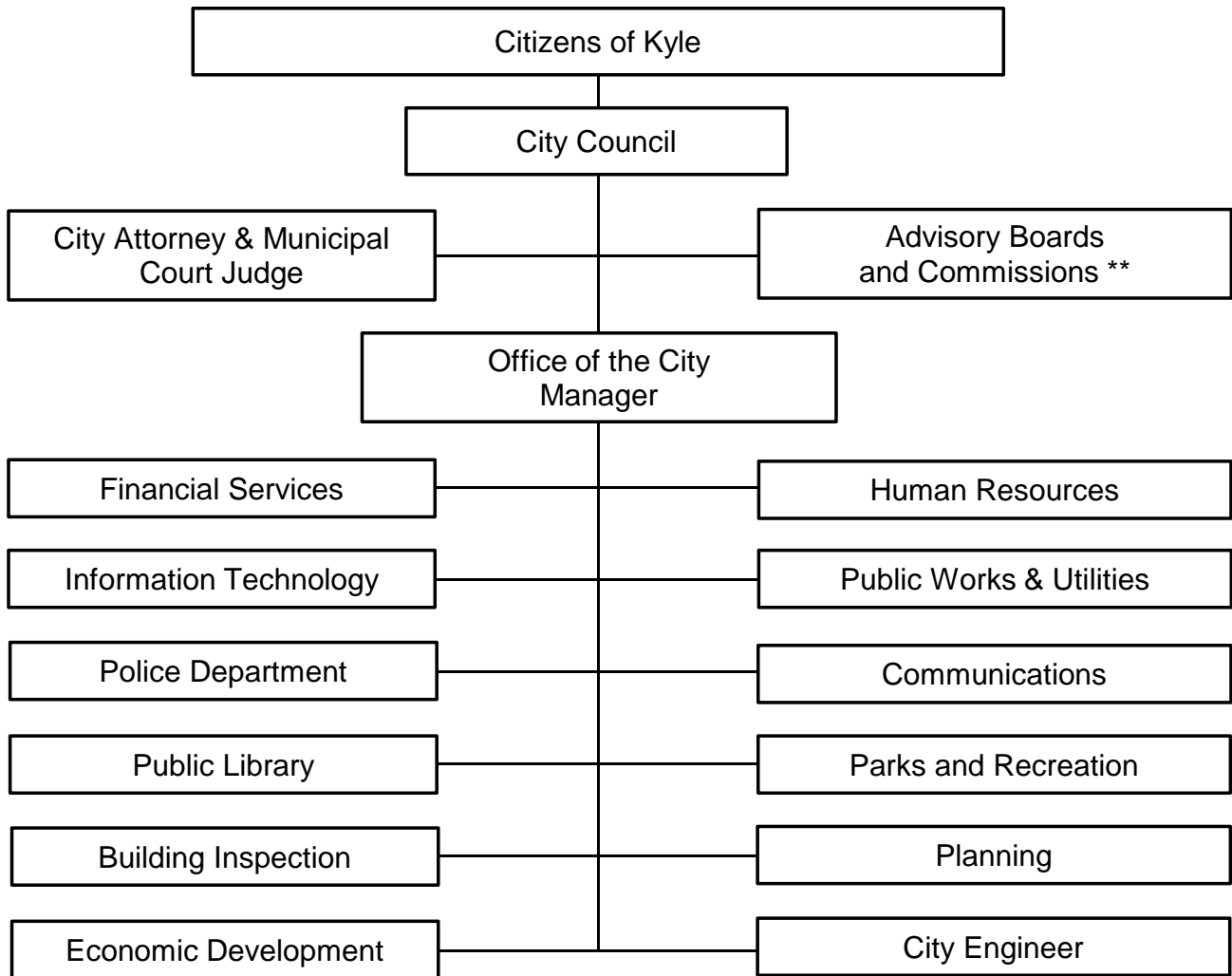


Lanny S. Lambert
City Manager



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
 Community Relations Committee
 Economic Development & Tourism Committee
 Ethics Committee
 Library Board
 Long Range Planning Committee

Mobility Committee
 Parks and Recreation Committee
 Planning and Zoning Commission
 Public Works & Service Committee
 Safety and Emergency Services Committee
 Strategic Planning and Finance Committee
 Tax Increment Reinvestment Zone Committee
 Train Depot Board



Elected Officials and Executive Management Team

January 1, 2013

City Council

Lucy Johnson.....	Mayor
Diane Hervol.....	Mayor Pro-Tem, District 1
Becky Selbera.....	District 2
Bradley Pickett.....	District 3
David Wilson.....	District 4
Samantha Bellows-LeMense.....	District 5
Ray Bryant.....	District 6

Executive Management Team

Lanny S. Lambert.....	City Manager
James R. Earp, CPM.....	Assistant City Manager
Mario Perez.....	Building Official
Julian Grant.....	Attorney
Steven Widacki.....	City Engineer
Amelia Sanchez.....	City Secretary
Jerry Hendrix.....	Director of Communications
Diana Blank.....	Director of Economic Development
Perwez A. Moheet, CPA.....	Director of Financial Services
Sandra Duran.....	Director of Human Resources
Mark Shellard.....	Director of Information Technology
Sundra Spears.....	Municipal Court Judge
Kerry Urbanowicz.....	Director of Parks and Recreation
Sofia Nelson.....	Director of Planning
Jeff Barnett.....	Chief of Police
Connie Brooks.....	Library Director
Harper Wilder.....	Director of Public Works



Texas Comptroller Leadership Circle Gold Member

awarded to

City of Kyle

For setting the bar for financial transparency and opening your books to the public.

The Texas Comptroller's Leadership Circle program recognizes local governments across Texas that are striving to meet a high financial transparency online. By providing citizens with a clear, consistent picture of spending and sharing information in a user-friendly format, you are setting a strong example for other governmental entities to follow.

December 31, 2012



FINANCIAL SECTION



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Independent Auditors' Report

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

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 City of Kyle, Texas (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kyle, Texas as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 16 and budgetary comparison for the general fund on page 60 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section 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 by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.

Atehley & Associates, LLP

Austin, Texas
February 10, 2013

The City management is pleased to present, the first-ever issuance of a Comprehensive Annual Financial Report (CAFR) for the City of Kyle, Texas. This CAFR is for the fiscal year ended September 30, 2012.

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, 2012. 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 assets of the City exceeded its liabilities at the end of fiscal year 2012, resulting in \$90.9 million of net assets. Of this amount, \$5.3 million is unrestricted net assets which may be used to meet the government's future obligations.
- Net assets for all governmental activities totaled \$36.8 million and \$54.1 million for business-type activities at the end of fiscal year 2012. This is an increase of \$2.5 million or 7.0% (including prior period adjustments) for governmental activities and a decrease of \$1.6 million or 2.0% (including prior period adjustments) for business-type activities as compared to the previous fiscal year.
- As of September 30, 2012 (end of fiscal year 2012), the City's governmental activities reported combined fund balances of \$13.9 million, an increase of \$0.4 million or 2.6% from the prior fiscal year.
- Of the \$13.9 million in total ending fund balances for all governmental activities, \$4.5 million pertained to the City's General Fund.
- The ending fund balance for the City's General Fund at the end of fiscal year 2012 which totaled \$4.5 million, is an increase of \$1.7 million or 61% from 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 Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Fiduciary Funds – are used to account for resources held in a trust or agency capacity. These funds cannot be used to support governmental activities. The City uses an Other Post Employment Benefit Trust Fund to account for and report resources that are required to be held in 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.

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 Assets

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, for the period ending September 30, 2012, assets exceeded liabilities by \$90.9 million.

Below are summary highlights of the City's Net Assets as of the end of fiscal year 2012:

- Governmental Activities:
 - ❖ Current and Other Assets increased by \$0.9 million or 3.4% due mainly to increases in Cash and Cash Equivalents and Receivables.

- ❖ Capital Assets decreased by \$1.7 million or 2.1% due to depreciation exceeding new assets acquired. Contributed capital was lower than the previous year by approximately \$1.4 million.
- ❖ Liabilities decreased by \$3.3 million or 4.5% since new debt was not issued during FY 2011-12.
- Business-type Activities:
 - ❖ Current and Other Assets decreased by \$0.1 million or 1.2% mainly due to a decrease in Receivables (net of allowance for uncollectible).
 - ❖ Capital Assets decreased by \$1.5 million or 3.0% due to depreciation on the assets being greater than the amount of new assets added.
 - ❖ Total liabilities increased by \$0.02 million or 0.4% mainly due to an increase in Accounts Payable. In FY 2011-12, the City also created a liability for differences related to the Aqua Texas dispute.

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

City of Kyle, Texas Net Assets For the Fiscal Year Ended September 30, 2012 (With Comparative Totals for September 30, 2011)						
	Governmental Activities		Business-type Activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current & other assets	\$28,377,367	\$27,448,952	\$9,349,394	\$9,460,780	\$37,726,761	\$36,909,732
Capital assets	<u>78,987,172</u>	<u>80,700,875</u>	<u>49,085,304</u>	<u>50,584,987</u>	<u>128,072,476</u>	<u>131,285,862</u>
Total assets	<u>\$107,364,539</u>	<u>108,149,827</u>	<u>\$58,434,698</u>	<u>\$60,045,767</u>	<u>\$165,779,237</u>	<u>\$168,195,594</u>
Liabilities	\$2,424,177	\$3,561,128	\$1,368,261	\$1,043,864	\$3,792,438	\$4,604,992
Non-current liabilities	<u>68,119,869</u>	<u>70,316,554</u>	<u>2,952,894</u>	<u>3,259,467</u>	<u>71,072,763</u>	<u>73,576,021</u>
Total liabilities	<u>\$70,544,046</u>	<u>\$73,877,682</u>	<u>\$4,321,155</u>	<u>\$4,303,331</u>	<u>\$74,865,201</u>	<u>\$78,181,013</u>
Net assets:						
Invested in capital assets, net of related debt	\$23,683,097	\$19,916,516	\$46,132,410	\$47,325,520	\$69,815,507	67,242,036
Restricted/Designated	9,356,577	8,732,402	6,491,073	6,019,545	15,847,650	14,751,947
Unrestricted	<u>3,780,819</u>	<u>5,623,227</u>	<u>1,490,060</u>	<u>2,397,371</u>	<u>5,270,879</u>	<u>8,020,598</u>
Total Net Assets	<u>\$36,820,493</u>	<u>\$34,272,145</u>	<u>\$54,113,543</u>	<u>\$55,742,436</u>	<u>\$90,934,036</u>	<u>\$90,014,581</u>

The largest portion of the City's net assets, which equals \$69.8 million (76.8%), reflects 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 portion of the City's net assets equaling \$15.1 million (16.7%) represents sources that are subject to designation to be used for Capital Improvements. A small portion of the City's Net Assets are restricted for Special Revenue Purposes in the amount of \$0.4 million (0.4%) and for Debt Service in the amount of \$0.3 million (0.3%). The remaining balance of unrestricted net assets equaling \$5.3 million (5.8%) may be used to meet future financial obligations of the City.

Changes in Net Assets

The following table provides a summary of activities that resulted in the changes to the City's Net Assets during the fiscal year 2012.

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City of Kyle, Texas Changes in Net Assets For the Fiscal Year Ended September 30, 2012 (With Comparative Totals for September 30, 2011)						
	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue:						
Program revenue:						
Charges for services	\$3,780,593	\$3,028,555	\$10,553,330	\$7,208,355	\$14,333,923	\$10,236,910
Operating grants and contributions	179,766	44,987	-	-	179,766	44,987
Capital grants and contributions	564,882	3,264,029	357,518	1,504,003	922,400	4,768,032
General revenue:						
Property taxes	7,280,721	6,198,567	-	-	7,280,721	6,198,567
Sales tax	3,540,287	3,160,944	-	-	3,540,287	3,160,944
Franchise tax	912,112	764,347	-	-	912,112	764,347
Other taxes	142,301	132,580	-	-	142,301	132,580
Grants and contributions not restricted	534	26,901	-	-	534	26,901
Investment earnings	33,008	87,766	17,221	36,957	50,229	124,723
Miscellaneous	<u>142,433</u>	<u>182,388</u>	<u>78,194</u>	<u>19,708</u>	<u>220,627</u>	<u>202,096</u>
Total Revenue	<u>\$16,576,637</u>	<u>\$16,891,064</u>	<u>\$11,006,263</u>	<u>\$8,769,023</u>	<u>\$27,582,900</u>	<u>\$25,660,087</u>
Expenses:						
General government	\$4,538,616	\$3,904,284	-	-	\$4,538,616	\$3,904,284
Public safety	4,282,402	3,982,409	-	-	4,282,402	3,982,409
Public works	4,622,523	4,820,597	-	-	4,622,523	4,820,597
Culture/Recreation	1,873,292	1,711,714	-	-	1,873,292	1,711,714
Interest on long term debt	2,916,954	2,735,822	-	-	2,916,954	2,735,822
Other Debt Service Expenses	73,507	163,138	-	-	73,507	163,138
Water/Wastewater	<u>-</u>	<u>-</u>	<u>\$9,433,174</u>	<u>\$7,986,821</u>	<u>9,433,174</u>	<u>7,986,821</u>
Total Expenses	<u>\$18,307,294</u>	<u>\$17,317,964</u>	<u>\$9,433,174</u>	<u>\$7,986,821</u>	<u>\$27,740,468</u>	<u>\$25,304,785</u>
Changes in net assets before transfers	(\$1,730,357)	(\$426,900)	\$1,573,089	\$782,202	(\$157,568)	\$355,302
Transfers	<u>2,542,575</u>	<u>1,653,506</u>	<u>(2,542,575)</u>	<u>(1,653,506)</u>	<u>-</u>	<u>-</u>
Change in net assets	811,918	1,226,606	(969,486)	(871,304)	(157,568)	355,302
Net assets - beginning	34,272,145	32,595,539	55,742,436	57,063,740	90,014,581	89,659,279
Prior period adjustment	<u>1,736,430^a</u>	<u>450,000</u>	<u>(659,407)^b</u>	<u>(450,000)</u>	<u>1,077,023</u>	<u>-</u>
Net assets - ending	<u>\$36,820,493</u>	<u>\$34,272,145</u>	<u>\$54,113,543</u>	<u>\$55,742,436</u>	<u>\$90,934,036</u>	<u>\$90,014,581</u>

^a The prior period adjustments are reclassifications to properly state account balances. See Section V in the Notes to the Financial Statements for additional information.

^b The prior period adjustment reflects reclassification of expenses to the proper funds and properly states account balances.

Governmental Activities – Government-wide Statements

Governmental activities increased the City's net assets by \$0.8 million. Key elements of this change in net assets are explained below:

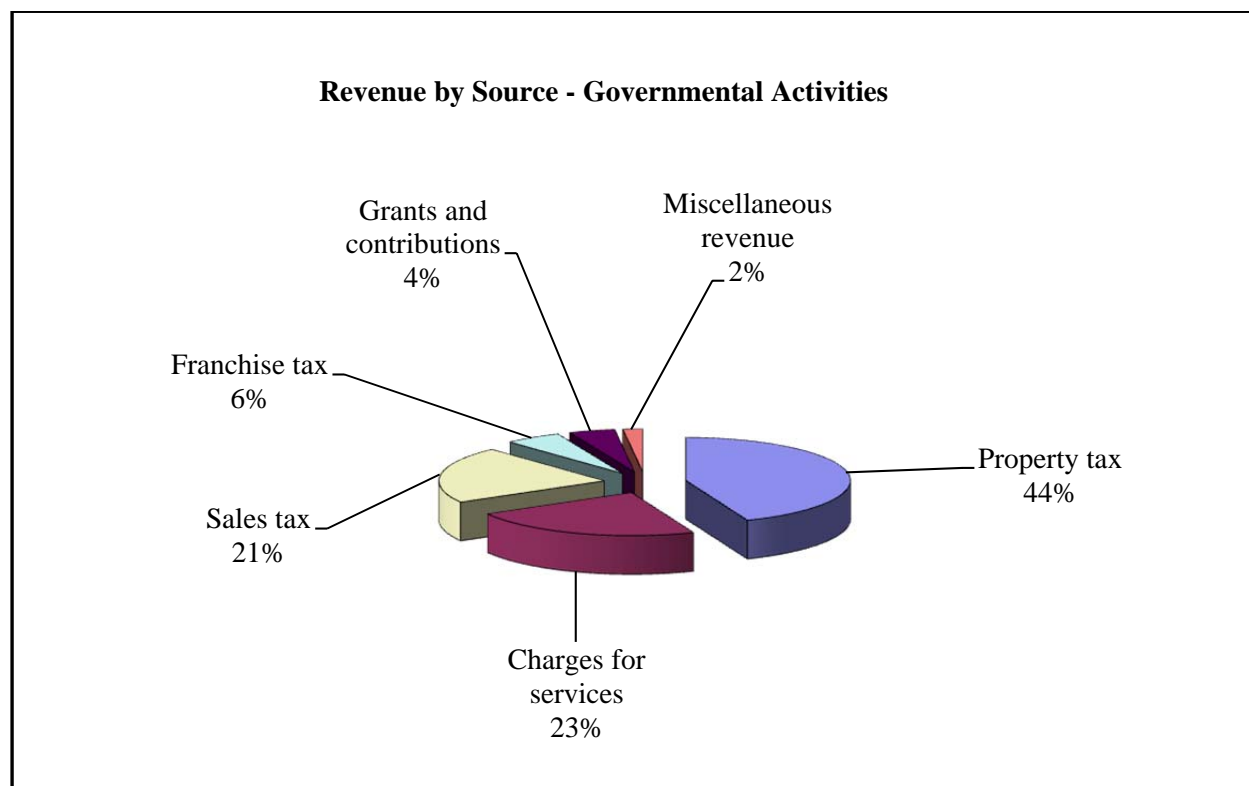
Program Revenue. Total program revenue, which are charges for services, operating grants/contributions and capital grants/contributions decreased by approximately \$2.2 million from the prior year due mainly to net decrease in operating grants of \$2.6 million and offset by net increase in charges for services of \$0.4 million.

General Revenue. Property taxes, sales tax and franchise fees increased by \$1.1 million or 17.5%, \$0.4 million or 12.0%, and \$0.1 million or 19.3% respectively over the prior fiscal year. The increase in sales tax is due to the addition of new businesses within Kyle. Investment earnings decreased by \$0.05 million or 62.4% over the previous year primarily due to lower interest rates.

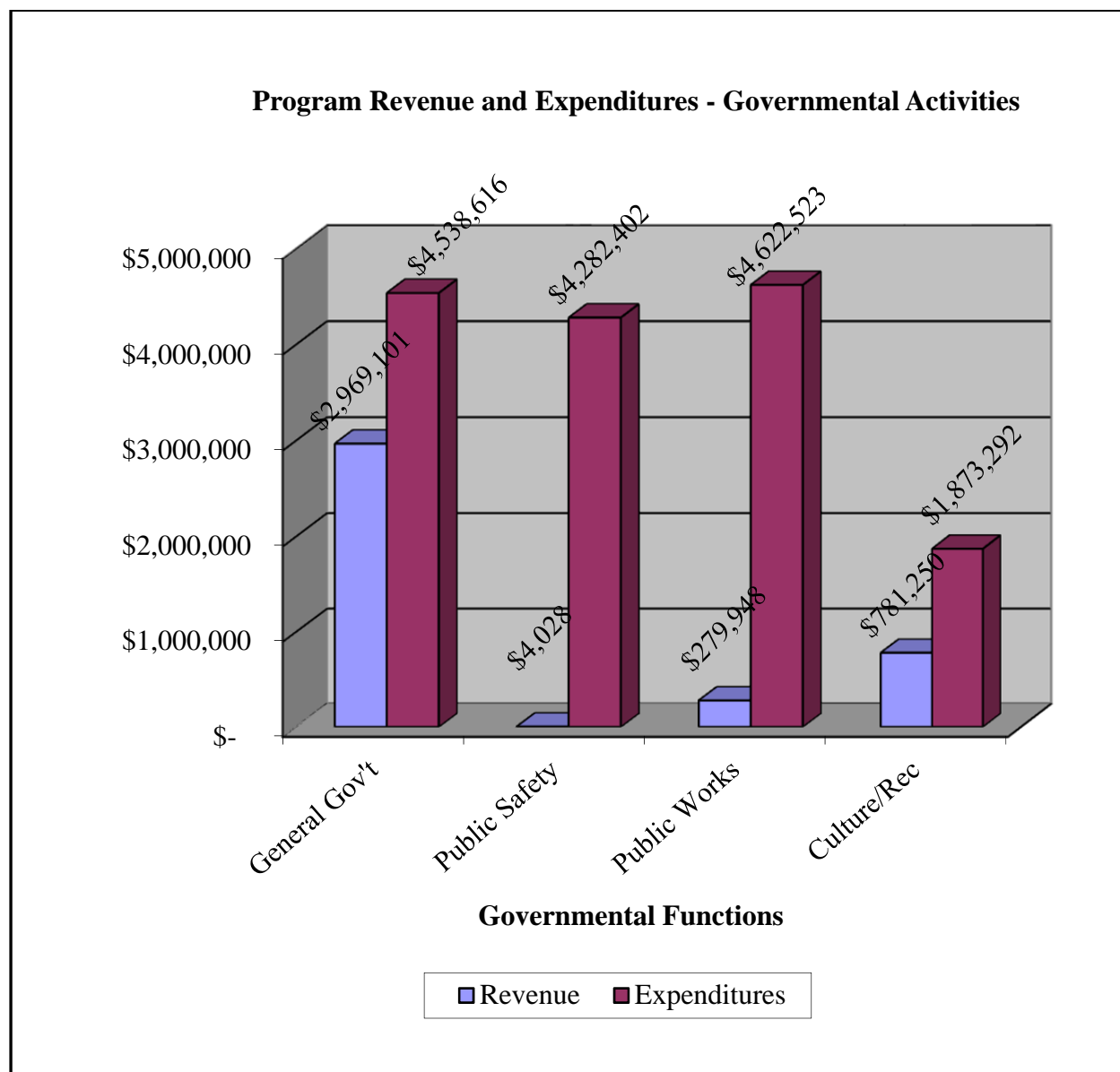
Expenditures. Governmental expenses showed an overall increase of \$1 million or 5.7% compared to the prior year. Following are the main reasons for the increase in expenditures:

- General Government increased by \$0.6 million or 16.2%. This increase is the result of the addition of a City Engineer position, funding for the City's obligations under 380 agreements, and higher operating costs.
- Public Safety increased by \$0.3 million or 7.5%. This increase is the result of increase to EMS funding, higher operating costs and the Meet & Confer negotiations that were approved for the City's civil service officers.
- Public Works decreased by \$0.2 million or 4.1%. This decrease is the result of reduced street maintenance activity due to a temporary shortage in personnel.
- Culture and Recreation increased by \$0.2 million or 9.4% and Bond Interest increased by \$0.2 million or 6.6%.
- Other Debt Service Expense, which includes fiscal agent fees and issuance costs, decreased by \$0.1 million or 54.9%. The decrease is due to no new issuances of debt during FY 2011-12.
- Water & Wastewater increased by \$1.5 million or 18.1%. This increase is due to the new City Engineer position, increases in other personnel costs, and increases in water supply costs.

Budget Variances. All expenditures for the City's General Fund functions and activities were within adopted budget appropriations for fiscal year 2012. 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 (\$7.3 million or 44%), charges for services (\$3.8 million or 23%), and sales tax (\$3.5 million or 21%).
- 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 \$1.1 million or 17.5% between 2011 and 2012. This increase was a reflection of an increase in the net taxable assessed value of property from \$1.38 billion in 2011 to \$1.43 billion in 2012. The property tax rate adopted effective October 2011 (fiscal year 2012) was \$0.4845 per \$100 of assessed valuation which is an increase of \$0.059101 from the previous year.
- Sales taxes which represented \$3.5 million or 21% of total revenue for governmental activities also increased significantly over the prior year.

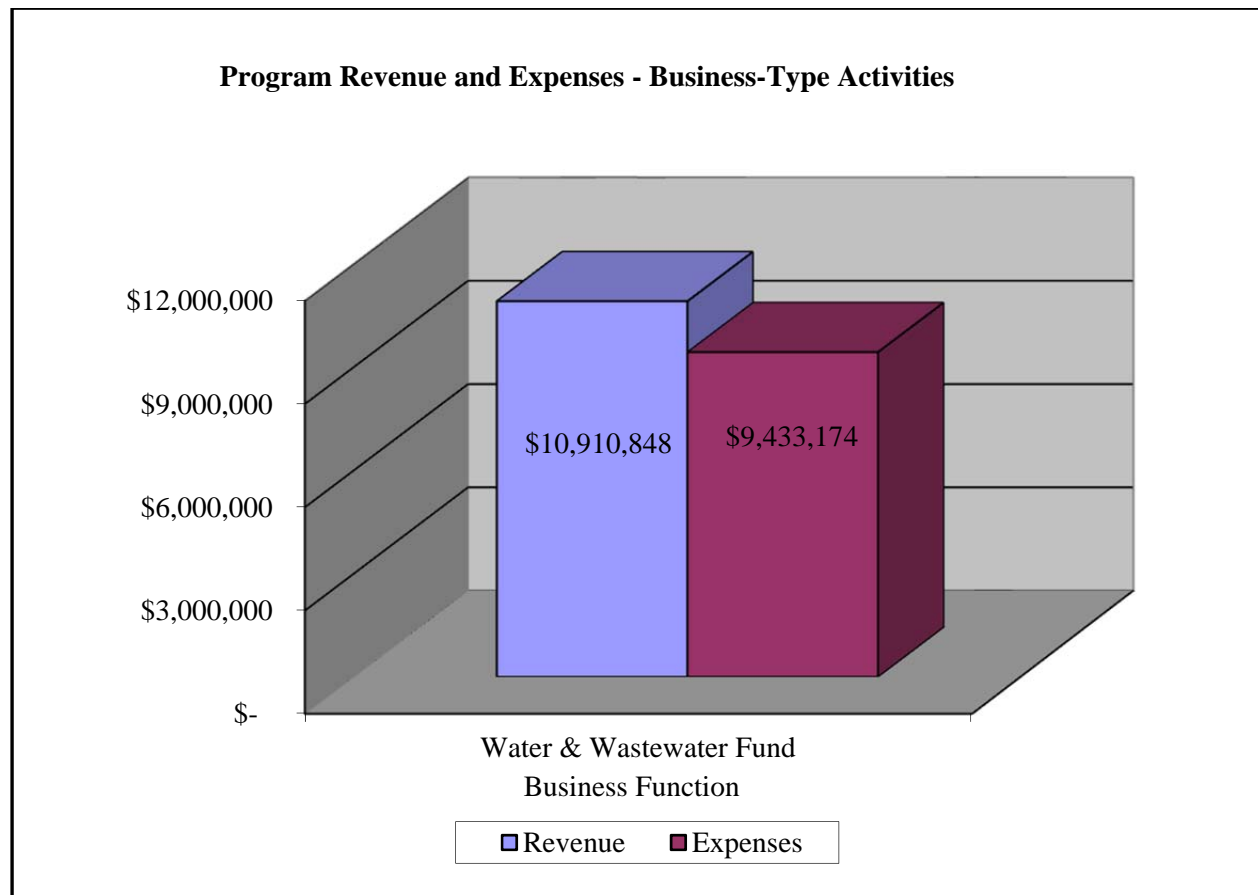
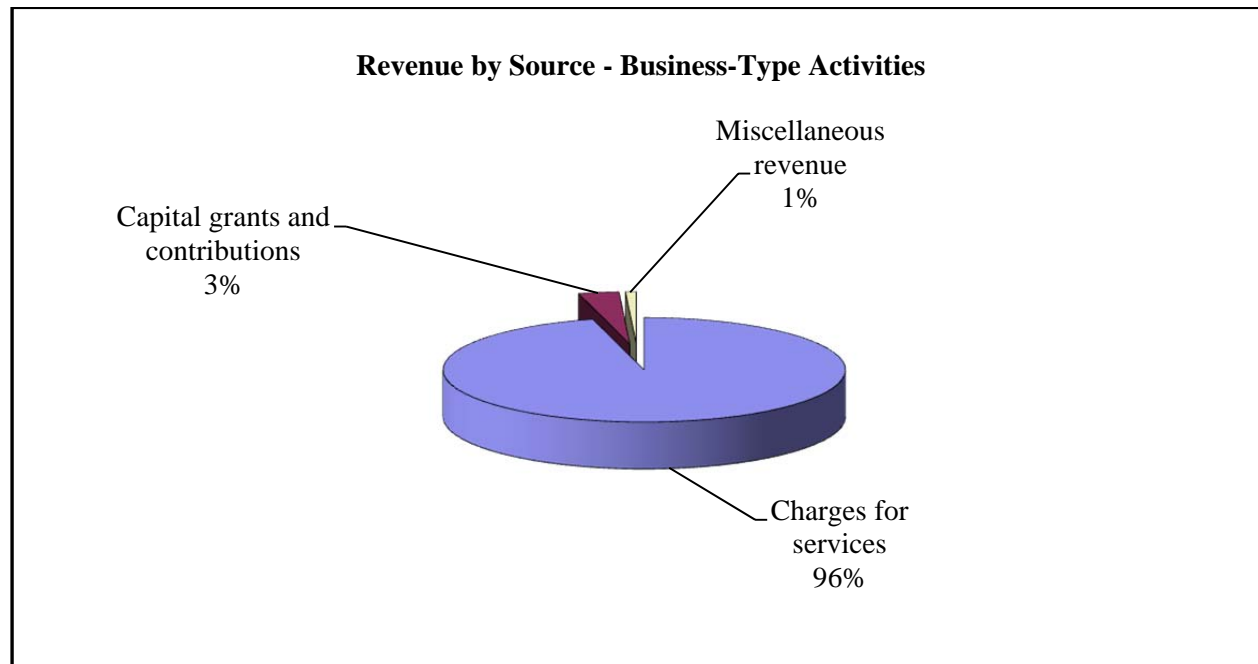


- Based on the chart above Public Works is the largest expenditure function (\$4.6 million or 30.2%). General Government, which includes all administrative offices as well as Community Development and non-departmental expenditures, is the next largest function (\$4.5 million or 29.6%), closely followed by Public Safety (\$4.3 million or 28.0%), and Culture/Recreation (\$1.9 million or 12.2%).
- Interest on Debt and Other Debt Fees do not have a source of program revenue so they are not included in the above chart. The balance of funding for all of the above activities comes from property, sales and other taxes, investment income and transfers from other funds.

Business-Type Activities – Government-wide Statements

Business-type activities decreased the City's net assets by \$1 million in fiscal year 2012. This was the net result of \$11.0 million in revenue, \$9.4 million in expenses, and \$2.5 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 includes City's Water and Wastewater Utility operations which significantly increased from the prior year. Revenue from charges for services increased by \$3.3 million or 46.4% from the prior year due to new customers plus an increase in the rates charged. Contributions for capital grants decreased by \$1.1 million or 76.2% compared to the previous year due to a decrease in contributed capital from developers. Investment earnings decreased by \$0.02 million or 53.4% due to the use of cash and investments to pay for operating and capital activities and the continuing low interest rates.

Expenses. Business-type expenses totaled \$9.4 million, an overall increase of \$1.5 million or 18.1% from the prior fiscal year. This increase was mainly due to increases in personnel costs and increases in water supply costs.

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, 2012, the City's governmental funds reported combined ending fund balances of \$13.9 million. Of this amount \$9.4 million is restricted and the remaining \$4.5 million is unassigned fund balance.

General Fund – The General Fund is the primary operating fund of the City. On September 30, 2012, the unassigned fund balance totaled \$4.5 million. The unassigned General Fund Balance increased by \$1.7 million or 59% between fiscal year 2011 and 2012 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, General Fund actual revenue increased by \$1.7 million or 17.1% and actual expenditures increased approximately \$0.8 million or 7.5% between 2011 and 2012. General government functions, which serves as a roll-up for non-specific activities, increased by \$0.7 million or 19.7% over the prior year. Public Safety increased by \$0.3 million or 8.5%, Culture/Recreation increased by \$0.1 million or 9.1% and Public Works decreased by \$0.2 million or 10.0%. The increase was mainly due to increases in personnel costs and increases in operating costs.

Proprietary Funds

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

Overall, operating revenue for the Utility showed a \$3.4 million or 47.1% increase from the prior year. This is primarily due to a rate increase implemented, slight growth in customer base, and the continuing drought conditions during the year. Factors that contributed to the decrease in net assets are discussed in the business-type activities section of the government-wide statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Kyle's investment in capital assets for its governmental and business type activities as of September 30, 2012, totaled \$128.1 million (net of accumulated depreciation). This investment in capital assets include land, buildings and improvements, equipment, vehicles, infrastructure, and construction in progress. The total decrease in the City of Kyle's investment in capital assets for the fiscal year ended September 30, 2012 was \$3.2 million or 2.4%.

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

City of Kyle, Texas Investment in Capital Assets For the Year Ended September 30, 2012 (With Comparative Totals for September 30, 2011)						
	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$2,857,601	\$3,068,758	\$691,935	\$691,935	\$3,549,536	\$3,760,693
Buildings	15,790,661	10,793,871	5,420,371	5,420,371	21,211,032	16,214,242
Improvements Other Than Buildings	2,572,223	2,288,090	57,561,684	57,041,700	60,133,907	59,329,790
Machinery and Equipment	3,088,307	2,351,736	1,407,680	1,407,680	4,495,987	3,759,416
Infrastructure	75,838,906	75,658,521	-	-	75,838,906	75,658,521
Construction in Progress	1,104,188	5,416,259	663,335	680,685	1,767,523	6,096,944
Less: Accumulated Depreciation	<u>(22,264,714)</u>	<u>(18,876,360)</u>	<u>(16,659,701)</u>	<u>(14,657,384)</u>	<u>(38,924,415)</u>	<u>(33,533,744)</u>
Total	<u>\$78,987,172</u>	<u>\$80,700,875</u>	<u>\$49,085,304</u>	<u>\$50,584,987</u>	<u>\$128,072,476</u>	<u>\$131,285,862</u>

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

- The Public Works projects for which expenditures incurred during the year included the ACC/Plum Creek, the Bunton Creek Wastewater Interceptor – Phase 3, wastewater line and general water and wastewater system improvements.
- Construction of a new public library was completed and opened for operations in April 2012.
- Park improvements totaled approximately \$0.5 million for the year.

- Restoration improvement costs for the Kyle Train Depot project totaled approximately \$0.3 million for the year.

Debt Administration

At the end of the fiscal year, the City's outstanding debt totaled \$71.1 million. This is a reduction of approximately \$2.5 million primarily due to the principal payments on the outstanding debt during the fiscal year.

The City of Kyle's underlying bond rating of "A+" on its debt obligations was reaffirmed by the rating agency, Standard & Poor's during fiscal year 2012.

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 without interest as of September 30, 2012, with a comparison of outstanding debt from the prior year.

City of Kyle, Texas Outstanding Debt For the Year Ended September 30, 2012 (With Comparative Totals for September 30, 2011)						
	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Debt Obligations	\$37,735,000	\$39,945,000	\$ -	\$ -	\$37,735,000	\$39,945,000
Premium on Bonds	150,750	160,425	-	-	150,750	160,425
Refunding Bonds	18,010,000	18,430,000	-	-	18,010,000	18,430,000
Capital Lease - Vehicles	93,950	138,329	-	-	93,950	138,329
State Infrastructure Loan	12,130,169	11,642,800	-	-	12,130,169	11,642,800
Capital Lease - Plant	-	-	2,952,894	3,259,467	2,952,894	3,259,467
Total	<u>\$68,119,869</u>	<u>\$70,316,554</u>	<u>\$2,952,894</u>	<u>\$3,259,467</u>	<u>\$71,072,763</u>	<u>\$73,576,021</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

All leading indicators during fiscal year 2012 showed that the City of Kyle's local economy has not only rebounded and the outlook over the next year's budget development cycle is that of continued growth.

Summary highlights of economic trends include:

- Taxable assessed valuation has increased on an average 9.4% annually during the last five years.
- Sales tax has increased on an average 14.6% annually during the last five years.
- Principal employers have added jobs, equipment, and facilities. (Seton, ARC, HEB, Target, etc.)

- Single family residential home supply is keeping up with demand but multifamily units are trying to catch up - 200 multifamily units under construction in the plan submittal phase.
- Construction on the Austin Community College campus started.
- Manufacturing and hotel industry are exploring projects in Kyle. Wal-Mart is going through platting for a 160,000 sq. ft. retail center.
- TxDOT additions underway to entrance/exit ramps in Kyle, improving traffic flow. Roadway improvements will increase commercial and industrial development.
- Planning underway for the Lone Star Rail project for commuter travel between Georgetown to San Antonio.

Preparation of the fiscal year 2012-13 budget was completed considering only a modest increase in revenue and expenditures over the previous fiscal year. The adopted budget for fiscal year 2013 includes a property tax rate increase of \$0.0399 to \$0.5244 per \$100 of taxable assessed valuation, a 20% increase in water and wastewater service rates, and an overall 5% increase in City fees and charges.

The 2012-13 operating budget for the City provides for three (3) additional new full-time positions and two permanent part-time positions in the Police Department, bringing the total to 159.5 authorized full time equivalent positions (FTEs).

Requests for Information

This financial report is designed to provide a general overview of the City of Kyle's financial position for those with an interest in their local government's financial management. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Kyle's Director of Finance, P.O. Box 40, 100 W. Center St., Kyle, Texas 78640.



BASIC FINANCIAL STATEMENTS



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CITY OF KYLE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

EXHIBIT A-1

	Primary Government		
	Governmental	Business	Total
	Activities	Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 13,615,403	\$ 1,762,029	\$ 15,377,432
Restricted Cash	-	6,517,966	6,517,966
Receivables (net of allowance for uncollectibles)	2,041,686	1,084,836	3,126,522
Due From/To Other Funds	15,437	(15,437)	-
Prepaid Items	840	-	840
Developer Accounts A/R	286,310	-	286,310
Deferred Charges	11,209,801	-	11,209,801
Capitalized Debt Issuance Costs	1,207,890	-	1,207,890
Capital Assets:			
Capital Assets, net	78,987,172	49,085,304	128,072,476
Total Assets	<u>107,364,539</u>	<u>58,434,698</u>	<u>165,799,237</u>
LIABILITIES			
Accounts Payable	1,936,613	987,037	2,923,650
Other Current Liability	4,979	-	4,979
Aqua Texas Disputed Amount	-	381,224	381,224
Developer Accounts Liability	482,585	-	482,585
Noncurrent Liabilities			
Due Within One Year	3,094,085	325,482	3,419,567
Due in More Than One Year	65,025,784	2,627,412	67,653,196
Total Liabilities	<u>70,544,046</u>	<u>4,321,155</u>	<u>74,865,201</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	23,683,097	46,132,410	69,815,507
Restricted for:			
Restricted for Capital Improvements	8,654,111	6,491,073	15,145,184
Restricted for Special Revenue Purposes	413,926	-	413,926
Restricted for Debt Service	288,540	-	288,540
Unrestricted Net Assets	3,780,819	1,490,060	5,270,879
Total Net Assets	<u>\$ 36,820,493</u>	<u>\$ 54,113,543</u>	<u>\$ 90,934,036</u>

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

CITY OF KYLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 4,538,616	\$ 3,398,356	\$ -	\$ 61,659
Public Safety	4,282,402	-	4,028	-
Public Works	4,622,523	85,006	110,338	84,604
Culture and Recreation	1,873,292	297,231	65,400	418,619
Bond Interest	2,916,954	-	-	-
Fiscal Agent's Fees	3,000	-	-	-
Issuance Costs	70,507	-	-	-
Total Governmental Activities:	18,307,294	3,780,593	179,766	564,882
BUSINESS-TYPE ACTIVITIES:				
Water & Wastewater Fund	9,433,174	10,553,330	-	357,518
Total Business-Type Activities:	9,433,174	10,553,330	-	357,518
TOTAL PRIMARY GOVERNMENT:	\$ 27,740,468	\$ 14,333,923	\$ 179,766	\$ 922,400

General Revenues:

Taxes:

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

Grants and Contributions Not Restricted
Miscellaneous Revenue
Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets--Beginning
Prior Period Adjustment
Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,078,601)	\$ -	\$ (1,078,601)
(4,278,374)	-	(4,278,374)
(4,342,575)	-	(4,342,575)
(1,092,042)	-	(1,092,042)
(2,916,954)	-	(2,916,954)
(3,000)	-	(3,000)
(70,507)	-	(70,507)
(13,782,053)	-	(13,782,053)
-	1,477,674	1,477,674
-	1,477,674	1,477,674
(13,782,053)	1,477,674	(12,304,379)
3,396,427	-	3,396,427
3,884,294	-	3,884,294
3,540,287	-	3,540,287
912,112	-	912,112
142,301	-	142,301
534	-	534
142,433	78,194	220,627
33,008	17,221	50,229
2,542,575	(2,542,575)	-
14,593,971	(2,447,160)	12,146,811
811,918	(969,486)	(157,568)
34,272,145	55,742,436	90,014,581
1,736,430	(659,407)	1,077,023
\$ 36,820,493	\$ 54,113,543	\$ 90,934,036

CITY OF KYLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	2008 CO Bond Fund
ASSETS			
Cash and Cash Equivalents	\$ 4,147,629	\$ 288,540	\$ 5,999,999
Receivables (Net)	2,039,987	-	-
Due from Other Funds	15,437	-	-
Prepaid Items	840	-	-
Developer Accounts A/R	286,310	-	-
Total Assets	<u>\$ 6,490,203</u>	<u>\$ 288,540</u>	<u>\$ 5,999,999</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 725,213	\$ -	\$ 10,047
Wages and Salaries Payable	658,814	-	-
Contracts Payable	111,612	-	-
Deposits Payable	7,968	-	-
Other Current Liability	4,979	-	-
Developer Accounts Liability	482,585	-	-
Total Liabilities	<u>1,991,171</u>	<u>-</u>	<u>10,047</u>
Fund Balances:			
Restricted Fund Balance:			
Restricted for Debt Service	-	288,540	-
Other Restricted Fund Balance	-	-	5,989,952
Unassigned Fund Balance	4,499,032	-	-
Total Fund Balances	<u>4,499,032</u>	<u>288,540</u>	<u>5,989,952</u>
Total Liabilities and Fund Balances	<u>\$ 6,490,203</u>	<u>\$ 288,540</u>	<u>\$ 5,999,999</u>

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	3,179,235	\$	13,615,403
	1,699		2,041,686
	-		15,437
	-		840
	-		286,310
<u>\$</u>	<u>3,180,934</u>	<u>\$</u>	<u>15,959,676</u>
\$	102,851	\$	838,111
	-		658,814
	-		111,612
	-		7,968
	-		4,979
	-		482,585
	<u>102,851</u>		<u>2,104,069</u>
	-		288,540
	3,078,083		9,068,035
	-		4,499,032
	<u>3,078,083</u>		<u>13,855,607</u>
<u>\$</u>	<u>3,180,934</u>	<u>\$</u>	<u>15,959,676</u>

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CITY OF KYLE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2012

Total Fund Balances - Governmental Funds	\$ 13,855,607
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$99,577,235 and the accumulated depreciation was \$18,876,360. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	22,805,218
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.	4,500,840
The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(3,388,354)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	(952,818)
Net Assets of Governmental Activities	\$ 36,820,493

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

CITY OF KYLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	2008 CO Bond Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 3,396,427	\$ 3,884,294	\$ -
General Sales and Use Taxes	3,540,287	-	-
Franchise Tax	912,112	-	-
Other Taxes	7,782	-	-
Licenses and Permits	490,914	-	-
Intergovernmental Revenue	3,980	-	-
Charges for Services	2,478,289	-	-
Fines	708,864	-	-
Special Assessments	-	-	-
Investment Earnings	5,907	2,529	6,263
Rents and Royalties	77,020	-	-
Contributions & Donations from Private Sources	65,400	-	-
Other Revenue	26,603	3,026	-
Total Revenues	<u>11,713,585</u>	<u>3,889,849</u>	<u>6,263</u>
EXPENDITURES:			
Current:			
General Government	4,021,648	-	8,101
Public Safety	4,028,623	-	-
Public Works	2,078,689	-	-
Culture and Recreation	1,526,241	-	-
Debt Service:			
Bond Principal	-	2,630,000	-
Bond Interest	-	2,439,260	-
Fiscal Agent's Fees	-	3,000	-
Capital Outlay:			
Capital Outlay	44,520	-	2,786
Total Expenditures	<u>11,699,721</u>	<u>5,072,260</u>	<u>10,887</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,864</u>	<u>(1,182,411)</u>	<u>(4,624)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	1,661,545	1,912,287	-
Transfers Out (Use)	-	(527,130)	(425,000)
Total Other Financing Sources (Uses)	<u>1,661,545</u>	<u>1,385,157</u>	<u>(425,000)</u>
Net Change in Fund Balances	<u>1,675,409</u>	<u>202,746</u>	<u>(429,624)</u>
Fund Balance - October 1 (Beginning)	<u>2,823,623</u>	<u>85,794</u>	<u>6,419,576</u>
Fund Balance - September 30 (Ending)	<u>\$ 4,499,032</u>	<u>\$ 288,540</u>	<u>\$ 5,989,952</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 7,280,721
-	3,540,287
-	912,112
134,519	142,301
-	490,914
434,907	438,887
47,974	2,526,263
-	708,864
85,005	85,005
18,309	33,008
-	77,020
289,346	354,746
5,331	34,960
1,015,391	16,625,088
134,889	4,164,638
3,999	4,032,622
-	2,078,689
126,289	1,652,530
-	2,630,000
-	2,439,260
-	3,000
1,771,054	1,818,360
2,036,231	18,819,099
(1,020,840)	(2,194,011)
-	3,573,832
(79,127)	(1,031,257)
(79,127)	2,542,575
(1,099,967)	348,564
4,178,050	13,507,043
\$ 3,078,083	\$ 13,855,607

CITY OF KYLE, TEXAS
 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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ 348,564
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 2012 capital outlays and debt principal payments is to increase (decrease) net assets.	4,500,840
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 net assets.	(3,388,354)
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) net assets.	(649,132)
Change in Net Assets of Governmental Activities	<u><u>\$ 811,918</u></u>

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

CITY OF KYLE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business Type Activities
	Water & Wastewater Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,762,029
Restricted Cash	6,517,966
Accounts Receivable-Net of Uncollectible Allowance	1,084,836
Total Current Assets	<u>9,364,831</u>
Noncurrent Assets:	
Capital Assets:	
Capital Assets-Net of Accumulated Depreciation	49,085,304
Total Noncurrent Assets	<u>49,085,304</u>
Total Assets	<u>58,450,135</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	357,365
Wages/Compensated Absences Payable	144,813
Customer Deposits	484,859
Due to Other Funds	15,437
Capital Lease Payable - Current	325,482
AquaTexas Disputed Amount	381,224
Total Current Liabilities	<u>1,709,180</u>
NonCurrent Liabilities:	
Capital Lease Payable - Noncurrent	2,627,412
Total Noncurrent Liabilities	<u>2,627,412</u>
Total Liabilities	<u>4,336,592</u>
NET ASSETS	
Investments in Capital Assets, Net of Debt	46,159,410
Restricted for Capital Improvements	6,491,073
Unrestricted Net Assets	1,463,060
Total Net Assets	<u><u>\$ 54,113,543</u></u>

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

CITY OF KYLE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business Type Activities Water & Wastewater Fund
OPERATING REVENUES:	
Charges for Water Services	\$ 6,359,264
Charges for Wastewater Service	4,194,066
Other Revenue	78,194
Total Operating Revenues	<u>10,631,524</u>
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	
Water	612,719
Wastewater	244,785
Administration	961,485
Total Personnel Services - Salaries and Wages	<u>1,818,989</u>
Purchased Professional & Technical Services	
Water	3,870,375
Wastewater	1,147,445
Administration	182,235
Total Purchased Professional & Technical Services	<u>5,200,055</u>
Other Operating Expenses	
Water	105,845
Wastewater	215,140
Administration	90,828
Total Other Operating Expenses	<u>411,813</u>
Depreciation	<u>2,002,317</u>
Total Operating Expenses	<u>9,433,174</u>
Operating Income	<u>1,198,350</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	<u>17,221</u>
Total Non-operating Revenue (Expenses)	<u>17,221</u>
Income Before Contributions & Transfers	1,215,571
Capital Contributions	357,518
Non-Operating Transfer In	16,218
Transfers Out	<u>(2,558,793)</u>
Change in Net Assets	(969,486)
Total Net Assets - October 1 (Beginning)	<u>55,083,029</u>
Total Net Assets - September 30 (Ending)	<u>\$ 54,113,543</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, 2012

	Business-Type Activities Water & Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 10,495,026
Payments to suppliers	(5,805,622)
Payment to employees	(1,792,328)
Net cash provided (used) by operating activities	2,897,076
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(41,758)
Operating transfers (net)	(2,542,575)
Payments on capital leases	(219,440)
Additions to capital leases	381,224
Interest payments on outstanding debt	(187,228)
Net cash provided (used) by capital and related financing activities	(2,609,777)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment revenue received	17,221
Net cash provided (used) by investing activities	17,221
Net increase in cash and cash equivalents	304,520
Cash and cash equivalents - beginning of year	7,975,475
Cash and cash equivalents - end of year	\$ 8,279,995

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

CITY OF KYLE
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-Type Activities Water & Wastewater Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income/loss	\$ 1,198,350
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	2,002,317
Changes in assets and liabilities	
Accounts receivable	(174,792)
Accounts payable	(190,491)
Wages and salaries payable	26,661
Customer deposits	28,506
Due to other funds	9,788
Aqua Texas disputed amount	(381,224)
Capital leases	377,961
Net cash provided (used) by operating activities	<u>\$ 2,897,076</u>

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

CITY OF KYLE, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 446,421
Total Assets	<u>\$ 446,421</u>
LIABILITIES	
Other Noncurrent Liabilities	<u>\$ 446,421</u>
Total Liabilities	<u>\$ 446,421</u>

The accompanying notes are an integral part of this statement.

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CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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." The accompanying financial statements comply with the provisions of GASB Statement No. 14. There are no component units which satisfy requirements for blending within the City's financial statements or for discrete presentation.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates how other entities 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 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.

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 Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. 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 Assets 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 Assets.

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Revenues from local sources consist primarily of property taxes and sales taxes. Property 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 considers them "available" when received. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The Proprietary Funds and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted for capital improvements, and unrestricted net assets.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The City reports the following major governmental funds:

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 2008 Certificate of Obligation Fund - is used to account for purchase and renovation of public facilities, IT improvements, and infrastructure that are funded by issuance of 2008 Certificates of Obligation.

The City reports the following major proprietary fund:

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

In addition, the City reports the following fund types:

Governmental Funds:

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

Capital Project Funds - are used to account for funds restricted to, or designated for, capital projects by the city or a grantor.

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

E. Assets, Liabilities and Net Assets 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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Investments

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

Short-term Interfund Receivables/Payables

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

Restricted Assets

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 sanitation systems	10 to 50
Infrastructure	20 to 33
Machinery and equipment	5 to 10

Compensated Absences

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

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

No liability is reported for unpaid accumulated sick leave for the remaining employees. Vacation pay and certain sick leave benefits are accrued when incurred in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In the year ended September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The City classifies governmental fund balances in the governmental fund financial statements as follows:

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

Restricted - 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

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council.

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

At September 30, 2012, the City does not have any non-spendable, committed, or assigned fund balances.

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 Government would first use committed then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City Charter has a formal minimum fund balance policy.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Statement of Net Assets

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

	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value Beginning of Year</u>	<u>Change in Net Assets</u>
Escrow Account for Debt Payment			\$ 11,209,801	\$ 11,209,801
Capitalized Debt Issuance Costs			\$ 1,211,096	\$ 1,211,096
<u>Capital Assets - Beginning of Year</u>				
Non-Depreciable Assets	\$ 8,485,017		\$ 8,485,017	
Depreciable Assets	91,092,218	18,876,360	72,215,858	
Change in Net Assets	<u>\$ 99,577,235</u>	<u>\$ 18,876,360</u>	<u>\$ 80,700,875</u>	80,700,875
<u>Long-term Debt- Beginning of Year</u>				
Bonds Payable			\$ 58,673,754	
SIB Loan Payable			11,642,800	
Change in Net Assets			<u>\$ 70,316,554</u>	(70,316,554)
Net Adjustment to Net Assets				<u>\$ 22,805,218</u>

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

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

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

	Amount	Adjustment to	
		Change in Net Assets	Net Assets
<u>Current Year Capital Outlay Amount</u>			
Depreciable Assets			
Non-Depreciable Assets	1,826,461		
Total Capital Outlay	<u>\$ 1,826,461</u>	\$ 1,826,461	\$ 1,826,461
<u>Debt Principal Payments</u>			
Bond Principal	\$ 2,630,000		
Loan Principal	44,379		
Total Principal Payments	<u>\$ 2,674,379</u>	2,674,379	2,674,379
Total Adjustment to Net Assets		<u>\$ 4,500,840</u>	<u>\$ 4,500,840</u>

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

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 Assets	Net Assets
Accrue Interest on 2010 SIB Loan	487,369	(487,369)	(487,369)
Compensated Absences Payable - GF Only	320,108	-	(320,108)
Total lease payments made related to police vehicles	57,368	57,368	(57,368)
Principal portion of lease payments for police vehicles	44,379	(44,379)	-
Record Amortization of Bond Issuance Costs	70,507	(70,507)	(70,507)
Record Amortization of Bond Premium	9,675	9,675	9,675
Unamortized Premium	160,425	-	160,425
Transfer of land to RSI	251,444	(251,444)	(251,444)
Adjustment for FY 2011 Capitalized Issuance Costs	67,300	-	67,300
GF Contributed Capital	202,994	202,994	-
Misc other adjustments		(65,470)	(3,422)
		<u>\$ (649,132)</u>	<u>\$ (952,818)</u>

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-I.

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

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Data (Continued)

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
TexPool	\$ 10,021,736	NA
TexStar	9,064,518	NA
VSR Evergreen Money Market	163,559	NA
Federal National Mortgage	15,233	04/01/13
Federal Home Loan Mortgage	898,695	12/03/18
Total Investments	<u>20,163,741</u>	
Cash in Bank	1,720,481	
Total Cash and Cash Equivalents	<u><u>\$ 21,884,222</u></u>	

The City's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All of the City's investments are short term and liquid and therefore are included in Cash and Cash Equivalents.

Interest Rate Risk In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolio to a maximum of 180 days.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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, 2012, any deposit balance exceeding the \$250,000 covered by FDIC insurance was collateralized with securities held by the pledging financial institution in the City's name.

Credit Risk It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investment pools were rated AAAm by Standard & Poor's Investors Service and government securities were rated AAA by Standard & Poor's Investors Service.

B. Receivables

Receivables 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:

	<u>Governmental Funds</u>		<u>Enterprise Fund</u>	
	<u>General</u>	<u>Other</u>	<u>Water and Wastewater</u>	<u>Total</u>
Receivables:				
Accounts:				
Customers	\$ 681,627	\$ -	\$ 1,124,321	\$ 1,805,948
Court Warrants Receivable	2,944,493	-	-	2,944,493
Developers	286,310	-	-	286,310
Other	12,817	1,699	-	14,516
Gross Receivables	<u>3,925,247</u>	<u>1,699</u>	<u>1,124,321</u>	<u>5,051,267</u>
Less: Allowance for Uncollectibles	<u>(1,598,950)</u>	<u>-</u>	<u>(39,485)</u>	<u>(1,638,435)</u>
Net Total Receivables	<u>\$ 2,326,297</u>	<u>\$ 1,699</u>	<u>\$ 1,084,836</u>	<u>\$ 3,412,832</u>

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Taxes

Property taxes are levied on October 1 on assessed values as of January 1 for all real and personal property located in the City. Taxes are due in January of the following year and become delinquent on February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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.

D. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance 10/1/2011	Additions	Disposals/ Transfers	Balance 9/30/2012
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 3,068,758	\$ 40,287	\$ (251,444)	\$ 2,857,601
Construction in progress	5,416,259	813,143	(5,125,214)	1,104,188
Total capital assets not being depreciated	8,485,017	853,430	(5,376,658)	3,961,789
Capital assets being depreciated:				
Buildings	10,793,871	4,999,088	(2,299)	15,790,661
Improvements other than buildings	2,288,090	379,216	(95,083)	2,572,223
Infrastructure	75,658,521	212,672	(32,287)	75,838,906
Machinery and equipment	2,351,736	736,571	-	3,088,307
Total capital assets being depreciated	91,092,218	6,327,548	(129,669)	97,290,097
Accumulated depreciation:				
Buildings	(1,143,915)	(296,301)	-	(1,440,216)
Improvements other than buildings	(699,249)	(275,109)	-	(974,358)
Infrastructure	(15,854,968)	(2,481,518)	-	(18,336,486)
Machinery and equipment	(1,178,228)	(335,426)	-	(1,513,654)
Total accumulated depreciation	(18,876,360)	(3,388,354)	-	(22,264,714)
Total capital assets being depreciated (net)	72,215,858	2,939,194	(129,669)	75,025,383
Governmental activities capital assets (net)	\$ 80,700,875	\$ 3,792,624	\$ (5,506,327)	\$ 78,987,172

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance 10/1/2011	Additions	Disposals/ Transfers	Balance 9/30/2012
<u>Business Type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 691,935	\$ -	\$ -	\$ 691,935
Construction in progress	680,685	37,389	(54,739)	663,335
Total capital assets not being depreciated	<u>1,372,620</u>	<u>37,389</u>	<u>(54,739)</u>	<u>1,355,270</u>
Capital assets being depreciated:				
Buildings	5,420,371	-	-	5,420,371
Improvements other than buildings	57,041,700	519,984	-	57,561,684
Machinery and equipment	1,407,680	-	-	1,407,680
Total capital assets being depreciated	<u>63,869,751</u>	<u>519,984</u>	<u>-</u>	<u>64,389,735</u>
Accumulated depreciation:				
Buildings	(1,362,467)	(160,426)	-	(1,522,893)
Improvements other than buildings	(12,482,433)	(1,710,957)	-	(14,193,390)
Machinery and equipment	(812,484)	(130,934)	-	(943,418)
Total accumulated depreciation	<u>(14,657,384)</u>	<u>(2,002,317)</u>	<u>-</u>	<u>(16,659,701)</u>
Total capital assets being depreciated (net)	<u>49,212,367</u>	<u>(1,482,333)</u>	<u>-</u>	<u>47,730,034</u>
Business type activities capital assets (net)	<u>\$ 50,584,987</u>	<u>\$ (1,444,944)</u>	<u>\$ (54,739)</u>	<u>\$ 49,085,304</u>

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

Governmental Activities:

General government	\$ 373,978
Public safety	249,780
Public works	2,543,834
Culture and recreation	<u>220,762</u>

Total depreciation expense - governmental activities \$ 3,388,354

Business Type activities:

Water and Wastewater	<u>\$ 2,002,317</u>
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Total depreciation expense - business type activities \$ 2,002,317

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and wastewater	\$ 15,437

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, 2012, are as follows:

Transfers in	Transfers out	Amount
General Fund	Water and wastewater	\$ 1,635,000
Debt service	Water and wastewater	923,793
Debt service	2008 CO Bond Fund	425,000
Debt service	Nonmajor governmental	36,364
General Fund	General Gov't Grants	26,545
Water and Wastewater	General Gov't Grants	16,218
		<u>\$ 3,062,920</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, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Balance 10/1/2011	Additions	Reduction	Balance 9/30/2012	Due Within One Year
<u>Governmental Activities:</u>					
Bonded Indebtedness	\$ 39,945,000	\$ -	\$ 2,210,000	\$ 37,735,000	\$ 2,455,000
Premium on Bond Issuance	160,425	-	9,675	150,750	-
Refunding Bonds	18,430,000	-	420,000	18,010,000	590,000
Lease Purchase Vehicles	138,329	-	44,379	93,950	49,085
2010 State Infrastructure	11,642,800	487,369	-	12,130,169	-
Total Governmental Activities	<u>\$ 70,316,554</u>	<u>\$ 487,369</u>	<u>\$ 2,684,054</u>	<u>\$ 68,119,869</u>	<u>\$ 3,094,085</u>
	Balance 10/1/2011	Additions	Reduction	Balance 9/30/2012	Due Within One Year
<u>Business Type Activities:</u>					
Capital Lease Obligation	\$ 3,259,467	\$ -	\$ 306,573	\$ 2,952,894	\$ 325,482
Total Business Type Activities	<u>\$ 3,259,467</u>	<u>\$ -</u>	<u>\$ 306,573</u>	<u>\$ 2,952,894</u>	<u>\$ 325,482</u>

Bonded Indebtedness

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:

\$5,135,000 Combination Tax and Revenue Certificates of Obligation - Series 2002, principal due annually in series through 2020, interest due semi-annually at 3.00% to 4.75%.	\$ 225,000
\$2,340,000 Combination Tax and Revenue Certificates of Obligation - Series 2003, principal due annually in series through 2013, interest due semi-annually at 3.680%.	300,000
\$9,910,000 Combination Tax and Revenue Certificates of Obligation - Series 2007, principal due annually in series through 2027, interest due semi-annually at 4.00%.	8,645,000
\$22,800,000 Combination Tax and Revenue Certificates of Obligation - Series 2008, principal due annually in series through 2033, interest due semi-annually at 3.50% to 5.00%.	20,915,000

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term Debt (Continued)

Bonded Indebtedness (Continued)

\$5,600,000 Tax Notes - Series 2009 principal due annually in series through 2016, interest due semi-annually at 2.50% to 3.50%.	3,360,000
\$15,315,000 General Obligation Refunding Bonds - Series 2009, principal due annually in series through 2025, interest due semi-annually at 2.00% to 4.125%.	14,635,000
\$4,290,000 Combination Tax and Revenue Certificates of Obligation - Series 2010, principal due annually in series through 2030, interest due semi-annually at 3.00% to 4.10%.	4,290,000
\$3,390,000 General Obligation Refunding Bonds - Series 2011, principal due annually in series through 2024, interest due semi-annually at 2.25% to 3.40%.	<u>3,375,000</u>
	<u><u>\$ 55,745,000</u></u>

State Infrastructure Bank Loan

In March 2009, the City entered into an agreement with the State of Texas, acting by and through the Texas Department of Transportation to construct, maintain, or finance various highway improvement projects in and near Kyle. On May 11, 2010, funds from this State Infrastructure Bank Loan were transferred to a TxDOT Austin District account. Construction of the highway projects began in 2011. A state infrastructure bank loan in the amount of \$11,000,000 is due in annual principal and interest installments of \$1,044,397 beginning May 11, 2014 through May 11, 2030 at an interest rate of 4.25%. Interest on the loans for the first three years will be added to the principal and paid off over the 17 year payout period.

Capital Lease Obligation

On February 15, 1999, the City entered into an agreement with AquaSource Services and Technologies, Inc. to finance, design, construct, operate, maintain and manage a new wastewater collection and treatment facility. The City would bear the cost of right-of-way acquisitions for the transmission lines and 50 percent of the costs to secure the necessary permits from the TNRCC. AquaSource's compensation consists of a monthly fee ranging from \$20,758 to \$56,150. This fee will be determined by multiplying the number of 1,000 gallon units of wastewater effluent treated during the calendar month by the applicable costs per 1,000 gallons. At the end of 23 years of payments, the facilities will become the property of the City without any additional payments. The City will recoup its costs through user charges. The City is treating the agreement as a capital lease and has imputed interest of 6%. The City had previously reported this obligation as a note payable. During 2008, the obligation was reclassified as a capital lease obligation to more accurately reflect the nature of the transaction.

During the year ended September 30, 2011, the City entered into a lease-purchase contract with Acme Auto Leasing, LLC for the lease of three police department vehicles. The lease includes a bargain purchase option at the end of the 36 month lease. Total monthly payments for the three vehicles are \$4,698.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term Debt (Continued)

Debt Service Requirements

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 3,045,000	\$ 2,354,274	\$ 5,399,274
2014	3,040,000	2,115,139	5,155,139
2015	3,265,000	2,013,074	5,278,074
2016	3,505,000	1,894,490	5,399,490
2017	2,800,000	1,776,938	4,576,938
2018-2022	15,795,000	7,199,929	22,994,929
2023-2027	16,385,000	3,851,097	20,236,097
2028-2032	6,670,000	1,461,447	8,131,447
Thereafter	1,240,000	62,000	1,302,000
	<u>\$ 55,745,000</u>	<u>\$22,728,388</u>	<u>\$ 78,473,388</u>

Annual debt service requirements to maturity for the 2011 State Infrastructure Bank Loan are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ (332,782)	\$ 508,082	\$ 175,300
2014	514,722	529,675	1,044,397
2015	536,597	507,800	1,044,397
2016	559,403	484,994	1,044,397
2017	583,177	461,220	1,044,397
2018-2022	3,309,414	1,912,572	5,221,986
2023-2027	4,075,035	1,146,952	5,221,987
Thereafter	2,884,603	248,592	3,133,195
	<u>\$ 12,130,169</u>	<u>\$ 5,799,887</u>	<u>\$ 17,930,056</u>

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term Debt (Continued)

Annual debt service requirements to maturity for capital leases are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 374,567	\$ 176,611	\$ 551,178
2014	390,421	150,359	540,780
2015	335,896	127,698	463,594
2016	353,712	107,136	460,848
2017	375,528	85,320	460,848
2018-2021	1,216,720	111,269	1,327,989
	<u>\$ 3,046,844</u>	<u>\$ 758,393</u>	<u>\$ 3,805,237</u>

G. Contingent Arbitrage Liabilities

The City has invested a portion of revenue 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.

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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

C. Benefit Plans

1. Retirement Plan

Plan Description

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

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-finan

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, 2010, valuation is effective for rates beginning Janu

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

C. Benefit Plans (Continued)

1. Retirement Plan (Continued)

Assumptions and Schedule of Actuarial Liabilities and Funding Progress

A. Plan Provisions	2012	2011	2010
Total # of Participating Entities	842	842	837
Employee Deposit Rate	7.00%	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	10	10	10
Service Retirement eligibility (Expressed as age/years of service)	60/10,0/20	60/10,0/20	60/10,0/20
Updated service credit	100% Repeating	100% Repeating	100% Repeating
	Transfers	Transfers	Transfers
Annually repeating (Y/N)	Y	Y	Y
Annuity increases to retirees	70%	70%	70%
Annually repeating (Y/N)	Y	Y	Y

B. 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. Note that there is a time delay in the valuation and when the rate becomes effective - for example, the January 1, 2009 contribution rate is based on the 12/31/2008 valuation results; if a change in plan provisions is elected by the City, this rate can change. The actuary determines contribution rates on a calendar-year basis; the City discloses the annual pension costs (which equal the required contributions) based on the calculated rate(s) for the City's fiscal year.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

C. Benefit Plans (Continued)

1. Retirement Plan (Continued)

Assumptions and Schedule of Actuarial Liabilities and Funding Progress (Continued)

C. Actuarial Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization	21 Years	22 Years	23 Years
Asset Valuation Method	Closed Period	Closed Period	Closed Period
	10-yr Smoothed Market	10-yr Smoothed Market	Amortized Cost
Investment Rate of Return	7.0%	7.5%	7.5%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.1% (3.0% CPI)	2.1% (3.0% CPI)	2.1% (3.0% CPI)
Specific City Assumptions			
Payroll Growth Assumption	3.00%	3.00%	3.00%
Withdrawal Rates for Male/Female	Mid/Low	Mid/Low	Mid/Low

D. Schedule of Funding Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial Valuation Date			
Actuarial Valuation of Assets	\$ 6,834,887	\$ 5,664,341	\$ 3,976,613
Actuarial Valuation of Liabilities	<u>8,653,722</u>	<u>7,470,724</u>	<u>5,888,223</u>
Percentage Funded	<u>79.0%</u>	<u>75.8%</u>	<u>67.5%</u>
Unfunded (Overfunded) Actuarial			
Accrued Liability (UAAL)	\$ 1,818,835	\$ 1,806,383	\$ 1,911,610
Annual Covered Payroll	<u>6,165,072</u>	<u>5,801,502</u>	<u>5,415,229</u>
UAAL as a Percentage of Covered Payroll	<u>29.5%</u>	<u>31.1%</u>	<u>35.3%</u>

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

C. Benefit Plans (Continued)

1. Retirement Plan (Continued)

Assumptions and Schedule of Actuarial Liabilities and Funding Progress (Continued)

	2012	2011	2010
Net Pension Obligation (NPO)			
at the Beginning of the Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	524,649	482,584	478,717
Contribution Made	524,649	482,584	478,717
NPO at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2. 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, 2012, 2011, and 2010 were \$8,264, \$9,986, and \$9,657, 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.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

C. Benefit Plans (Continued)

3. *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.

The City contributes to the plan at a actuarially determined rate. The rate is equal to the cost of providing health insurance coverage under the terms indicated in the preceding paragraph. The funding policy for the plan is to assure that adequate resources are available to meet all health insurance payments for the upcoming year; the intent is not to prefund retiree health insurance during employees' entire careers. The City's contribution to the plan for the year ended September 30, 2012, was \$80,000 which equaled the required contribution for that year.

The City accounts for the liability associated with the plan and the assets accumulated to pay benefits under the accrual basis of accounting in the Retiree Health Insurance Fund.

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

D. Prior Period Adjustment

In the current year, the City discovered certain prior year errors which required adjustments to fund and net assets opening balances as follows:

General Government Activities

Adjustments for construction in progress transferred from General Fund to Enterprise Fund - items were expended as capital outlay in prior year in the general fund, but transferred to the enterprise fund in the current year and capitalized

\$ 50,880

Net increase to beginning net assets balances

\$ 50,880

In addition, the presentation was changed in the current year to more properly align fund purposes and to correctly state prior year expenses. This resulted in creation of a new fund and adjustments to move applicable balances to this fund. See the tables below for detail of changes.

General Fund

Fund Balance - September 30 (Ending) - per prior year audited financial statements	\$ 2,987,923
Less: balances moved to Rd Improv Fund	<u>(164,300)</u>
Fund Balance - October 1 (Beginning)	<u>\$ 2,823,623</u>

2007 CO (referred to as Road Improvement Fund in prior years)

Fund Balance - September 30 (Ending) - per prior year audited financial statements	\$ 893,344
Less: balances moved to Rd Improv Fund	<u>(191,939)</u>
Fund Balance - October 1 (Beginning)	<u>\$ 701,405</u>

2008 CO

Fund Balance - September 30 (Ending) - per prior year audited financial statements	\$ 5,187,845
Plus: correctly state IT expense in 2009 Tax Notes instead of 2008 CO	656,471
Plus: correctly state HCPUA expense in Utility Fund instead of 2008 CO	<u>575,260</u>
Fund Balance - October 1 (Beginning)	<u>\$ 6,419,576</u>

2009 Tax Notes

Fund Balance - September 30 (Ending) - per prior year audited financial statements	\$ 986,810
Less: correctly state IT expense in 2009 Tax Notes instead of 2008 CO	<u>(656,471)</u>
Fund Balance - October 1 (Beginning)	<u>\$ 330,339</u>

CITY OF KYLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Road Improvement Fund

Fund Balance - September 30 (Ending) - per prior year audited financial statements	\$ -
Plus: balances moved from 2007 CO Fund Balance	191,939
Plus: balances moved from 2007 CO Liabilities	1,211,458
Plus: balances moved from GF	<u>164,300</u>
Fund Balance - October 1 (Beginning)	<u><u>\$ 1,567,697</u></u>

Utility Fund

Fund Balance - September 30 (Ending) - per prior year audited financial statements	\$ 55,742,436
Less: correctly state HCPUA expense in Utility Fund instead of 2008 CO	(575,260)
Less: adjustment to correct accounts payable	<u>(84,147)</u>
Fund Balance - October 1 (Beginning)	<u><u>\$ 55,083,029</u></u>

In addition to the changes in governmental activities listed above, capitalized debt issuance costs related to the 2011 bond issuance were not capitalized in fiscal year 2011. The result of this is an increase in Capitalized Debt Issuance Costs of \$67,300 in fiscal year 2012. This relates to the prior period adjustment for governmental activities as shown on B-1.

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REQUIRED SUPPLEMENTARY STATEMENTS



CITY OF KYLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 3,248,800	\$ 3,248,800	\$ 3,396,427	\$ 147,627
General Sales and Use Taxes	3,306,400	3,306,400	3,540,287	233,887
Franchise Tax	803,800	803,800	912,112	108,312
Other Taxes	4,000	4,000	7,782	3,782
Licenses and Permits	421,245	421,245	490,914	69,669
Intergovernmental Revenue	-	-	3,980	3,980
Charges for Services	2,403,573	2,403,573	2,478,289	74,716
Fines	463,345	463,345	708,864	245,519
Investment Earnings	15,000	15,000	5,907	(9,093)
Rents and Royalties	98,200	98,200	77,020	(21,180)
Contributions & Donations from Private Sources	55,800	55,800	65,400	9,600
Other Revenue	30,000	30,000	26,603	(3,397)
Total Revenues	10,850,163	10,850,163	11,713,585	863,422
EXPENDITURES:				
Current:				
General Government	3,451,568	4,298,731	4,021,648	277,083
Public Safety	4,416,353	4,239,813	4,028,623	211,190
Public Works	2,258,589	2,261,969	2,078,689	183,280
Culture and Recreation	1,750,341	1,702,796	1,526,241	176,555
Capital Outlay:				
Capital Outlay	82,676	110,441	44,520	65,921
Total Expenditures	11,959,527	12,613,750	11,699,721	914,029
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,109,364)	(1,763,587)	13,864	1,777,451
OTHER FINANCING SOURCES (USES):				
Transfers In	1,635,000	1,635,000	1,661,545	26,545
Transfers Out (Use)	(60,000)	-	-	-
Total Other Financing Sources (Uses)	1,575,000	1,635,000	1,661,545	26,545
Net Change	465,636	(128,587)	1,675,409	1,803,996
Fund Balance - October 1 (Beginning)	2,551,808	2,763,623	2,823,623	60,000
Fund Balance - September 30 (Ending)	\$ 3,017,444	\$ 2,635,036	\$ 4,499,032	\$ 1,863,996

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COMBINING STATEMENTS



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CITY OF KYLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Police Forfeiture Fund	Police Special Revenue	Court Special Revenue	Library Building Fund
ASSETS				
Cash and Cash Equivalents	\$ 22,819	\$ 6,832	\$ 135,135	\$ 7,192
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 22,819</u>	<u>\$ 6,832</u>	<u>\$ 135,135</u>	<u>\$ 7,192</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 12	\$ 50	\$ -
Total Liabilities	<u>-</u>	<u>12</u>	<u>50</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
Other Restricted Fund Balance	<u>22,819</u>	<u>6,820</u>	<u>135,085</u>	<u>7,192</u>
Total Fund Balances	<u>22,819</u>	<u>6,820</u>	<u>135,085</u>	<u>7,192</u>
Total Liabilities and Fund Balances	<u>\$ 22,819</u>	<u>\$ 6,832</u>	<u>\$ 135,135</u>	<u>\$ 7,192</u>

General Government Grants	Hotel Occupancy Fund	Total Nonmajor Special Revenue Funds	2007 CO Bond Fund	2009 Tax Notes Fund	2010 CO Bond Fund	CIP Park Development Fund	Road Improvement Fund
\$ 194,551	\$ 125,604	\$ 492,133	\$ 707,418	\$ 188,324	\$ 76,660	\$ 61,998	\$ 1,652,702
1,699	-	1,699	-	-	-	-	-
<u>\$ 196,250</u>	<u>\$ 125,604</u>	<u>\$ 493,832</u>	<u>\$ 707,418</u>	<u>\$ 188,324</u>	<u>\$ 76,660</u>	<u>\$ 61,998</u>	<u>\$ 1,652,702</u>
\$ 16,765	\$ 63,080	\$ 79,907	\$ -	\$ 13,180	\$ 9,764	\$ -	\$ -
16,765	63,080	79,907	-	13,180	9,764	-	-
179,485	62,524	413,925	707,418	175,144	66,896	61,998	1,652,702
<u>179,485</u>	<u>62,524</u>	<u>413,925</u>	<u>707,418</u>	<u>175,144</u>	<u>66,896</u>	<u>61,998</u>	<u>1,652,702</u>
<u>\$ 196,250</u>	<u>\$ 125,604</u>	<u>\$ 493,832</u>	<u>\$ 707,418</u>	<u>\$ 188,324</u>	<u>\$ 76,660</u>	<u>\$ 61,998</u>	<u>\$ 1,652,702</u>

CITY OF KYLE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,687,102	\$ 3,179,235
Receivables (Net)	-	1,699
Total Assets	<u>\$ 2,687,102</u>	<u>\$ 3,180,934</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 22,944	\$ 102,851
Total Liabilities	<u>22,944</u>	<u>102,851</u>
Fund Balances:		
Restricted Fund Balance:		
Other Restricted Fund Balance	2,664,158	3,078,083
Total Fund Balances	<u>2,664,158</u>	<u>3,078,083</u>
Total Liabilities and Fund Balances	<u>\$ 2,687,102</u>	<u>\$ 3,180,934</u>

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CITY OF KYLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Police Forfeiture Fund	Police Special Revenue	Court Special Revenue	Library Building Fund
REVENUES:				
Taxes:				
Other Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	40,774	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	80
Contributions & Donations from Private Sources	-	428	-	108
Other Revenue	897	-	-	-
Total Revenues	<u>897</u>	<u>428</u>	<u>40,774</u>	<u>188</u>
EXPENDITURES:				
Current:				
General Government	-	-	944	-
Public Safety	-	3,999	-	-
Culture and Recreation	-	-	-	128
Capital Outlay:				
Capital Outlay	-	-	-	154,774
Total Expenditures	<u>-</u>	<u>3,999</u>	<u>944</u>	<u>154,902</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>897</u>	<u>(3,571)</u>	<u>39,830</u>	<u>(154,714)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	897	(3,571)	39,830	(154,714)
Fund Balance - October 1 (Beginning)	<u>21,922</u>	<u>10,391</u>	<u>95,255</u>	<u>161,906</u>
Fund Balance - September 30 (Ending)	<u>\$ 22,819</u>	<u>\$ 6,820</u>	<u>\$ 135,085</u>	<u>\$ 7,192</u>

General Government Grants	Hotel Occupancy Fund	Total Nonmajor Special Revenue Funds	2007 CO Bond Fund	2009 Tax Notes Fund	2010 CO Bond Fund	CIP Park Development Fund	Road Improvement Fund
\$ -	\$ 134,519	\$ 134,519	\$ -	\$ -	\$ -	\$ -	\$ -
434,907	-	434,907	-	-	-	-	-
-	-	40,774	-	-	-	7,200	-
-	-	-	-	-	-	-	85,005
-	163	243	16,736	911	419	-	-
288,810	-	289,346	-	-	-	-	-
-	4,434	5,331	-	-	-	-	-
<u>723,717</u>	<u>139,116</u>	<u>905,120</u>	<u>16,736</u>	<u>911</u>	<u>419</u>	<u>7,200</u>	<u>85,005</u>
122,567	-	123,511	10,723	655	-	-	-
-	-	3,999	-	-	-	-	-
-	126,161	126,289	-	-	-	-	-
708,685	-	863,459	-	155,451	726,802	25,342	-
<u>831,252</u>	<u>126,161</u>	<u>1,117,258</u>	<u>10,723</u>	<u>156,106</u>	<u>726,802</u>	<u>25,342</u>	<u>-</u>
(107,535)	12,955	(212,138)	6,013	(155,195)	(726,383)	(18,142)	85,005
(42,763)	(36,364)	(79,127)	-	-	-	-	-
<u>(42,763)</u>	<u>(36,364)</u>	<u>(79,127)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(150,298)	(23,409)	(291,265)	6,013	(155,195)	(726,383)	(18,142)	85,005
<u>329,783</u>	<u>85,933</u>	<u>705,190</u>	<u>701,405</u>	<u>330,339</u>	<u>793,279</u>	<u>80,140</u>	<u>1,567,697</u>
<u>\$ 179,485</u>	<u>\$ 62,524</u>	<u>\$ 413,925</u>	<u>\$ 707,418</u>	<u>\$ 175,144</u>	<u>\$ 66,896</u>	<u>\$ 61,998</u>	<u>\$ 1,652,702</u>

CITY OF KYLE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
Other Taxes	\$ -	\$ 134,519
Intergovernmental Revenue	-	434,907
Charges for Services	7,200	47,974
Special Assessments	85,005	85,005
Investment Earnings	18,066	18,309
Contributions & Donations from Private Sources	-	289,346
Other Revenue	-	5,331
Total Revenues	<u>110,271</u>	<u>1,015,391</u>
EXPENDITURES:		
Current:		
General Government	11,378	134,889
Public Safety	-	3,999
Culture and Recreation	-	126,289
Capital Outlay:		
Capital Outlay	<u>907,595</u>	<u>1,771,054</u>
Total Expenditures	<u>918,973</u>	<u>2,036,231</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(808,702)</u>	<u>(1,020,840)</u>
OTHER FINANCING SOURCES (USES):		
Transfers Out (Use)	<u>-</u>	<u>(79,127)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(79,127)</u>
Net Change in Fund Balance	(808,702)	(1,099,967)
Fund Balance - October 1 (Beginning)	<u>3,472,860</u>	<u>4,178,050</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,664,158</u>	<u>\$ 3,078,083</u>



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 ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	N/A	\$ 1,517,500	\$ 11,238,699	\$ 16,261,740	\$ 5,517,430	\$ 4,424,922	\$ 22,793,304	22,165,260	19,916,516	23,683,097
Restricted	N/A	778,642	1,490,511	1,542,012	1,412,009	1,164,038	14,885,094	7,675,097	8,732,402	9,356,577
Unrestricted	N/A	(137,156)	(10,941,450)	(10,921,237)	1,848,511	2,526,906	(2,145,906)	2,755,182	5,623,227	3,780,819
Total governmental activities net assets	N/A	\$ 2,158,986	\$ 1,787,760	\$ 6,882,515	\$ 8,777,950	\$ 8,115,866	\$ 35,532,492	\$ 32,595,539	\$ 34,272,145	\$ 36,820,493
Business-type activities:										
Invested in capital assets, net of related debt	N/A	\$ 7,103,471	\$ 11,264,001	\$ 15,135,831	\$ 19,086,953	\$ 21,821,334	\$ 46,381,859	\$ 47,161,919	\$ 47,325,520	\$ 46,132,410
Restricted	N/A	9,153,902	11,500,615	14,295,599	11,461,408	6,313,624	5,172,176	4,392,111	6,019,545	6,491,073
Unrestricted	N/A	4,758,320	5,540,042	3,089,328	2,698,333	6,430,049	6,559,611	5,509,710	2,397,371	1,490,060
Total business-type activities net assets	N/A	\$ 21,015,693	\$ 28,304,658	\$ 32,520,758	\$ 33,246,694	\$ 34,565,007	\$ 58,113,646	\$ 57,063,740	\$ 55,742,436	\$ 54,113,543
Primary government:										
Invested in capital assets, net of related debt	N/A	\$ 8,620,971	\$ 22,502,700	\$ 31,397,571	\$ 24,604,383	\$ 26,246,256	\$ 69,175,163	\$ 69,327,179	\$ 67,242,036	\$ 69,815,507
Restricted	N/A	9,932,544	12,991,126	15,837,611	12,873,507	7,477,662	20,057,270	12,067,208	14,751,947	15,847,650
Unrestricted	N/A	4,621,164	(5,401,408)	(7,831,909)	4,546,844	8,956,955	4,413,705	8,264,892	8,020,598	5,270,879
Total primary government net assets	N/A	\$ 23,174,679	\$ 30,092,418	\$ 39,403,273	\$ 42,024,734	\$ 42,680,873	\$ 93,646,138	\$ 89,659,279	\$ 90,014,581	\$ 90,934,036

Source: Annual Financial Reports

* GASB 34 implemented 2004

*Statement of Net Assets on Audit Report

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXPENSES										
Governmental activities:										
General government	N/A	\$ 1,423,829	\$ 1,960,806	\$ 2,877,175	\$ 3,955,568	\$ 4,403,797	\$ 3,908,523	\$ 4,394,186	\$ 3,904,284	\$ 4,538,616
Public safety	N/A	1,080,551	1,514,895	1,824,283	2,105,733	2,980,223	3,002,585	3,551,798	3,982,409	4,282,402
Public Works	N/A	1,272,891	14,035,339	1,081,442	988,707	1,176,879	3,781,337	4,571,021	4,820,597	4,622,523
Transportation	N/A	N/A	N/A	N/A	N/A	N/A	11,792	14,556	-	-
Culture and Recreation/ Community services	N/A	596,420	959,297	1,427,826	1,621,687	1,537,534	1,618,947	1,613,611	1,711,714	1,873,292
Term Debt	N/A	304,480	1,474,952	917,749	687,860	1,363,409	2,648,190	2,900,787	2,735,822	2,916,954
Other Debt Service Fees	N/A	N/A	N/A	N/A	N/A	23,672	60,525	150,630	163,138	73,507
Total governmental activities expenses	N/A	\$ 4,678,171	\$ 19,945,289	\$ 8,128,475	\$ 9,359,555	\$ 11,485,514	\$ 15,031,899	\$ 17,196,579	\$ 17,317,964	\$ 18,307,294
Business-type activities:										
Water & Sewer	N/A	2,582,378	3,230,499	3,844,883	4,689,867	4,775,204	7,164,119	7,709,085	7,986,821	9,433,174
Total business-type activities expenses	N/A	2,582,378	3,230,499	3,844,883	4,689,867	4,775,204	7,164,119	7,709,085	7,986,821	9,433,174
Total primary government program expenses	N/A	\$ 7,260,549	\$ 23,175,788	\$ 11,973,358	\$ 14,049,422	\$ 16,260,718	\$ 22,196,018	\$ 24,905,664	\$ 25,304,785	\$ 27,740,468
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General Government	N/A	\$ 911,043	\$ 1,007,358	\$ 1,219,497	\$ 1,315,568	\$ 2,152,923	\$ 2,626,500	\$ 2,366,033	\$ 2,533,733	\$ 3,398,356
Public Safety	N/A	3,221	96,961	34,685	38,142	3,844	-	-	-	-
Public Works	N/A	1,058,970	1,074,015	1,240,524	846,010	699,252	-	-	-	85,006
Culture and Recreation/ Community services	N/A	164,194	227,274	260,454	327,743	367,110	353,948	298,203	494,822	297,231
Operating grants and contributions	N/A	35,359	256,619	131,940	68,617	112,761	7,972	73,623	44,987	179,766
Capital grants and contributions	N/A	389,259	11,561,017	4,815,777	1,482,413	0	6,661,522	1,225,852	3,264,029	564,882
Total governmental activities program revenues	N/A	2,562,046	14,223,244	7,702,877	4,078,493	3,335,890	9,649,942	3,963,711	6,337,571	4,525,241
Business-type activities:										
Charges for services:										
Water & Sewer	N/A	3,552,295	3,732,825	4,509,997	4,482,197	6,263,208	6,403,308	6,092,391	7,208,355	10,533,330
Operating grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital grants and contributions	N/A	2,613,135	7,121,087	3,743,406	1,647,156	1,256,918	3,249,687	1,117,699	1,504,003	357,518
Total business-type activities program revenues	N/A	6,165,430	10,853,912	8,253,403	6,129,353	7,520,126	9,652,995	7,210,090	8,712,358	10,890,848
Total primary government program revenues	N/A	\$ 8,727,476	\$ 25,077,156	\$ 15,956,280	\$ 10,207,846	\$ 10,856,016	\$ 19,302,937	\$ 11,173,801	\$ 15,049,929	\$ 15,416,089

* GASB 34 Implemented 2004

*Statement of Net Assets on Audit Report

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET (EXPENSE) REVENUES										
Governmental activities	N/A	\$ (2,116,125)	\$ (5,722,045)	\$ (425,598)	\$ (5,281,062)	\$ (8,149,624)	\$ (5,381,957)	\$ (13,232,868)	\$ (10,980,393)	\$ (13,782,053)
Business-type activities	N/A	3,583,052	7,623,413	4,408,520	1,439,486	2,744,922	2,488,876	(498,995)	725,537	1,477,674
Total primary government net expense	N/A	1,466,927	1,901,368	3,982,922	(3,841,576)	(5,404,702)	(2,893,081)	(13,731,863)	(10,254,856)	(12,304,379)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS										
Governmental activities:										
Taxes										
Property	N/A	1,441,777	1,787,916	2,245,943	2,672,547	3,065,374	4,740,009	6,020,859	6,198,567	7,280,721
Sales Taxes	N/A	784,422	1,194,337	1,512,432	1,916,203	2,274,877	2,641,752	2,426,043	3,160,944	3,540,287
Occupancy Tax/ Other	N/A	-	158,750	75,923	82,172	86,994	131,950	95,351	132,580	142,301
Franchise Taxes	N/A	190,293	272,457	369,503	382,440	454,106	636,961	701,786	764,347	912,112
Grants and Contributions Not Restricted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	534
Miscellaneous Revenue	N/A	24,145	630,025	31,195	57,883	244,432	387,510	261,351	182,388	142,433
Investment Earnings	N/A	117,436	1,022,075	420,438	619,830	523,678	472,503	258,120	87,766	33,008
Transfers In (Out)	N/A	(1,862,717)	5,350,819	864,919	1,354,860	1,873,950	1,046,255	634,323	1,046,255	2,542,575
Total Governmental Activities	N/A	\$ 695,356	\$ 10,416,379	\$ 5,520,353	\$ 7,085,935	\$ 8,523,411	\$ 10,056,940	\$ 10,397,833	\$ 11,572,847	\$ 14,593,971
Business-type activities:										
Investment earnings	N/A	122,824	295,577	672,499	641,310	345,849	297,500	72,358	36,957	17,221
Miscellaneous Revenue	N/A	-	(630,025)	-	-	-	-	11,054	19,708	78,194
Transfers	N/A	1,862,717	(334,448)	(864,919)	(1,354,860)	(1,873,950)	(1,046,225)	(634,323)	(1,653,506)	(2,542,575)
Total business-type activities	N/A	1,985,541	(668,896)	(192,420)	(713,550)	(1,528,101)	(748,725)	(550,911)	(1,596,841)	(2,447,160)
Total primary government	N/A	\$ 2,680,897	\$ 9,747,483	\$ 5,327,933	\$ 6,372,385	\$ 6,995,310	\$ 9,308,215	\$ 9,846,922	\$ 9,976,006	\$ 12,146,811
CHANGE IN NET ASSETS										
Governmental activities	N/A	(1,420,769)	(371,226)	5,094,755	1,804,873	373,787	4,674,983	(2,835,035)	1,226,606	811,918
Business-type activities	N/A	5,568,593	7,288,965	4,216,100	725,936	1,216,821	1,740,121	(1,049,906)	(871,304)	(969,486)
Total primary government	N/A	\$ 4,147,824	\$ 6,917,739	\$ 9,310,855	\$ 2,530,809	\$ 1,590,608	\$ 6,415,104	\$ (3,884,941)	\$ 355,302	\$ (157,568)

* GASB 34 implemented 2004

* Statement of Activities - Audit Report

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Restricted	84,940	121,795	84,940	84,940	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	1,862,853	2,664,907	3,149,094	3,889,862	2,864,378	3,117,139	3,215,956	2,395,901	-	-
Unassigned	-	-	-	-	-	-	-	-	2,987,923	4,499,032
Total General Fund	1,947,793	2,786,702	3,234,034	3,974,802	2,864,378	3,117,139	3,215,956	2,395,901	2,987,923	4,499,032
All other governmental funds										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	10,059,136	110,014	123,963	473,496	560,561	716,698	-	-	8,732,402	9,068,035
Committed	-	-	-	-	-	-	-	-	-	-
Assigned, reported in:										
Special revenue funds	103,247	315,110	1,648,329	1,304,399	9,595,402	617,224	247,978	(457,142)	-	-
Capital projects funds	-	2,786,108	1,626,334	(484,867)	(825,133)	13,728,465	14,885,084	7,463,344	-	-
Debt service funds	-	-	-	-	-	-	(10,863)	211,753	-	288,540
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 10,162,383	\$ 3,211,232	\$ 3,398,626	\$ 1,293,028	\$ 9,330,830	\$ 15,062,387	\$ 15,122,199	\$ 7,217,955	\$ 8,732,402	\$ 9,356,575

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Taxes	\$ 1,853,909	\$ 2,417,469	\$ 3,402,780	\$ 4,192,078	\$ 5,042,524	\$ 5,914,126	\$ 8,180,272	\$ 9,324,804	\$ 10,256,438	\$ 11,875,421
Licenses and permits	851,715	1,058,970	989,089	1,239,221	843,800	661,828	535,815	385,522	433,095	490,914
Charges for services	522,305	677,154	936,087	1,010,607	1,202,839	1,600,513	1,532,085	1,672,470	2,080,721	2,526,263
Fines	318,280	401,304	480,432	505,332	480,824	923,903	912,548	606,244	514,739	708,864
Intergovernmental	59,955	25,950	150,697	126,042	57,793	112,761	666,474	47,301	1,668,149	438,887
Claims and Reimbursements	-	-	-	-	-	-	183,319	-	-	-
Impact Fees	-	389,259	434,006	1,115,612	687,017	37,424	-	-	-	-
Investment Earnings	104,266	117,436	285,259	420,438	619,830	618,253	472,503	258,120	87,766	33,008
Rents and Royalties	-	-	-	-	-	-	-	55,964	103,230	77,020
Contributions	93,683	-	104,704	5,039	202,762	-	150	26,322	26,900	354,746
Grants	662,006	-	-	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-	-	-	85,005
Other revenues	143	33,554	7,687	32,054	57,883	243,893	204,197	205,387	79,158	34,960
Total revenues	4,466,262	5,121,096	6,790,741	8,646,423	9,195,272	10,112,701	12,687,363	12,582,134	15,250,196	16,625,088
EXPENDITURES										
General government	675,042	1,420,480	1,919,184	2,504,147	3,978,837	4,237,304	3,833,254	4,128,677	3,483,039	4,164,638
Public Safety	676,915	1,043,638	1,456,469	1,734,290	2,019,279	2,460,281	2,844,383	3,381,478	3,747,172	4,032,622
Public Works	211,766	1,283,583	13,772,340	825,582	907,296	1,176,879	2,052,671	2,277,370	2,309,052	2,078,689
Planning	230,078	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	11,792	14,556	-	-
Culture and Recreation	352,540	551,970	878,591	1,358,450	1,264,682	1,427,982	1,481,231	1,469,421	1,529,912	1,652,530
Other - Non Departmental	500,052	-	-	-	-	-	-	-	-	-
Capital outlay	490,207	2,769,046	764,177	3,629,801	4,454,382	14,955,670	5,100,327	7,442,027	4,363,776	1,818,360
Debt service	177,000	-	-	-	-	-	-	-	-	-
Interest	-	337,447	1,540,279	353,903	601,591	1,556,971	2,739,522	2,225,634	2,275,777	2,439,260
Principal	-	220,000	455,000	470,000	485,000	1,093,894	1,605,688	2,145,000	2,390,000	2,630,000
Other Fees	-	-	-	-	-	882,995	2,071	85,300	1,990	3,000
Total expenditures	\$ 3,313,600	\$ 7,626,164	\$ 20,786,040	\$ 10,876,173	\$ 13,711,067	\$ 27,791,976	\$ 19,670,939	\$ 23,169,463	\$ 20,100,718	\$ 18,819,099

* Statement of Rev. exp. Changes in fund balance - Audit Book

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,152,662	\$ (2,505,068)	\$ (13,995,299)	\$ (2,229,750)	\$ (4,515,795)	\$ (17,679,275)	\$ (6,983,582)	\$ (10,587,329)	\$ (4,850,522)	\$ (2,194,011)
OTHER FINANCING SOURCES (USES)										
Bond issuance costs	4,973,850	2,340,000	14,000,000	-	9,910,000	22,800,000	5,600,000	-	4,290,000	-
Bond sales	-	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
Premium or Discount on debt issued	-	-	-	-	87,661	25,604	-	-	-	-
Payment to refunded bond escrow agen	-	-	-	-	-	-	-	-	-	-
Transfers in	-	722,190	889,935	875,534	2,093,271	2,806,506	2,009,695	3,673,032	3,108,550	3,573,832
Transfers out	(92,093)	(2,584,907)	(259,910)	(10,615)	738,411	(932,556)	(963,440)	(1,212,128)	(1,455,044)	(1,031,257)
Total other financing sources (uses)	4,881,757	477,283	14,630,025	864,919	11,352,521	24,699,554	6,646,255	2,460,904	5,943,506	2,542,575
NET CHANGES IN FUND BALANCES	\$ 6,034,419	\$ (2,027,785)	\$ 634,726	\$ (1,364,831)	\$ 6,836,726	\$ 7,020,279	\$ (337,327)	\$ (8,126,425)	\$ 1,092,984	\$ 348,564
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	6%	11%	10%	11%	12%	28%	30%	28%	30%	30%

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
2003	N/A	N/A	N/A	\$ 197,731,140	\$ 0.354500	\$ 700,957
2004	N/A	N/A	N/A	\$ 302,600,981	\$ 0.319000	\$ 965,297
2005	\$ 614,051,580	\$ 20,820,450	\$ 30,384,390	\$ 604,487,640	\$ 0.287100	\$ 1,735,484
2006	\$ 794,837,155	\$ 23,480,984	\$ 36,063,458	\$ 782,254,681	\$ 0.277700	\$ 2,172,321
2007	\$ 905,927,940	\$ 30,486,826	\$ 38,234,100	\$ 898,180,666	\$ 0.272400	\$ 2,446,644
2008	\$ 1,118,790,278	\$ 37,347,727	\$ 57,621,607	\$ 1,098,516,398	\$ 0.270700	\$ 2,973,684
2009	\$ 1,289,040,523	\$ 54,271,922	\$ 81,818,725	\$ 1,261,493,720	\$ 0.373100	\$ 4,706,633
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

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

Note: Property in Hays County is reassessed once every three years on average. The County assesses property at approximately 100 percent of actual value for commercial and industrial property and 100 percent for residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$100 of assessed value.

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
2003	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2004	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2005	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2006	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2007	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2008	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2009	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60	N/A	\$ 3.12
2010	\$ 17.75	\$ 2.35	\$ 88.73	\$ 4.24	\$ 44.36	\$ 4.95	\$ 141.96	\$ 4.24
2011	\$ 17.75	\$ 2.35	\$ 88.73	\$ 4.24	\$ 44.36	\$ 4.95	\$ 141.96	\$ 4.24
2012	\$ 23.08	\$ 3.06	\$ 115.35	\$ 5.51	\$ 57.67	\$ 6.44	\$ 184.55	\$ 5.51

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

FISCAL YEAR	Residential	Commercial	Total Billed
2003	\$ 801,200	\$ 195,810	\$ 997,011
2004	\$ 966,394	\$ 103,026	\$ 1,069,421
2005	\$ 1,939,399	\$ 107,497	\$ 2,046,896
2006	\$ 1,380,895	\$ 110,317	\$ 1,491,212
2007	\$ 1,321,424	\$ 128,378	\$ 1,449,801
2008	\$ 2,534,102	\$ 692,774	\$ 3,226,876
2009	\$ 2,857,468	\$ 740,075	\$ 3,597,542
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	\$ 5,464,384

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

FISCAL YEAR	Residential	Commercial	Total Billed Consumption
2003	2,839,064	798,023	3,637,087
2004	3,380,102	507,560	3,887,662
2005	7,139,762	533,979	7,673,741
2006	35,299,931	555,722	35,855,653
2007	11,430,218	625,758	12,055,976
2008	437,364,754	167,554,289	604,919,043
2009	565,634,600	195,042,170	760,676,770
2010	492,748,500	178,422,903	671,171,403
2011	540,554,250	211,750,300	752,304,550
2012	523,772,450	207,926,400	731,698,850

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
2003	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60
2004	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60
2005	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60
2006	\$ 8.25	\$ 1.60	\$ 8.25	\$ 1.60
2007	\$ 9.08	\$ 1.76	\$ 9.08	\$ 1.98
2008	\$ 9.08	\$ 1.76	\$ 9.08	\$ 1.98
2009	\$ 9.08	\$ 1.76	\$ 9.08	\$ 1.98
2010	\$ 9.08	\$ 1.76	\$ 9.08	\$ 1.98
2011	\$ 10.90	\$ 2.11	\$ 10.90	\$ 2.11
2012	\$ 13.63	\$ 2.64	\$ 13.63	\$ 2.98

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

FISCAL YEAR	Residential	Commercial	Total Billed
2003	\$ 662,410	\$ 84,357	\$ 746,767
2004	\$ 865,327	\$ 79,763	\$ 945,090
2005	\$ 1,762,631	\$ 83,419	\$ 1,846,050
2006	\$ 1,288,212	\$ 94,570	\$ 1,382,782
2007	\$ 1,386,736	\$ 110,492	\$ 1,497,227
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

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, 2012

Customer	Consumption (in gallons)	Amount Billed	% of Total Consumption
Kyle Correctional Center	30,527,300	\$ 170,789	4.17%
Vantage at Plum Creek, LLC	27,387,359	\$ 98,411	3.74%
Seton Medical Center	15,304,000	\$ 89,492	2.09%
HCISD	11,190,400	\$ 76,113	1.53%
Aztec Village/ Oakhill Comm.	9,369,000	\$ 52,431	1.28%
Hometown Kyle HOA	7,439,100	\$ 41,797	1.02%
Saddlecreek Apartments	6,944,600	\$ 40,848	0.95%
Plum Creek HOA	5,737,948	\$ 10,777	0.78%
Bluebonnet Estates	5,495,700	\$ 32,865	0.75%
Edward R. Coleman	3,442,500	\$ 19,372	0.47%

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

Fiscal Year	October	November	December	January	February	March	April	May	June	July	August	September	Total
2003	\$ 49,761	\$ 63,819	\$ 37,079	\$ 45,606	\$ 54,052	\$ 37,967	\$ 31,519	\$ 52,486	\$ 53,841	\$ 50,578	\$ 73,930	\$ 52,171	\$ 602,809
2004	\$ 50,110	\$ 75,136	\$ 50,619	\$ 55,772	\$ 66,997	\$ 56,668	\$ 36,869	\$ 67,098	\$ 70,397	\$ 68,085	\$ 72,505	\$ 62,752	\$ 733,007
2005	\$ 74,336	\$ 102,325	\$ 60,264	\$ 59,616	\$ 69,632	\$ 105,392	\$ 74,903	\$ 123,354	\$ 109,019	\$ 86,750	\$ 137,925	\$ 114,103	\$ 1,117,619
2006	\$ 98,840	\$ 153,856	\$ 105,582	\$ 101,570	\$ 141,751	\$ 107,744	\$ 99,459	\$ 154,556	\$ 121,679	\$ 108,383	\$ 158,174	\$ 139,791	\$ 1,491,383
2007	\$ 123,391	\$ 149,643	\$ 131,032	\$ 117,783	\$ 151,746	\$ 116,440	\$ 140,560	\$ 185,877	\$ 146,027	\$ 146,272	\$ 219,894	\$ 162,659	\$ 1,791,324
2008	\$ 175,097	\$ 220,841	\$ 178,492	\$ 158,377	\$ 219,687	\$ 164,544	\$ 141,720	\$ 222,905	\$ 181,993	\$ 170,570	\$ 206,162	\$ 180,536	\$ 2,220,923
2009	\$ 152,824	\$ 293,362	\$ 202,720	\$ 163,713	\$ 244,361	\$ 194,190	\$ 175,689	\$ 291,357	\$ 191,341	\$ 189,912	\$ 293,591	\$ 212,424	\$ 2,605,483
2010	\$ 190,866	\$ 287,557	\$ 193,086	\$ 198,193	\$ 329,379	\$ 183,839	\$ 186,005	\$ 307,208	\$ 227,390	\$ 250,891	\$ 322,535	\$ 224,068	\$ 2,901,017
2011	\$ 216,921	\$ 333,590	\$ 216,162	\$ 226,155	\$ 377,557	\$ 199,597	\$ 179,339	\$ 316,730	\$ 257,077	\$ 249,528	\$ 380,685	\$ 202,592	\$ 3,155,933
2012	\$ 269,861	\$ 334,179	\$ 237,532	\$ 245,372	\$ 393,544	\$ 224,751	\$ 237,156	\$ 368,315	\$ 269,170	\$ 295,375	\$ 377,378	\$ 287,654	\$ 3,540,287

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

FISCAL YEAR	City Direct Rates			Overlapping Rates							Total Direct & Overlapping Rate
	Operating	Debt Service	Total	School District	County	Special Road	Emergency Services	ACC	Plum Creek Conservation	Plum Creek Groundwater	
2003	0.303900	0.056000	0.359900	1.680000	0.375100	0.071000	0.030000	0.000000	N/A	N/A	2.516000
2004	0.196400	0.122600	0.319000	1.729500	0.375100	0.071000	0.045000	0.000000	0.016500	0.018900	2.575000
2005	0.149200	0.137900	0.287100	1.794500	0.392000	0.071000	0.045000	0.000000	0.017200	0.018900	2.625700
2006	0.169700	0.108000	0.277700	1.876300	0.384400	0.071000	0.050300	0.000000	0.017200	0.017500	2.694400
2007	0.179000	0.093400	0.272400	1.778000	0.037900	0.071000	0.077000	0.000000	0.017800	0.018000	2.272100
2008	0.120000	0.150700	0.270700	1.461300	0.371400	0.086000	0.077000	0.000000	0.018000	0.018000	2.302400
2009	0.173100	0.200000	0.373100	1.461300	0.374900	0.080100	0.085000	0.000000	0.019500	0.019500	2.413400
2010	0.183000	0.241000	0.424000	1.461300	0.418100	0.051100	0.092500	0.000000	0.018500	0.018500	2.484000
2011	0.216073	0.199326	0.425399	1.461300	0.424800	0.044400	0.095300	0.094800	0.020000	0.020000	2.585999
2012	0.236100	0.248400	0.484500	1.461300	0.425100	0.044000	0.100000	0.094800	0.020000	0.020000	2.649700

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

2012		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
DDR DB Kyle LP	\$ 21,059,490	1.47%
Cole MT Kyle TX LLC	\$ 19,791,940	1.38%
Settlement Apartments	\$ 16,895,160	1.18%
SCC Kyle Partners LTD	\$ 12,933,180	0.90%
AOH Vantage at Plum Creek LLC	\$ 8,299,790	0.58%
Target Corporation	\$ 7,714,010	0.54%
Bremner, Duke	\$ 7,600,000	0.53%
Lowe's Home Centers Inc	\$ 7,417,540	0.52%
HEB Food Store # 014	\$ 6,003,019	0.42%
HD Development Properties LP	\$ 5,994,240	0.42%
Total	\$ 113,708,369	7.93%
2007		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
HD Development Properties LP	\$ 6,877,610	0.63%
Home Depot	\$ 5,534,935	0.50%
Kyle Marketplace LTD	\$ 5,277,800	0.48%
KB Home Lone Star LP	\$ 5,247,210	0.48%
Kyle 35 Retail LTD	\$ 4,136,690	0.38%
Sterling/Babcock & Brown LP	\$ 3,648,630	0.33%
FC Sunset Ridge LP	\$ 3,327,450	0.30%
RH of Texas Limited Partnership	\$ 3,231,300	0.29%
Capitol Hyundai	\$ 2,874,672	0.26%
Housing Associates of Kyle LTD	\$ 2,772,790	0.25%
Total	\$ 42,929,087	3.91%

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
2003	N/A	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A	N/A	N/A
2006	\$ 2,175,118.49	\$ 2,138,652.20	98.32%	\$ 34,351.36	\$ 2,173,003.56	99.90%
2007	\$ 2,540,651.14	\$ 2,501,095.92	98.44%	\$ 36,833.84	\$ 2,537,929.76	99.89%
2008	\$ 2,972,355.89	\$ 2,936,623.44	98.80%	\$ 31,469.18	\$ 2,968,092.62	99.86%
2009	\$ 4,706,354.87	\$ 4,659,479.95	99.00%	\$ 38,799.33	\$ 4,698,279.28	99.83%
2010	\$ 5,657,998.02	\$ 5,602,149.59	99.01%	\$ 45,237.78	\$ 5,647,387.37	99.81%
2011	\$ 5,782,063.25	\$ 5,728,465.59	99.07%	\$ 36,271.72	\$ 5,764,737.31	99.70%
2012	\$ 6,927,945.26	\$ 6,881,454.44	99.33%	N/A	\$ 6,881,454.44	99.33%

Note: Subsequent years includes penalties

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

Fiscal Year	Governmental Activities					Business-type Activities			Total	
	Certificates of Obligation	Refunding Bonds	Capital Leases	State Infrastructure Loan	Deferred Interest Payable	Compensated Absences	Capital Leases	Compensated Absences	Total Primary Government	Per Capita
2003	\$ -	\$ -	N/A	\$ -	\$ -	-	\$ -	-	\$ -	\$ -
2004	\$ 8,640,000	\$ 115,000	N/A	\$ -	\$ -	-	\$ 2,494,317	-	\$ 11,249,317.00	\$ 1,055.68
2005	\$ 8,205,000	\$ 95,000	N/A	\$ 14,000,000	\$ -	-	\$ 2,432,560	-	\$ 24,732,560	\$ 1,950.36
2006	\$ 7,755,000	\$ 75,000	N/A	\$ 14,000,000	\$ 637,000	100,035	\$ 2,366,017	8,396	\$ 24,941,448	\$ 1,652.85
2007	\$ 17,287,661	\$ 55,000	N/A	\$ 14,000,000	\$ 826,276	116,243	\$ 2,294,316	8,396	\$ 34,587,892	\$ 1,926.04
2008	\$ 39,628,882	\$ 30,000	N/A	\$ 13,446,441	\$ 790,941	152,090	\$ 3,850,775	12,851	\$ 57,911,980	\$ 2,709.97
2009	\$ 44,263,475	\$ -	N/A	\$ 12,867,693	\$ 754,001	-	\$ 3,704,028	-	\$ 61,589,197	\$ 2,421.91
2010	\$ 41,073,068	\$ 15,290,000	N/A	\$ 11,000,000	\$ 175,300	-	\$ 3,548,230	-	\$ 71,086,598	\$ 2,537.36
2011	\$ 40,105,425	\$ 18,430,000	N/A	\$ 11,000,000	\$ 642,800	-	\$ 3,259,467	-	\$ 73,437,692	\$ 1,838.15
2012	\$ 37,885,750	\$ 18,010,000	\$ 93,950	\$ 11,000,000	\$ 1,130,169	-	\$ 2,952,895	-	\$ 71,072,764	\$ 1,778.95

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
2003	\$ 6,665,000	1.51%	\$ 744.28
2004	\$ 6,195,000	1.02%	\$ 581.36
2005	\$ 5,970,000	0.76%	\$ 470.78
2006	\$ 5,652,050	0.63%	\$ 374.56
2007	\$ 19,095,853	1.74%	\$ 1,063.36
2008	\$ 53,237,400	4.22%	\$ 2,491.22
2009	\$ 60,921,157	4.73%	\$ 2,395.64
2010	\$ 61,860,798	4.59%	\$ 2,208.05
2011	\$ 61,480,372	4.44%	\$ 1,996.12
2012	\$ 64,218,585	4.36%	\$ 1,735.64

**CITY OF KYLE, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

[illegible]

Note: Assessed Value is City Limits only. TIRZ not included. The City adopted a formal Debt Management Policy in FY 2010.

Source: Debt Service Fund Balance Sheet (Governmental Funds Balance Sheet)

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Average Household Income</u>	<u>Unemployment Rate</u>
2003	8,955	\$ 57,269	5.8%
2004	10,656	\$ 58,529	5.2%
2005	12,681	\$ 59,817	3.8%
2006	15,090	\$ 61,133	3.5%
2007	17,958	\$ 62,478	3.2%
2008	21,370	\$ 63,852	3.9%
2009	25,430	\$ 65,257	5.3%
2010	28,016	\$ 65,100	5.5%
2011	30,800	\$ 65,100	5.3%
2012	37,000	\$ 65,100	4.9%

Sources:

Unemployment Rates: <http://www.tracer2.com> - Texas Workforce Commission
 2011 & 2012 stats are based on Census 2011 information (Excluding
 Unemployment Rate) and City of Kyle

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

Employer	2012	
	Employees	Percentage of Total City Employment
Hays CISD	2,138	16%
Seton Medical Center Hays	531	4%
HEB Plus	400	3%
City of Kyle	150	1%
Xtreme Power	119	1%
Lowes	108	1%
Home Depot	100	1%
Kohl's	100	1%
Target	100	1%
RSI, Inc	73	1%
Total	3,819	29%
Total Employed within Kyle, Texas	13,309	

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

Function Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Administration	N/A	5.50	8.83	8.83	8.33	8.00	8.00	7.00	6.00	5.00
Human Resources	N/A	0.00	0.00	0.00	0.00	0.00	2.00	2.75	2.75	3.50
Finance	N/A	1.00	2.00	3.00	3.00	3.00	4.00	4.00	5.50	5.50
Municipal Court	N/A	2.50	2.50	2.50	3.50	3.50	3.50	3.50	4.00	4.50
21.0	N/A	0.00	0.00	0.00	1.00	1.00	2.00	2.00	3.00	3.00
Planning	N/A	0.00	0.00	0.00	1.00	2.50	4.50	3.00	3.00	3.00
Economic Development	N/A	0.00	0.00	0.00	1.00	1.00	2.00	2.00	2.00	2.00
Building	N/A	5.00	8.00	8.00	8.00	7.00	7.00	7.00	6.00	6.00
Street Department	N/A	3.00	11.67	11.67	4.67	4.00	6.35	7.35	6.00	6.75
Police										
Administration	N/A	N/A	5.00	5.00	6.00	6.00	9.00	9.00	12.00	12.00
Operations	N/A	21.00	22.00	22.00	22.00	27.00	33.00	37.00	35.50	38.00
Public Works										
Administration	N/A	1.00	0.00	3.00	1.67	0.00	8.65	9.65	8.75	8.25
Water	N/A	4.00	0.00	3.00	5.00	9.00	5.00	7.00	14.00	14.50
Wastewater	N/A	2.00	0.00	2.00	2.00	4.00	6.00	7.00	5.00	5.50
Engineering	N/A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Parks and Recreation										
Administration	N/A	2.00	2.00	5.00	5.00	0.00	3.00	3.00	5.00	4.00
Parks Maintenance	N/A	6.00	7.00	4.00	6.00	10.00	10.50	12.00	12.00	12.00
Facilities Maintenance	N/A	0.00	0.00	0.00	4.00	5.00	3.00	3.00	3.50	4.00
Library	N/A	3.00	4.50	4.50	5.00	5.00	6.00	7.00	8.00	7.00
Utility Billing	N/A	0.00	0.00	0.00	0.00	4.00	4.00	5.00	5.00	5.00
Total	N/A	56.00	73.50	82.50	87.17	100.00	127.50	138.25	147.00	150.50

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Building permits issued	770	1,169	975	961	653	534	328	431	289	771
Police										
Violations	5,246	6,785	6,539	5,856	3,672	3,130	3,640	4,709	4,360	7,823
Citations	3,952	5,123	4,891	4,452	2,803	N/A	N/A	N/A	N/A	N/A
Other Public Works										
Street resurfacing (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Potholes repaired	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	672	718
Street Sweeping - Miles	N/A	N/A	N/A	N/A	N/A	574	4,037	2,623	2,613	343
Parks and Recreation										
Facility Rental Bookings	181	293	16,444	18,281	18,992	26,375	28,902	13,786	15,512	42,791
Summer Camp	-	-	1,100	1,215	1,881	1,964	1,652	3,255	6,105	5,275
Pool (patron count)	-	30,667	32,749	29,837	17,283	33,909	36,508	17,960	14,870	21,913
Library										
Circulation Count	12,306	24,687	31,143	36,744	39,233	50,103	86,611	99,129	100,121	125,602
Patron Count	12,601	38,344	47,349	52,658	42,342	83,627	81,019	95,371	91,207	119,194
Library Cards Issued	872	1,373	1,616	1,657	1,912	1,974	2,021	1,799	1,746	3,730
Water										
New Connections	1,943	2,468	2,673	3,109	2,929	2,478	2,272	2,007	1,900	2,188
Water leaks	N/A	N/A	N/A	N/A	61	82	88	70	117	
Average Daily Consumption (millions of gallons)	1.3213	1.3193	1.6414	1.7579	1.7221	2.1575	N/A	2.0891	1.6391	2.1225
Wastewater										
Average Daily Sewage Treatment	N/A	1.0638	1.4742	1.6102	1.3748	1.5012	N/A	1.5626	2.2684	1.7207

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations/ Sub-Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	1	3	7	11	12	16	17	18	24	29
Fire										
Stations	1	1	1	1	1	1	1	1	2	2
Parks and Recreation										
Acreage	N/A	68	119	191	283	355	412	462	466	466
Streets										
Streets - Linear Feet	413,556	461,556	499,556	526,073	541,873	567,888	576,448	580,748	591,248	595,248
Water										
Fire Hydrants	460	547	636	698	750	783	829	833	847	859
New Water Lines - Linear Feet	36,797	52,620	31,932	37,730	28,730	15,084	35,592	7,142	2,653	1,894
Ground Water Storage	3	3	3	4	4	6	8	8	8	8
Elevated Water Storage	N/A	N/A	N/A	4	4	5	5	6	6	6
Wastewater										
New Wastewater Lines - Linear Ft	35,670	39,600	31,195	32,150	14,059	20,737	19,574	7,770	3,890	1,555
Storm Sewers (miles)	70,555	19,268	24,589	24,227	1,721	29,369	38,948	2,945	3,937	423
Lift Stations	N/A	N/A	N/A	11	11	10	10	10	10	9
Treatment Capacity (millions of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	3	3	3	3