

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## PRELIMINARY OFFICIAL STATEMENT

Dated March 17, 2026

**Ratings:**  
**S&P: "AA"**  
**(See "OTHER INFORMATION - Ratings" herein)**

### NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS - Tax Exemption" herein.

### **THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.**



**\$82,240,000\***  
**CITY OF TYLER, TEXAS**  
**(Smith County)**

### **WATER AND SEWER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, NEW SERIES 2026**

**Dated Date: March 15, 2026;**  
**Interest Accrues from Date of Initial Delivery**

**Due: September 1, as shown on Page 2**

**PAYMENT TERMS . . .** Interest on the \$82,240,000\* City of Tyler, Texas, Water and Sewer System Revenue Refunding and Improvement Bonds, New Series 2026 (the "Bonds") will accrue from the date of initial delivery of the Bonds (anticipated to be April 22, 2026), will be payable March 1 and September 1 of each year, commencing September 1, 2026 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Bonds is UMB Bank, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE . . .** The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), particularly Chapters 1207 and 1502, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Tyler, Texas (the "City"). The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and, together with certain Previously Issued Bonds (hereinafter defined), secured by a lien on and pledge of the Net Revenues of the City's Water and Sewer System (the "System"). **The City has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation and holders of the Bonds are not entitled to demand payment of the Bonds from any money raised by taxation** (see "THE BONDS - Authority for Issuance" and "- Security and Source of Payment").

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used (i) for improving and extending the City's combined water and sewer system; (ii) to refund the City's outstanding obligations listed in SCHEDULE I hereto (the "Refunded Bonds") in order to provide debt service savings for the City; and (iii) to pay issuance costs on the Bonds (see "PLAN OF FINANCING", "THE BONDS" and "SCHEDULE I - SCHEDULE OF REFUNDED BONDS" herein).

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**CUSIP PREFIX: 902354**  
**MATURITY SCHEDULE & CUSIP SUFFIX**  
**See Schedule on Page 2**

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**LEGALITY . . .** The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion").

**DELIVERY . . .** It is expected that the Bonds will be available for delivery through DTC on or about April 22, 2026.

## **BIDS DUE ON TUESDAY, MARCH 24, 2026, AT 1:30 PM, CENTRAL TIME**

\* Preliminary, subject to change (see "CONDITIONS OF THE SALE - Post Bid Modification of Principal Amounts" in the Notice of Sale and Bidding Instructions).

**MATURITY SCHEDULE\***

	<u>Principal Amount</u>	<u>September 1 Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix<sup>(1)</sup></u>
\$	1,910,000	2026			
	3,300,000	2027			
	3,400,000	2028			
	3,500,000	2029			
	3,650,000	2030			
	1,670,000	2031			
	1,720,000	2032			
	1,775,000	2033			
	1,840,000	2034			
	1,915,000	2035			
	1,640,000	2036			
	1,705,000	2037			
	1,775,000	2038			
	1,865,000	2039			
	1,955,000	2040			
	2,055,000	2041			
	2,160,000	2042			
	2,265,000	2043			
	2,380,000	2044			
	2,500,000	2045			
	2,625,000	2046			
	2,755,000	2047			
	2,890,000	2048			
	3,035,000	2049			
	3,190,000	2050			
	3,345,000	2051			
	3,515,000	2052			
	3,690,000	2053			
	3,875,000	2054			
	4,070,000	2055			
	4,270,000	2056			

**(Interest accrues from the date of initial delivery)**

\* Preliminary, subject to change (see “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions).

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Purchaser of the Bonds nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**REDEMPTION.** . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). In the event any of the Bonds are structured as “Term Bonds,” such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Preliminary Official Statement of the City with respect to the Bonds that has been “deemed final” by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Preliminary Official Statement, which includes the cover page, the schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the City. This Preliminary Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

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**PRELIMINARY OFFICIAL STATEMENT SUMMARY**

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

- THE CITY**..... The City of Tyler, Texas is a political subdivision and home rule municipal corporation of the State of Texas (the “State”), located in Smith County. The City covers approximately 52.75 square miles (see “INTRODUCTION - Description of the City”).
  
- THE BONDS**..... The \$82,240,000\* City of Tyler, Texas, Water and Sewer System Revenue Refunding and Improvement Bonds, New Series 2026 are issued as serial bonds maturing on September 1 of each year, commencing September 1, 2026 through and including September 1, 2056, unless the Purchaser designates one or more maturities as a Term Bond (see “THE BONDS - Description of the Bonds”).
  
- PAYMENT OF INTEREST** ..... Interest on the Bonds accrues from the date of initial delivery (anticipated to be April 22, 2026), and is payable September 1, 2026 and each March 1 and September 1 thereafter until maturity or prior redemption (see “THE BONDS - Description of the Bonds” and “THE BONDS – Optional Redemption”).
  
- AUTHORITY FOR ISSUANCE**..... The Bonds are issued pursuant to the City’s Home Rule Charter, the Constitution and the general laws of the State, including particularly Chapters 1207 and 1502, Texas Government Code, as amended, and an ordinance (the “Ordinance”) to be adopted by the City Council of the City (see “THE BONDS - Authority for Issuance”).
  
- SECURITY FOR THE BONDS** ..... The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and, together with certain Previously Issued Bonds (hereinafter defined), secured by a lien on and pledge of the Net Revenues of the City’s Water and Sewer System (the “System”). **The City has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see “THE BONDS - Security and Source of Payment”).
  
- REDEMPTION** ..... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption”). In the event any of the Bonds are structured as “Term Bonds,” such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.
  
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS – Tax Exemption” herein.
  
- USE OF PROCEEDS** ..... Proceeds from the sale of the Bonds will be used (i) for improving and extending the City’s combined water and sewer system; (ii) to refund the City’s outstanding obligations listed in SCHEDULE I hereto (the “Refunded Bonds”) in order to provide debt service savings for the City; and (iii) to pay issuance costs on the Bonds (see “PLAN OF FINANCING”, “THE BONDS” and “SCHEDULE I – SCHEDULE OF REFUNDED BONDS” herein).
  
- RATINGS** ..... The Bonds are rated “AA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to insurance. The City’s Previously Issued Bonds are currently rated “AA+” by S&P without regard to credit enhancement (see “OTHER INFORMATION – Ratings”).

\* Preliminary, subject to change (see “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions).

**BOOK-ENTRY-ONLY SYSTEM...** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

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

For additional information regarding the City, please contact:

Keidric Trimble  
Assistant City Manager  
City of Tyler  
212 N. Bonner  
Tyler, Texas 75702  
(903) 531-1142

or

Steven A. Adams, CFA  
Paul N. Jasin  
Specialized Public Finance Inc.  
4925 Greenville Avenue, Suite 1350  
Dallas, Texas 75206  
(214) 373-3911

**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Don Warren Mayor	6 Years	May, 2026	Business Owner
Stuart Hene	5 Years	May, 2027	Attorney
Petra Hawkins	2 Years	May, 2026	Registered Nurse and Realtor
Shonda Marsh	1 Year	May, 2027	Patient Experience Manager
James Wynne	6 Years	May, 2026	Business Owner
Lloyd Nichols	3 Years	May, 2027	Business Owner
Brad Curtis	6 Years	May, 2026	President, Tyler Building Systems

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service to the City</u>
Edward Broussard	City Manager	10 Years
Stephanie Franklin	Deputy City Manager	16 Years
Heather Nick	Assistant City Manager	21 Years
Keidric Trimble	Assistant City Manager	26 Years
Cassandra Brager	City Clerk	26 Years
Deborah Pullum	City Attorney	21 Years
Kate Dietz, P.E.	Director of Utilities	8 Years
Christopher Cambra	Water Business Office Manager	2 Years

**CONSULTANTS AND ADVISORS**

Auditors.....Gollob Morgan Peddy PC  
Tyler, Texas

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

Financial Advisor .....Specialized Public Finance Inc.  
Dallas, Texas

**PRELIMINARY OFFICIAL STATEMENT  
RELATING TO**

**\$82,240,000\***

**CITY OF TYLER, TEXAS**

**WATER AND SEWER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, NEW SERIES 2026**

**INTRODUCTION**

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$82,240,000\* City of Tyler, Texas, Water and Sewer System Revenue Refunding and Improvement Bonds, New Series 2026. Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds, except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE ORDINANCE").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City, its water and sewer system (the "System") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and home rule municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1850, and first adopted its Home Rule Charter in 1937, and said Charter has not been amended or revised in any respect since May 5, 1990, the date of the last Charter Amendment Election. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is two years with the terms of the Mayor and three of the Councilmembers' terms expiring in even-numbered years and the terms of the other three Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), water and sewer service, sanitation service, park and recreational facilities, library services, street maintenance and improvement, airport facilities, and general administrative services. The 2026 Census estimated population for the City is 112,219. The City covers approximately 52.75 square miles.

**PLAN OF FINANCING**

**REFUNDED BONDS . . .** The Refunded Bonds are being called for redemption on the date set forth in Schedule I (the "Redemption Date"). The principal and interest due on the Refunded Bonds are to be paid on the Redemption Date from funds to be deposited pursuant to an escrow agreement (the "Escrow Agreement") between the City and UMB Bank, National Association, Austin, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds and other available City funds, the City will deposit with the Escrow Agent an amount which, together with investment earnings thereon, will be sufficient to pay all amounts coming due on the Refunded Bonds on the Redemption Date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase some or all of the following types of obligations: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and/or (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Frost CPA LLC, in conjunction with Public Finance Partners LLC (together, the "Verification Agent") will issue its report (the "Verification Report") verifying at the time of delivery of the Bonds the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds (see "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations").

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Bonds in accordance with State law. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent in the Escrow Fund, such Refunded Bonds will not be deemed as being outstanding obligations of the City and the City will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrowed Securities.

\* Preliminary, subject to change (see "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the Notice of Sale and Bidding Instructions).

## THE BONDS

**DESCRIPTION OF THE BONDS** . . . The Bonds are dated March 15, 2026 (the “Dated Date”), and mature on September 1 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of initial delivery and will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing September 1, 2026, until maturity of the Bonds or their prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

**AUTHORITY FOR ISSUANCE** . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1207 and 1502 of the Texas Government Code, as amended, an ordinance to be adopted by the City Council authorizing the issuance of the Bonds (the “Ordinance”) and the City’s home rule charter.

**SECURITY AND SOURCE OF PAYMENT** . . . The Bonds are special obligations of the City payable, both as to principal and interest, solely from, and, together with the Previously Issued Bonds (defined in the Ordinance) and any parity bonds that may be issued by the City in the future (the “Additional Bonds”, and together with the Bonds and Previously Issued Bonds, collectively referred to as the “Bonds Similarly Secured”), are secured by a lien on and pledge of the Net Revenues of the System.

In the Ordinance, the City expressly retains the right to issue additional obligations secured by a lien on the Net Revenues of the System that is on a parity with or subordinate to the lien securing the Bonds and the Previously Issued Bonds. For additional information, including a description of the flow of funds relating to the Bonds, see “SELECTED PROVISIONS OF THE ORDINANCE.”

**Flow of Funds** . . . In the Ordinance, the City has confirmed the establishment of a separate fund (the "Revenue Fund") relating to the System, and has covenanted to deposit, as collected, all revenues of every nature derived from the operation of the System into the Revenue Fund. The Revenue Fund is pledged and appropriated to the following uses and in the order of precedence shown:

First: To the payment of all necessary and reasonable maintenance and operation expenses of the System as said expenses are defined by law;

Second: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund (as defined below) created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;

Third: To the payment of any other indebtedness payable from and secured, in whole or in part, by a lien on and claim against the Net Revenues of the System; and

Fourth: Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now or hereafter permitted by law.

In the Ordinance, the City has confirmed the establishment of the “City of Tyler, Texas, New Series Water and Sewer System Interest and Sinking Fund” (the “Interest and Sinking Fund”) and has covenanted that from the funds in the Revenue Fund, the City shall pay into the Interest and Sinking Fund during each year in which any of the Bonds Similarly Secured are outstanding, an amount equal to one hundred percent (100%) of the amount required to meet the principal and interest payments falling due on or before the next interest payment, maturity or redemption date of the Bonds Similarly Secured, such payments to be made in substantially equal monthly installments. See “SELECTED PROVISIONS OF THE ORDINANCE.”

**Additional Bonds** . . . In addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue additional parity obligations (“Additional Bonds,” and, together with the Bonds and Previously Issued Bonds, the “Bonds Similarly Secured”). Additional Bonds will be secured by and payable from a lien on and pledge of the Net Revenues of the System on a parity with all other Bonds Similarly Secured, provided no Additional Bonds may be issued unless the conditions specified therefor in the Ordinance are met, including that the Net Earnings of the System for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of the Additional Bonds) of all Outstanding Bonds Similarly Secured that will be Outstanding after the issuance of the proposed Additional Bonds. However, (A) should the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant’s certification, and (C) an

independent engineer or engineering firm having a national reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant’s certification, the Net Earnings would have been, in the opinion of the engineer, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Bonds, and Additional Bonds, then, in such event, the coverage specified in this paragraph shall not be required for the period specified, and such accountant’s certificate will be sufficient if accompanied by an engineer’s certificate to the above effect. See “SELECTED PROVISIONS OF THE ORDINANCE.”

**Previously Issued Bonds** . . . The City has outstanding bonds secured by and payable from a lien on the Net Revenues of the System that are on a parity with the lien on the Bonds (the “Previously Issued Bonds”), as follows:

<u>Dated Date</u>	<u>Outstanding Debt</u> <sup>(1)</sup>	<u>Issue Description</u>
6-15-2012	\$ 280,000	Water and Sewer System Revenue Refunding Bonds, New Series 2012
8-15-2015	-	(2) Water and Sewer System Revenue Refunding & Improvement Bonds, New Series 2015A
9-1-2015	-	(2) Water and Sewer System Refunding Bonds, New Series 2015B
7-15-2017	2,135,000	Water and Sewer System Refunding Bonds, New Series 2017A
8-15-2017	7,950,000	Water and Sewer System Refunding Bonds, New Series 2017B
6-15-2018	6,160,000	Water and Sewer System Revenue Bonds, New Series 2018A
7-15-2018	3,000,000	Water and Sewer System Revenue Refunding Bonds, New Series 2018B
10-1-2019	17,330,000	Water and Sewer System Revenue Bonds, New Series 2019
7-15-2020	2,285,000	Water and Sewer System Revenue Refunding Bonds, New Series 2020
4-15-2021	24,775,000	Water and Sewer System Revenue Bonds, New Series 2021
1-15-2022	38,745,000	Water and Sewer System Revenue Bonds, New Series 2022
11-1-2023	59,605,000	Water and Sewer System Revenue Bonds, New Series 2023
6-1-2025	43,930,000	Water and Sewer System Revenue Bonds, New Series 2025

(1) As of February 1, 2026.

(2) Excludes the Refunded Bonds. Preliminary, subject to change.

Neither the Bonds or Previously Issued Bonds are a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except on the Net Revenues, and no judgment against the City may be enforced for payment of the Bonds by levy and execution against any property owned by the City.

As used in this Official Statement and the Ordinance, the term “Net Revenues” shall mean the gross revenues of the System less the expense of operation and maintenance, all salaries, labor, materials, repairs, and extensions necessary to render efficient service, provided, however, that only such expenses for repairs and extensions as in the judgment of the City, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition that would otherwise impair any bonds or other contractual obligations payable from the net revenues of the System, shall be deducted in determining “Net Revenues.” Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in any contract therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

**NO DEBT SERVICE RESERVE FUND.** . . The City has not made provision in the Ordinance for the establishment of a debt service reserve fund for the Bonds or any Bonds Similarly Secured.

**RATES** . . . The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System sufficient to (i) pay all operating, maintenance, depreciation, replacement and improvement expenses of the System, (ii) produce Net Revenues in each year in an amount of not less than the greater of (a) 1.10 times the average annual debt service of all the Bonds Similarly Secured Outstanding or (b) 1.10 times the annual debt service requirements of all Bonds Similarly Secured Outstanding scheduled to come due and mature in each year, and (iii) pay all other outstanding indebtedness against said System as and when the same become due. The City has further covenanted that, if the System should become legally liable for any other indebtedness, it will fix and maintain rates and collect charges for the services of the System sufficient to discharge such indebtedness. See “SELECTED PROVISIONS OF THE ORDINANCE – Section 12. Rates and Charges.”

**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date,

provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or authorized escrow agent, in trust, (1) money sufficient to make such payment or (2) Government Securities, certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

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

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

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

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

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

of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . .** In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Purchaser.

**EFFECT OF TERMINATION OF BOOK-ENTRY ONLY SYSTEM . . .** In the event that the Book-Entry Only System is discontinued, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

So long as Cede & Co. is the registered owner of the Bonds, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar for the Bonds is UMB Bank, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

**PAYMENTS ON THE BONDS . . .** Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of each registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to each registered owner at their stated maturity or upon prior redemption upon their presentation and surrender to the Designated Payment/Transfer Office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the month next preceding each interest payment date.

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

**BONDHOLDERS’ REMEDIES . . .** The Ordinance does not provide for specific events of default. If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) (“Wasson”) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors’ rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

**AMENDMENTS OF THE ORDINANCE . . .** The City may amend the Ordinance without the consent of or notice to any registered owners of the Bonds in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Outstanding Bonds, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds; (2) give any preference to any Bond over any other Bond; or, (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or rescission.

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used (i) for improving and extending the City’s combined water and sewer system; (ii) to refund the City’s outstanding obligations listed in SCHEDULE I hereto (the “Refunded Bonds”) in order to provide debt service savings for the City; and (iii) to pay issuance costs on the Bonds (see “PLAN OF FINANCING”, “THE BONDS” and “SCHEDULE I – SCHEDULE OF REFUNDED BONDS” herein).

**SOURCES AND USES OF FUNDS. . .** The proceeds from the sale of the Bonds, along with other lawfully available funds from the City, will be used approximately as follows:

**SOURCES OF FUNDS:**

Par Amount of Bonds	\$	-
Net Reoffering Premium		-
Transfers from Prior Issue Debt Service Funds		-
Total Sources of Funds	\$	-

**USES OF FUNDS:**

Deposit to Project Construction Fund	\$	-
Deposit to Escrow Fund		-
Costs of Issuance		-
Rounding Amount		-
Total Uses of Funds	\$	-

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## THE WATERWORKS AND SEWER SYSTEM

### NEW CAPITAL EXPENDITURES

The City's financial policies specify a fund balance in the Water Utility Fund equal to at least 15% of annual System operating expenditures. Amounts collected in excess of that goal are generally used to fund System capital expenditures. The 2026 fiscal year budget includes approximately \$13 million of capital expenditures paid in cash for the System to be funded from such excess revenues.

### WATERWORKS SYSTEM

The primary water supply source for the City is surface water obtained from Lake Palestine, Lake Tyler, Lake Tyler East and Lake Bellwood. As described below, the City began taking water from Lake Palestine in June of 2003, and Lake Palestine currently provides 55% of the City's water. Based upon the existing water resources of the City and projected water use in the City, the City believes that it has secured a water supply that is sufficient for the needs of the City until at least the year 2084.

Lake Bellwood has a surface area of 170 acres and served as the primary water supply for the City until Lake Tyler was constructed in 1949. In 1965, the water treatment facilities of the City, located at Lake Bellwood, were retired and abandoned. The only current diversion of water from Lake Bellwood is by two users of raw water. Cascades Country Club and Bellwood Golf Course purchase water in place and pump it with their own facilities for irrigation. Lake Bellwood is located on Indian Creek and lies in the Neches River watershed. It and 185 acres of marginal lands owned by the City are presently used principally for limited recreational uses.

Lake Tyler is located on Prairie Creek, a tributary of Mud Creek, and lies in the Angelina River watershed. It has storage capacity of over 14 billion gallons (43,000 acre feet) at spillway elevation and has an average depth of 18.24 feet. It has a watershed area of 42 square miles. Lake Tyler was constructed in 1949 and covers approximately 2,600 surface acres. This lake has served as the major source of water supply for the City since its construction. Lake Tyler also serves as a major recreation center for the area, under strict sanitary controls. The City's Water Utilities Department (the "Department") maintains six recreational areas adjacent to the lake.

Lake Tyler East is located on Mud Creek and lies in the Angelina River watershed. It has a surface area of approximately 2,500 acres, a watershed area of 65 square miles and an average depth of 16.18 feet. The lake has slightly less storage area than Lake Tyler. Lake Tyler East was completed and the dam closed in 1967. The lake filled to capacity in 1968, and was connected to Lake Tyler by a connecting channel. This channel, in effect, forms one lake from the standpoint of water supply. The two lakes have a combined safe yield of approximately 36 million gallons per day ("MGD").

Lake Palestine lies in the Neches River watershed. In 1965, the City purchased the right to 40% of the perpetual annual water yield of Lake Palestine from the Upper Neches River Municipal Water Authority for \$12,524,200. At September 30, 2024, total water rights were \$12,526,700. Management believes there is no impairment in the value of the water rights at September 30, 2024.

Lake Palestine Water Treatment Plant began operation in 2004. It has a current capacity of 30 MGD. The 100 acre treatment plant site provides ample room for a second 30 MGD plant for a maximum production capability of 60 MGD. The plant uses conventional treatment methodology under guidelines established by the Texas Commission on Environmental Quality.

Golden Road Water Treatment Plant began operation in 1950, with the final phase of construction being completed in 1986. It has a current capacity of 34 MGD. The facility uses the conventional treatment methods of sedimentation, flocculation, filtration, and disinfection under guidelines established by the Texas Commission on Environmental Quality.

Deep Water Wells The City owns twelve deep water wells, which provide ground water supplies of approximately 9.3 MGD (from 2010 Master Plan Study). The wells produce from the Carrizo Wilcox sand group at depths ranging from 600 feet to 1,100 feet. Golden Road and Lake Palestine Water Treatment Plants along with the 12 wells, gives the City a total water treatment capacity of 73.3 MGD. This large capacity allows the City, if it elects to do so, to increase its water sales to municipalities and other water users in the region.

## WATER DISTRIBUTION AND COLLECTION

The water distribution system has approximately 734 miles of mains ranging in size from two-inch diameter to thirty-six inch diameter. Static water pressure on the system ranges from 35 psi to 125 psi. The City has six elevated water storage tanks that hold 7 million gallons. In addition, the City owns five ground storage tanks with a capacity of 2.25 million gallons. The City also has 4 million gallons of ground storage in the clearwell at Golden Road water treatment plant and an additional 4 million gallons in the Lake Palestine water treatment plant clearwell.

The City has an agreement with surrounding cities and water supply corporations to provide a supplemental source of water. The amount to be provided is estimated to be 50% of the annual supply. The parties have established a minimum annual and monthly take or pay volume and a surcharge to water taken above maximum day volume.

Fire protection is a secondary function of the water distribution system. At least 90% of the improved property within the City is within 500 feet or less of an approved fire hydrant. Maintenance of fire hydrants along with other appurtenances is carried out by the Department.

All mains and appurtenances are installed in accordance with applicable codes adopted by the City Council. Actual construction is performed by the City or private contractors as circumstances warrant.

Installation of water connection (taps) and service connections from the main to a point outside the curb area or point of the meter set is performed only by employees of the Department or a contractor approved by the Director of Utilities. A charge is made by the Department for each new tap of the water main for a connection. This charge is determined by the size of the connection and the size of the meter.

**TABLE 1 - HISTORICAL WATER CONSUMPTION (GALLONS)**

Fiscal Year Ended 9/30	Average Daily Water Consumption <sup>(1)</sup>	Peak Day Water Treated	Daily Average in Peak Month	Annual Total Usage (000's) <sup>(1)</sup>	Water Revenue
2020	23,597,790	36,602,000	29,024,900	8,613,195	\$22,438,880
2021	21,777,040	32,193,000	25,631,097	7,948,619	22,139,689
2022	23,093,866	41,212,000	37,030,839	8,429,261	24,364,623
2023	23,848,964	43,336,000	39,905,182	8,704,872	26,856,470
2024	23,946,810	39,986,000	32,923,387	8,740,587	27,595,410

(1) Variations in amount of water sold from year to year is significantly impacted by variances in annual rainfall totals.

**TABLE 2 - TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) FYE SEPTEMBER 30, 2024**

Customer	Type of Industry	Annual Water Usage (000's)	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Delek Refining Company	Refinery	10,484	0.13%	\$ 886,692	4.00%
Walnut Grove Water Supply Corp.	Water District	5,079	0.06%	660,613	2.98%
Southern Utilities	Water District	1,759	0.02%	391,127	1.77%
UT Tyler	Education	1,753	0.02%	179,278	0.81%
Mother Frances	Medical District	1,574	0.02%	193,561	0.87%
Caldwell Zoo	Cultural/Entertainment	1,496	0.02%	129,587	0.59%
Trane	Manufacturing	1,307	0.02%	122,736	0.55%
Vestis	Industrial	631	0.01%	56,350	0.25%
Tyler Square Apts	Multi-Family Residential	520	0.01%	51,581	0.23%
Cascades Golf Club	Entertainment	301	0.00%	12,438	0.06%
	Total	24,904	0.31%	\$2,683,963	12.12%

Source: City Staff.

**TABLE 3 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2025)**

The City annually reviews water and sewer rates in conjunction with the establishment of the annual City budget. The table below sets forth the water rates, which were adopted by the City Council in September, 2025.

Minimum Monthly Rates		
Meter Size	Inside City	Outside City
5/8"	\$ 18.30	\$ 28.37
1"	20.75	32.16
1 - 1/2"	26.85	41.62
2"	36.65	56.81
3"	56.45	87.50
4"	91.10	141.21
6"	166.50	258.08
8"	255.05	395.33
10"	365.20	566.06
12"	633.85	982.47

Monthly Volume Charge per 1,000 Gallons		
Volume	Inside City	Outside City
First 25,000 Gallons	\$ 3.75	\$ 5.63
Next 25,001 to 1,000,000 Gallons	3.29	4.94
Next 1,000,001 to 5,000,000 Gallons	3.14	4.71
Over 5,000,000 Gallons	3.11	4.67

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**WASTEWATER SYSTEM**

Southside Wastewater Treatment Plant was constructed in 1955, with an original capacity of 3 MGD. In 1980 it was modified to increase its capacity to the current 9 MGD. This plant is an activated sludge plant, utilizing mechanical aeration to achieve advanced secondary treatment levels. The facility serves approximately 40% of the City and discharges treated effluent into West Mud Creek, which flows into the Mud Creek and thence to the Angelina River. The average daily flow into the plant is currently over 5 MGD.

Westside Wastewater Treatment Plant has a design capacity of 13 MGD and was placed into operation in 1968, and upgraded in 1990. This plant has a trickling filter/activated sludge plant, utilizing carousel aeration to achieve advanced secondary treatment levels. The facility serves approximately 60% of the City and most of the industrial waste discharges in the System. Effluent from the plant is discharged into Blackfork Creek, which flows into Prairie Creek and thence to the Neches River. The average daily flow into the plant is currently over 7 MGD.

Collection System The sanitary sewer collection and outfall system has approximately 694 miles of mains, ranging in size from six inches in diameter to fifty-four inches in diameter. Installation of sewer connections (taps) and service connections from the main to the property line or point of user connection is performed only by employees of the Department or a contractor approved by the Managing Director of Utilities and Public Works.

**TABLE 4 - WASTEWATER USAGE (MILLION GALLONS)**

Fiscal Year Ended 9/30	Millions of Gallons			Total Revenue
	Average Daily <sup>(1)</sup>	Monthly Average	Total Usage <sup>(1)</sup>	
2020	17.10	520.1	6,241.80	\$ 17,218,515
2021	19.56	595.2	7,141.75	18,256,858
2022	16.12	490.2	5,883.00	18,267,324
2023	16.75	509.6	6,114.61	20,523,989
2024	18.64	567.1	6,805.18	22,226,979

(1) In general, sewage flows are based upon water metered by the City, which means that variations in amount of sewage billed for treatment by the City from year to year is significantly impacted by variances in annual rainfall totals.

**TABLE 5 - TEN LARGEST WASTEWATER CUSTOMERS FYE SEPTEMBER 30, 2024**

Customer	Type of Industry	Wastewater Revenue	% of Total Wastewater Revenue
John Soules	Food Processing	\$ 617,905	3.10%
Delek	Refinery	639,186	3.21%
University of Texas at Tyler	Education	134,571	0.67%
Mother Frances	Medical	175,032	0.88%
Caldwell Zoo	Cultural/Entertainment	126,406	0.63%
Trane	Manufacturing	118,668	0.60%
Vestis	Industrial	112,840	0.57%
Tyler Square Apartments	Multi-Family Residential	48,553	0.24%
Hiland Dairy	Food Processing	330,770	1.66%
Summerwood Apartments	Multi-Family Residential	60,847	0.31%
Vanessen	Multi-Family Residential	4,621	0.02%
SV Tyler	Mobil Home Park	15,158	0.08%
	Total	<u>\$ 2,384,557</u>	<u>11.96%</u>

Source: City Staff.

**TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2025)**

The City annually reviews water and sewer rates in conjunction with the establishment of the annual City budget. The table below sets forth the sewer rates, which were adopted by the City Council in September, 2025. In calculating the monthly service charge, the rates are applied to the volume of water used as measured by the consumer's water meter, except that water usage subject to charges for sanitary sewer service to single-family residences, duplexes, apartment houses, townhouses, condominiums, and mobile home parks shall not exceed ten thousand (10,000) gallons per single-family residential unit monthly. Rates to commercial, governmental and institutional customers will be based on monthly water use subject to customer proof of lower sewage discharged. If the customer is not supplied water by City, the volume of water used shall be determined by metering or measuring devices acceptable to the Department.

Residential and Commercial Minimum Monthly Rates		
Meter Size	Inside City	Outside City
5/8"	\$ 23.40	\$ 35.10
1"	26.50	39.75
1 - 1/2"	34.30	51.45
2"	47.40	71.10
3"	72.90	109.35
4"	119.10	178.65
6"	219.30	328.95
8"	335.40	503.10
10"	481.80	722.70
12"	828.60	1,242.90

Residential and Commercial Monthly Volume Charge Rate per 1,000 Gallons		
Gallons	Inside City	Outside City
First 25,000 Gallons	\$ 4.10	\$ 6.15
Next 25,001 to 1,000,000 Gallons	3.52	5.28
Next 1,000,001 to 5,000,000 Gallons	3.24	4.86
Over 5,000,000 Gallons	3.06	4.59

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**DEBT INFORMATION**

**TABLE 7 – PRO-FORMA WATER AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS**

Year Ending 9/30	Outstanding Debt Service Requirements <sup>(1)</sup>			The Bonds <sup>(2)</sup>			Grand Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2026	\$ 5,990,000	\$ 8,887,504	\$ 14,877,504	\$ 1,910,000	\$ 1,305,339	\$ 3,215,339	\$ 18,092,843
2027	6,545,000	8,042,881	14,587,881	3,300,000	3,585,508	6,885,508	21,473,389
2028	6,675,000	7,771,006	14,446,006	3,400,000	3,486,508	6,886,508	21,332,514
2029	6,305,000	7,494,006	13,799,006	3,500,000	3,384,508	6,884,508	20,683,514
2030	6,570,000	7,218,306	13,788,306	3,650,000	3,279,508	6,929,508	20,717,814
2031	6,840,000	6,948,831	13,788,831	1,670,000	3,170,008	4,840,008	18,628,839
2032	7,115,000	6,674,131	13,789,131	1,720,000	3,119,908	4,839,908	18,629,039
2033	7,005,000	6,406,831	13,411,831	1,775,000	3,068,308	4,843,308	18,255,139
2034	7,215,000	6,165,481	13,380,481	1,840,000	2,997,308	4,837,308	18,217,789
2035	5,995,000	5,915,831	11,910,831	1,915,000	2,923,708	4,838,708	16,749,539
2036	6,225,000	5,687,281	11,912,281	1,640,000	2,847,108	4,487,108	16,399,389
2037	6,460,000	5,449,231	11,909,231	1,705,000	2,781,508	4,486,508	16,395,739
2038	6,715,000	5,201,331	11,916,331	1,775,000	2,710,750	4,485,750	16,402,081
2039	6,375,000	4,942,831	11,317,831	1,865,000	2,622,000	4,487,000	15,804,831
2040	6,620,000	4,701,056	11,321,056	1,955,000	2,528,750	4,483,750	15,804,806
2041	6,805,000	4,448,088	11,253,088	2,055,000	2,431,000	4,486,000	15,739,088
2042	6,985,000	4,183,638	11,168,638	2,160,000	2,328,250	4,488,250	15,656,888
2043	7,250,000	3,913,488	11,163,488	2,265,000	2,220,250	4,485,250	15,648,738
2044	7,525,000	3,631,963	11,156,963	2,380,000	2,107,000	4,487,000	15,643,963
2045	7,835,000	3,334,175	11,169,175	2,500,000	1,988,000	4,488,000	15,657,175
2046	8,140,000	3,023,106	11,163,106	2,625,000	1,863,000	4,488,000	15,651,106
2047	8,465,000	2,698,763	11,163,763	2,755,000	1,731,750	4,486,750	15,650,513
2048	8,810,000	2,359,063	11,169,063	2,890,000	1,594,000	4,484,000	15,653,063
2049	9,140,000	2,004,300	11,144,300	3,035,000	1,449,500	4,484,500	15,628,800
2050	8,410,000	1,634,838	10,044,838	3,190,000	1,297,750	4,487,750	14,532,588
2051	8,755,000	1,288,825	10,043,825	3,345,000	1,138,250	4,483,250	14,527,075
2052	7,865,000	927,375	8,792,375	3,515,000	971,000	4,486,000	13,278,375
2053	6,210,000	578,000	6,788,000	3,690,000	795,250	4,485,250	11,273,250
2054	2,610,000	267,500	2,877,500	3,875,000	610,750	4,485,750	7,363,250
2055	2,740,000	137,000	2,877,000	4,070,000	417,000	4,487,000	7,364,000
2056	-	-	-	4,270,000	213,500	4,483,500	4,483,500
	<u>\$ 206,195,000</u>	<u>\$ 131,936,660</u>	<u>\$ 338,131,660</u>	<u>\$ 82,240,000</u>	<u>\$ 66,966,972</u>	<u>\$ 149,206,972</u>	<u>\$ 487,338,632</u>

(1) Excludes the Refunded Bonds. Preliminary, subject to change.

(2) Interest on the Bonds has been calculated as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

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**ANTICIPATED ISSUANCE OF REVENUE BONDS . . .** The City anticipates the issuance of additional water and sewer system revenue bonds in the next twelve months.

**TEXAS MUNICIPAL RETIREMENT SYSTEM . . .** The City provides pension benefits for all of its full-time employees with the exception of its firefighters through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. In addition, the City provides service, retirement, death, disability and withdrawal benefits for firefighters in the City’s Fire Department through the Tyler Firefighter’s Relief and Retirement Fund (“TFRRF”). Benefits from the TMRS administered plan depend upon the sum of the employee’s contributions to the plan, with interest, and the City-financed monetary credits, with interest. Members can retire at age 60 and above with 5 or more years of service or with 20 or more years of service regardless of age. A member is vested after 5 years. The TMRS plan provisions are adopted by the City Council, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes. The report may be obtained from TMRS’ website at [www.TMRS.com](http://www.TMRS.com).

Employees for the City of Tyler were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Tyler were 20.65% and 21.58% in calendar years 2023 and 2024, respectively. The City’s contributions to TMRS for the year ended September 30, 2024, were \$10,669,216, and exceeded the required contributions by \$2,950.

For more detailed information concerning the retirement plans, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” - Note E.

**TYLER FIREFIGHTER’S RELIEF AND RETIREMENT FUND . . .** In addition to TMRS, the City provides retirement benefits for firemen in the City’s fire department known as the Tyler Firefighters’ Relief and Retirement Fund (the “Fund”). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters’ Retirement Act (“TLFFRA”). The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Tyler Firefighters’ Relief and Retirement fund at 1718 West Houston St., Tyler, Texas 75702.

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The funding policy of the Tyler Firefighters’ Relief and Retirement Fund requires contributions equal to 13.50% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes according to an agreement between the City and the Fund’s board of trustees. In 2020, the City agreed to a new contribution policy that will contribute 23% over the remainder of the unfunded liability amortization period. This new policy will gradually phase in from the 21.38% contribution rate to an ultimate rate of 23%. The actual City contribution rate was 22.00% in 2023 and 22.50% in 2024. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund’s assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2023, the money-weighted rate of return on pension plan investments was 13.15%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

For more detailed information concerning the TLFFRA, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” - Note E.

**POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS . . .** In addition to providing pension benefits through TMRS and TFRRF, the City has opted to provide retired employees (and qualified dependents) health and dental post-employment benefits with some restrictions as to eligibility (i.e. a retiree from the City who starts work with another employer that offers this coverage cannot continue in the City’s plan and would not be eligible to join again at a later date; retirees and spouses are no longer allowed to participate when they become Medicare eligible).

City contributions consists of monthly premium contributions to the Public Agency Retirement Services (PARS) Post-Retirement Health Funding Plan Trust, which is a multi-employer irrevocable trust that has a private letter ruling confirming it is in full compliance with the requirements of Section 115 of the Internal Revenue Code.

For more information regarding such benefits currently provided by the City, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” - Note F.

**FINANCIAL INFORMATION**

**TABLE 8 - CONDENSED STATEMENT OF SYSTEM OPERATIONS**

	For Fiscal Year Ended September, 30				
	2020	2021	2022	2023	2024
Operating Revenues					
Water and Sewer Operations	\$ 44,456,111	\$ 45,711,172	\$ 48,330,010	\$ 53,308,796	\$ 55,296,792
Miscellaneous	2,657,788	2,691,632	3,666,244	6,115,124	14,046,017
Total Operating Revenues	<u>\$ 47,113,899</u>	<u>\$ 48,402,804</u>	<u>\$ 51,996,254</u>	<u>\$ 59,423,920</u>	<u>\$ 69,342,809</u>
Total Operating Expenses <sup>(1)</sup>	<u>\$ 29,783,127</u>	<u>\$ 29,016,594</u>	<u>\$ 32,258,250</u>	<u>\$ 40,766,092</u>	<u>\$ 44,543,534</u>
NET AVAILABLE FOR DEBT SERVICE	<u>\$ 17,330,772</u>	<u>\$ 19,386,210</u>	<u>\$ 19,738,004</u>	<u>\$ 18,657,828</u>	<u>\$ 24,799,275</u>
Water Customers	35,463	35,681	36,210	37,799	46,818
Sewer Customers	34,253	33,935	34,349	34,990	46,818

(1) Does not include depreciation or capital outlay; includes amounts paid to the General Fund by Utilities Fund as a payment in lieu of franchise payment for City street and right-of-way use.

**TABLE 9 - COVERAGE AND FUND BALANCES**

Average Annual Principal and Interest Requirements, 2026-2056	\$ 15,720,601 <sup>(1)</sup>
Coverage of Average Requirements by 2024 Net Income	1.58 Times
Maximum Annual Principal and Interest Requirements, 2027	\$ 21,473,389 <sup>(1)</sup>
Coverage of Maximum Requirements by 2024 Net Income	1.15 Times
Waterworks and Sewer System Revenue Bonds Outstanding, 2-28-2026	\$288,435,000 <sup>(1)</sup>
Bond Fund Balance, 9-30-2025	\$ 13,265,660 <sup>(2)</sup>
I&S Fund Balance, 9-30-2025	\$ 11,304 <sup>(2)</sup>
System Reserve Fund Balance, 9-30-2025	\$ 3,515,003 <sup>(2)</sup>

(1) Projected, includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

(2) Unaudited.

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## CAPITAL IMPROVEMENT PROGRAM

Each year the City prepares an update to its capital improvement program for the System. The actual timing and budget appropriations are approved only in annual increments, but this plan is the basis for the City's long range planning for water and sewer rates and charges, and the plan is subject to material revision. The current System five year capital improvement plan includes approximately \$58.5 million in expenditures to be funded from cash flow of the System.

## FINANCIAL ACCOUNTING POLICIES

Government-wide and Fund Financial Statements . . . The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of 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 revenues in the year for which they are levied. 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable earned.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The One-Half Cent Sales Tax Fund accounts for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

The government reports the following major proprietary funds:

The Utilities Fund is used to account for sale of water, wastewater treatment and storm water management by the City to businesses and residential customers and to surrounding communities.

The Sanitation Fund accounts for residential and commercial solid waste collection, disposal services, and recycling operations of the City.

The Airport Fund is used to account for operations of the Tyler Pounds Regional Airport.

The audited financial statements of the City for the year ended September 30, 2024, prepared in accordance with the GASB Statements, are included in APPENDIX B hereto.

## INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

**LEGAL INVESTMENTS . . .** Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including

letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**INVESTMENT POLICIES . . .** Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

**ADDITIONAL PROVISIONS . . .** Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**TABLE 10 – CURRENT INVESTMENTS**

As of December 31, 2025, the City’s investable funds were invested in the following categories:

<u>Type of Investments</u>	<u>Market Value</u>	<u>% of Market Value</u>
Certificate of Deposit	\$ 112,633,610	63.51%
Investments	23,964,954	13.51%
TexStar	1	0.00%
NOW	5,466,905	3.08%
Pooled Cash	18,598,399	10.49%
InterBank ICS	16,679,858	9.41%
Logic	21	0.00%
Total	<u>\$ 177,343,748</u>	<u>100.00%</u>

**SELECTED PROVISIONS OF THE ORDINANCE**

The following are selected provisions of the Ordinance. These excerpts should be qualified by reference to the exact terms of the Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Ordinance and section headings contained in the following excerpts are to sections contained in the Ordinance.

Section 10. Definitions. For purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues therefor, the following definitions are provided:

(a) The term “Additional Bonds” shall mean the additional parity revenue obligations which the City reserves the right to issue in this Ordinance.

(b) The term “Bonds” shall mean the water and sewer system revenue bonds authorized by this Ordinance and designated as “City of Tyler, Texas, Water and Sewer System Revenue Refunding and Improvement Bonds, New Series 2026.”

(c) The term “Bonds Similarly Secured” means the Bonds, the Previously Issued Bonds and Additional Bonds.

(d) The term “Fiscal Year” shall mean the twelve months’ period ending September 30 of each year, unless otherwise designated by the City.

(e) The term “Net Revenues” shall mean the gross revenues of the System less the expense of operation and maintenance, all salaries, labor, materials, repairs, and extensions necessary to render efficient service, provided, however, that only such expenses for repairs and extensions as in the judgment of the City, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition that would otherwise impair any obligations payable from the net revenues of the System, shall be deducted in determining “Net Revenues.” Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in any contract therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

(f) The term “Ordinance” means this Ordinance under which the Bonds are authorized.

(g) The terms “Outstanding” and “outstanding”, when used in this Ordinance with respect to Bonds, Previously Issued Bonds or Additional Bonds means, as of the date of determination, all bonds theretofore issued and delivered, except:

(1) those bonds theretofore canceled by the paying agent/registrar or delivered to the paying agent/registrar for cancellation;

(2) those bonds for which payment has been duly provided by the City of the irrevocable deposit with the paying agent/registrars, or an authorized escrow agent, of money, or government securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the ordinance authorizing such bonds or irrevocably provided to be given to the satisfaction of the paying agent/registrars, or waived;

(3) those bonds that have been mutilated, destroyed, lost or stolen and replacement bonds have been registered and delivered in lieu thereof as provided in the ordinance authorizing such bonds.

(h) The term "Previously Issued Bonds" means bonds issued on a parity with the Bonds and Additional Bonds, including the Outstanding (1) "City of Tyler, Texas, Water and Sewer System Revenue Refunding Bonds, New Series 2012," (2) "City of Tyler, Texas, Water and Sewer System Revenue Refunding and Improvement Bonds, New Series 2015A" (to be refunded by the Bonds), (3) "City of Tyler, Texas, Water and Sewer System Refunding Bonds, New Series 2015B" (to be refunded by the Bonds), (4) "City of Tyler, Texas, Water and Sewer System Refunding Bonds, New Series 2017A," (5) "City of Tyler, Texas, Water and Sewer System Refunding Bonds, New Series 2017B," (6) "City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2018A," (7) "City of Tyler, Texas, Water and Sewer System Revenue Refunding Bonds, New Series 2018B," (8) "City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2019," (9) "City of Tyler, Texas, Water and Sewer System Revenue Refunding Bonds, New Series 2020," (10) "City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2021," (11) "City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2022," (12) "City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2023" and (13) "City of Tyler, Texas, Water and Sewer System Revenue Bonds, New Series 2025."

(i) The term "System" shall mean the City's combined Water and Sewer System, including all present and future additions, extensions, replacements, and improvements thereto.

Section 11. Pledge of Revenues. That the City hereby covenants and agrees that, under the terms and conditions of the ordinances and proceedings pertaining to their authorization, the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on the Net Revenues of the System and be valid and binding without any filing or recording except for the filing of this Ordinance in the records of the City.

Texas Government Code, Chapter 1208, as amended, applies to the issuance of the Bonds and the pledge of the revenues granted by the City under this Section of this Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are Outstanding and unpaid such that the pledge of the revenues granted by the City under this Section of this Ordinance is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the Holders of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 12. Rates and Charges. For the benefit of the original purchasers as well as the ultimate owners of the Bonds and the Bonds Similarly Secured, and, in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, it is expressly stipulated that the City shall, at all times while any of the Bonds Similarly Secured are Outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the System, as required by Texas Government Code, Section 1502.057, as amended, which will provide revenues sufficient at all times to:

- (a) Pay for all operation, maintenance, depreciation, replacement, and betterment charges of said System;
- (b) Produce Net Revenues each year in an amount reasonably estimated to be not less than the greater of (i) 1.10 times the average annual principal and interest requirements of the Bonds Similarly Secured Outstanding, or (ii) 1.10 times the annual principal and interest requirements of the Bonds Similarly Secured scheduled to come due and mature in each year; and
- (c) Pay all other outstanding indebtedness against said System as and when the same becomes due.

Section 13. Revenue Fund. The City again covenants that it will deposit, as collected, all revenues of every nature derived from the operation of the System into a separate account known as the "City of Tyler, Texas, Water and Sewer

System Revenue Fund” (herein called the “Revenue Fund”) heretofore established which shall be kept separate and apart from all other funds of the City, and, further, that said Revenue Fund shall be pledged and appropriated to the following uses and in the order of precedence shown:

- First: To the payment of all necessary and reasonable maintenance and operation expenses of the System as said expenses are defined by law;
- Second: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;
- Third: To the payment of any other indebtedness payable from and secured, in whole or in part, by a lien on and claim against the Net Revenues of the System; and
- Fourth: Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now or hereafter permitted by law.

Section 14. Interest and Sinking Fund. The following provisions shall govern the establishment, maintenance and use of the “City of Tyler, Texas, New Series Water and Sewer System Interest and Sinking Fund” (the “Interest and Sinking Fund”). The City covenants that from the funds in the Revenue Fund, the City shall pay into the Interest and Sinking Fund during each year in which any of the Bonds Similarly Secured are outstanding, an amount equal to one hundred percent (100%) of the amount required to meet the principal and interest payments falling due on or before the next interest payment, maturity or redemption date of the Bonds Similarly Secured, such payments to be made in substantially equal monthly installments. If the revenues of the System in any month, after deductions for maintenance and operation expenses, are then insufficient to make the required payments into the Interest and Sinking Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Interest and Sinking Fund in the next month. All moneys paid into the Interest and Sinking Fund shall be deposited in a City depository bank, and the Mayor, Mayor Pro Tem, City Manager, Deputy City Manager, any Assistant City Manager or City Clerk, any one or more of said officials of the City, shall cause the depository bank, not later than any principal or interest payment date, to transfer the amount then to become due to the paying agent. Said moneys not invested shall be continuously secured by a valid pledge to the City of direct obligations of the United States of America having an aggregate market value, exclusive of accrued interest, at all times at least equal to such Interest and Sinking Fund.

Section 15. Investment of Certain Funds. The Interest and Sinking Fund may be invested in investments authorized by the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, and the City’s investment policy. All moneys resulting from the investment of said fund shall be transferred to the Revenue Fund as received.

Section 16. Further Covenants. The City further covenants and agrees by and through this Ordinance as follows:

- (a) That the Bonds shall be special obligations of the City, and the registered owners thereof shall never have the right to demand payment out of any funds raised or to be raised by taxation.
- (b) That it has the lawful power to pledge the revenues supporting the Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, and that the Bonds issued under this Ordinance shall be ratably secured in such manner that no one Bond shall have preference over any other Bond or Bonds or Bonds Similarly Secured.
- (c) That other than for the payment of the Previously Issued Bonds and the Bonds, the Net Revenues have not been in any manner pledged to the payment of any debt or obligation of the City or the System, other than debt or obligations which have a lien on or pledge of the Net Revenues subordinate to the lien on and pledge of such Net Revenues to the Bonds Similarly Secured.

Section 17. Issuance of Additional Bonds.

- (a) That, in addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds, for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding in any lawful manner, any part or all of the Bonds Similarly Secured or other obligations of the City eligible to be refunded under the laws of the State of Texas as such laws now or hereafter may exist. The Additional Bonds shall be secured by and payable from a lien on and pledge of the Net Revenues in the same manner and to the same extent as any then Outstanding Bonds Similarly Secured, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to wit:

- (i) The City is not then in default as to any covenant, condition, or obligation contained in this Ordinance or the ordinances authorizing the issuance of the Bonds Similarly Secured.
- (ii) Each of the special funds created for the payment and security of the Bonds Similarly Secured contains the amount of money then required to be on deposit therein.
- (iii) The City has secured from a certified public accountant a certificate or opinion showing that the Net Earnings of the System for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve month period out of the last fifteen (15) months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of the Additional Bonds) of all Outstanding Bonds Similarly Secured that will be Outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a national reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Bonds, and Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect.
- (iv) The ordinance authorizing the Additional Bonds requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due.
- (v) The Additional Bonds are made to mature on March 1 or September 1 (or both) of each of the years in which they are scheduled to mature or become due.

(b) The term "Net Earnings," as used in this Ordinance shall mean all income, revenues, and receipts derived from the operation or by reason of the ownership of the System, including grants, gifts, contributions in aid of construction (but excluding meter deposits), interest earned on invested moneys in the special funds created therein for the payment and security of Bonds Similarly Secured, after deduction of maintenance and operation expenses but not deducting depreciation, and other expenditures which, under standard accounting practice, should be classified as capital expenditures.

(c) Wherever, in this Ordinance, the City reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations, whether now existing or hereafter authorized, which may be made lawfully payable from and secured by the Net Revenues.

Section 18. Obligations of Inferior Lien and Pledge. The City will not hereafter create or issue evidences of indebtedness for any purpose possessing a lien on the Net Revenues of the System superior to that to be possessed by the Bonds Similarly Secured. The City, however, retains the right to create and issue evidences of indebtedness whose lien on the Net Revenues of the System shall be subordinate to that possessed by the Bonds Similarly Secured.

Section 19. Maintenance and Operation - Insurance. The City shall maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any Bonds are outstanding, the City agrees to maintain insurance for the benefit of the holder or holders thereof on the System of a kind, including but not limited to self-insurance to the extent and in the manner deemed advisable by the City, and in an amount which usually would be carried by private companies engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City to expend any funds derived from sources other than the operation of the System, but nothing therein shall be construed as preventing the City from doing so.

Section 20. Records - Accounts - Accounting Reports. The City covenants and agrees that so long as any Bonds, or any interest thereon, remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of its System separate and apart from all other records and accounts; complete and correct entries shall be made of all transactions relating to the System, in accordance with generally accepted accounting principles except as provided by Texas Government Code, Chapter 1502, as amended; and registered owners shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants of national reputation. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

- (a) A detailed statement of the income and expenditures of the System for such Fiscal Year.
- (b) A balance sheet as of the end of such Fiscal Year.
- (c) The accountant's comments regarding the manner in which the City has carried out the requirements of this Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System.

Expenses incurred in making the audits referred to hereinabove are to be regarded as maintenance and operation expenses and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon request, to the original purchaser or any subsequent owner of the Bonds.

Section 21. Excess Revenues. As provided in Section 13 hereof, all revenues in excess of those required to establish and maintain the Interest and Sinking Fund as required, may be used for any proper City purpose now or heretofore permitted by law.

Section 22. Security of Funds. All funds for which provision is made by the Ordinance shall be secured in the manner and to the fullest extent permitted by law for the security of public funds and the funds created by the Ordinance shall be used only for the purposes therein specified.

Section 23. Remedy in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Interest and Sinking Fund as required by this Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, registered owner or owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

Section 24. Bonds are Special Obligations. The Bonds are and shall be special obligations of the City payable from the pledged Net Revenues, and the holder or holders thereof shall never have the right to demand payment of the Bonds out of funds raised or to be raised by taxation.

Section 25. Bonds are Negotiable Instruments. Each of the Bonds authorized shall be deemed and construed to be a "Security" and as such a negotiable instrument within the meaning of Chapter 8 of the Texas Business and Commerce Code, as amended.

Section 26. Competition - Sale of System. So far as it legally may, the City covenants and agrees, for the protection and security of the Bonds, and the registered owner or owners thereof from time to time, that it will not grant a franchise for the operation of any competing system in the City until all Bonds shall have been retired. Neither the System, nor a substantial part thereof, shall be sold while the Bonds are outstanding, but nothing in this Ordinance shall prevent the sale or disposal of properties constituting a part of the System which are no longer useful in connection with the operation thereof.

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## TAX MATTERS

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

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

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

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

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

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

**TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN BONDS . . .** The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the

semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

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

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

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

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

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the holders and registered owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”).

**ANNUAL REPORTS . . .** The City will provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2026, financial information and operating data with respect to the City of the general type of information contained in Tables 1 through 10 and (2) within twelve months after the end of each fiscal year ending in or after 2026, audited financial statements of the City. Any financial statements so provided shall be prepared in accordance with the accounting principles described in APPENDIX B, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. If audited financial statements are not available within twelve months after the end of any fiscal year, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”).

The City’s current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data of the general type included in this Official Statement under Tables numbered 1 through 10 by March 31 in each year and audited financial statements (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

**NOTICE OF CERTAIN EVENTS . . .** The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the City, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

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

**AVAILABILITY OF INFORMATION FROM MSRB . . .** The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## OTHER INFORMATION

**RATINGS** . . . The Bonds are rated “AA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to credit enhancement. The City’s Previously Issued Bonds are currently rated “AA+” by S&P without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Bonds.

**VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS** . . . The arithmetical accuracy of certain computations included in the schedules provided by Specialized Public Finance Inc. on behalf of the City relating to computation of forecasted receipts of principal and interest on the Escrowed Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds were verified by Frost CPA LLC, in conjunction with Public Finance Partners LLC. Such computations were based solely on assumptions and information supplied by Specialized Public Finance Inc. on behalf of the City. Frost CPA LLC, in conjunction with Public Finance Partners LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

**LITIGATION** . . . It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the System or its operations. At the time of the initial delivery of the Bonds, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

**REGISTRATION AND QUALIFICATION OF BONDS FOR SALE** . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS** . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in obligations such as the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency, this requirement does not apply, however, to the purchase of obligations such as the Bonds for interest and sinking funds of such entities. See “OTHER INFORMATION - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

**LEGAL OPINIONS** . . . The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103 of the Code, subject to the matters described under “TAX MATTERS – Tax Exemption” herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement or the Notice of Sale and Bidding Instructions, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions “PLAN OF FINANCING”, “THE BONDS” (exclusive of the subcaptions “Book-Entry-Only System”, “Bondholders’ Remedies” and “Sources and Uses of Funds”), “SELECTED PROVISIONS OF THE ORDINANCE”, “TAX MATTERS” and “CONTINUING DISCLOSURE OF

INFORMATION” (exclusive of the subcaption “Compliance with Prior Undertakings”) and the subcaptions “Legal Opinions” (except the last sentence of the first paragraph thereof), “Registration and Qualification of Bonds for Sale” and “Legal Investments and Eligibility to Secure Public Funds in Texas” under the caption “OTHER INFORMATION” in the Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

**INITIAL PURCHASER . . .** After requesting competitive bids for the Bonds, the City accepted the bid of \_\_\_\_\_ (the “Purchaser”) to purchase the Bonds at the interest rates shown on the inside cover of the Official Statement at a price of approximately \_\_\_\_\_% of par. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

**CERTIFICATION OF THE OFFICIAL STATEMENT . . .** At the time of payment for and delivery of the Bonds, the City will furnish the Purchaser a certificate, executed by an authorized representative of the City, acting in such person’s representative capacity, to the effect that to the best of such person’s knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

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

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

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

The City provides and publishes a variety of information concerning its affairs, including information provided on the City's web site. Such information, however, is not generally prepared for the benefit of investors or in connection with the offering of securities by the City. No such public information is incorporated herein by reference.

The Ordinance authorizing the issuance of the Bonds will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Bonds by the Purchaser.

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Mayor  
City of Tyler, Texas

ATTEST:

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City Clerk  
City of Tyler, Texas

**SCHEDULE I**

**SCHEDULE OF REFUNDED BONDS**

Water and Sewer System Revenue Refunding Bonds, Series 2015A  
(Refund of Series 2005)

<u>Original Dated Date</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Amount</u>
8/15/2015	09/01/2029	4.000%	\$ 545,000
	09/01/2030	4.000%	2,005,000
			<u>\$2,550,000</u>

Water and Sewer System Revenue Refunding Bonds, Series 2015A  
(New Money)

<u>Original Dated Date</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Amount</u>
8/15/2015	09/01/2026	3.500%	\$ 275,000
	09/01/2027	3.500%	285,000
	09/01/2028	4.000%	295,000
	09/01/2029	4.000%	305,000
	09/01/2030	4.000%	320,000
	09/01/2031	4.000%	330,000
	09/01/2032	4.000%	345,000
	09/01/2033	4.000%	360,000
	09/01/2034	4.000%	370,000
	09/01/2035	4.000%	385,000
			<u>\$3,270,000</u>

Water and Sewer System Revenue Refunding Bonds, Series 2015B

<u>Original Dated Date</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Amount</u>
9/15/2015	09/01/2026	5.000%	\$1,630,000
	09/01/2027	5.000%	1,285,000
	09/01/2028	5.000%	1,790,000
	09/01/2029	5.000%	1,330,000
	09/01/2027	3.000%	425,000
			<u>\$6,460,000</u>

Redemption Date: 5/22/2026  
Redemption Price: 100%

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

**THE CITY OF TYLER, TEXAS**

**LOCATION AND GENERAL DESCRIPTION . . .** The City of Tyler, the county seat of Smith County, is an important East Texas commercial and industrial center located on U.S. Highway 69 just south of Interstate 20. The City is located an equal distance (approximately 100 miles) from the cities of Dallas, Texas and Shreveport, Louisiana and encompasses approximately 52.746 square miles.

The City is commonly referred to as the City of Roses primarily for its large municipal rose garden and the numerous rose and other garden festivals held annually. Economic activity within the City is diverse, consisting of medical, educational, manufacturing, oil and gas, agricultural, tourism and general trade activities.

**U. S. CENSUS OF POPULATION . . .** The City’s 2020 Census population was 105,995, which was a 9.39% increase from the 2010 Census population of 96,900. The Census estimated population for 2026 is 112,219.

Year	City of Tyler		Smith County	
	Number	% Change	Number	% Change
1980	70,508	+22.05	128,366	+32.21
1990	75,450	+7.01	151,309	+17.87
2000	83,650	+10.87	174,706	+15.46
2010	96,900	+15.84	209,714	+20.04
2020	105,995	+9.39	233,479	+11.33

Source: U.S. Census Bureau.

**MEDICAL CENTER . . .** Tyler is the medical center of East Texas, with seven hospitals and 66 clinics. Including nursing homes and retirement centers there are more than 2,000 beds available in health care facilities. There are more than 400 medical doctors and 95 dentists in Tyler. Included in the array of medical-related services in Tyler is a three-year professional training course offered by Texas Eastern School of Nursing and a baccalaureate degree in nursing offered by University of Texas at Tyler.

**MANUFACTURING . . .** Tyler has a diversified industrial base with approximately 250 manufacturers, distributors and processors in the Tyler/Smith County area. Some of the products manufactured, processed or distributed in the area include: air conditioning units, cast iron pipe, life jackets, guncases, baking products, milk products, petrochemical processing equipment, petrochemical products, brass products, manufacturing and processing equipment, meat products, corrugated boxes, exercise equipment, furniture, printing, medical supplies, silk flowers, acetylene, various rubber products, adhesives, fishing lures, candy, lumber treating and many others.

**MAJOR EMPLOYERS IN THE TYLER AREA**

Employer	Product/Service	Employees
Christus Trinity Mother Francis*	Medical Care	5,000
UT Health East Texas*	Medical Care	4,500
Tyler Independent School District*	Education	2,550
Trane Technologies*	Air Conditioning Units	2,500
Sanderson Farms	Distribution	1,750
Walmart	Retail	1,500
Brookshire Grocery Company*	Grocery Distribution	1,450
UT Health Science Center at Tyler	Medical Care/Research	1,450
University of Texas - Tyler	Education	1,200
Optimum Communications	Cable, Internet & Phone	1,150
John Soules Foods*	Food Distribution	1,000
Tyler Junior College*	Education	1,000
Target Distribution Center	Distribution	1,000
City of Tyler*	City Government	850
Smith County*	County	850
	Total	27,750

Source: City of Tyler, Texas 2024 Annual Financial Report.

\* Company has headquarters in the City.

**LABOR FORCE**

	City of Tyler				
	November,	Average Annual			
	2025	2024	2023	2022	2021
Civilian Labor Force	57,039	55,234	54,004	52,988	52,341
Total Employed	54,721	53,142	51,972	51,008	49,635
Total Unemployed	2,318	2,092	2,032	1,980	2,706
% Unemployed	4.1%	3.8%	3.8%	3.7%	5.2%

	Smith County				
	November,	Average Annual			
	2025	2024	2023	2022	2021
Civilian Labor Force	121,940	118,212	115,469	112,049	110,700
Total Employed	117,067	113,688	111,185	107,882	104,979
Total Unemployed	4,873	4,524	4,284	4,167	5,721
% Unemployed	4.0%	3.8%	3.7%	3.7%	5.2%

Source: Texas Labor Market Information, Texas Workforce Commission.

**HIGHER EDUCATION . . .** Higher education facilities are provided at the University of Texas at Tyler with enrollment of approximately 6,700 with 74 undergraduate and graduate degrees in five colleges; Texas College at Tyler with approximately 870 students; Tyler Junior College with an enrollment of approximately 24,738 students; Tyler School of Business; East Texas Barber College; and Tyler Real Estate School.

**OIL AND GAS INDUSTRY . . .** When the East Texas Oilfield was discovered in 1931, the City became a headquarters for major oil companies and hundreds of independent oilmen. The City remains an oil center today; however, the City's expanded economic base is more diversified than it was in past years. Today there are numerous oil related service and manufacturing companies located in the City, which produce, among other things, various oilfield equipment and petroleum based products.

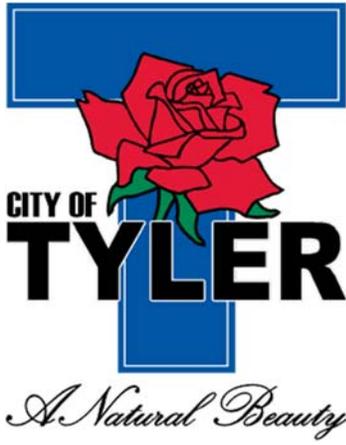
**APPENDIX B**

EXCERPTS FROM THE  
CITY OF TYLER, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Tyler, Texas Annual Comprehensive Financial Report for Fiscal Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition.

Reference is made to the complete Report for further information.



**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and City Council  
City of Tyler, Texas

**Report on the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Tyler, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Tyler, Texas' basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary information for the General Fund, and the aggregate remaining fund information of City of Tyler, Texas, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Tyler, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Tyler, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Tyler, Texas's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 and the schedules related to pension and OPEB activity on pages 79-85, and the budgetary comparison schedule for the One-Half Cent Sales Tax Fund at page 86 will be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Tyler, Texas's basic financial statements. The introductory section, additional supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Uniform Grant Management Standards* are also not a required part of the basic financial statements.

The additional supplementary information and the schedules of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2025, on our consideration of City of Tyler, Texas'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* in considering City of Tyler, Texas's internal control over financial reporting and compliance.

*Gollob Morgan Peddy PC*

Certified Public Accountants

Tyler, Texas  
March 6, 2025

## CITY OF TYLER, TEXAS

Management's Discussion and Analysis  
For Year Ended September 30, 2024  
(Unaudited)

As management of the City of Tyler, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Tyler exceeded its liabilities and deferred inflows of resources on September 30, 2024, by \$638,272,620 (net position).
- The City's total net position increased by \$36,271,906 for the current year.
- As of the close of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$76,421,272. \$12,830,567 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$12,830,567. The general fund operating reserve targeted amount was \$14,558,837 (15% of general fund expenditures).
- The City's revenue bond payable had a net increase of \$54,225,000. The City has no general obligation bond payable.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**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 similar to a private-sector business.

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

The Statement of Activities presents information indicating how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City's governmental activities include general government, public safety, highways and streets, public services, and culture and

recreation. The business-type activities of the City include utilities, airport, and sanitation operations. The government-wide financial statements are on pages 16-17 of this report.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources and balances of spendable resources available at the end of the fiscal year. Such information may be helpful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is helpful to compare the 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. The Governmental Funds Balance Sheet and the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 25 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and the Capital Projects Half Cent Sales Tax Fund, both considered major funds. Data from the other 23 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements are on pages 18-23.

**Proprietary Funds** - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utilities, airport, and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its fleet services, risk management, technology, property and facility management, productivity pay, active employee benefit program, and retiree benefit program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utilities, airport, and sanitation funds as they are considered to be major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided by combining statements elsewhere in this report. The basic proprietary fund financial statements are on pages 24-26 of this report.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Tyler's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements are on pages 27-28 of this report. Individual fund data for the fiduciary funds is provided by combining statements elsewhere in this report. An additional fiduciary fund was created in 2009 for the Other Post Employment Benefit Trust. Information about Other Post-Employment Benefits and the related trust can be found in note 5 on pages 68-69. The Fireman's Relief and Retirement Fund as of 2012 is reported in the City's financial statements as a blended component unit. This information is included in the basic fiduciary fund statement on pages 27-28. A separate independent audit of the Fund's financial condition is completed each fiscal year, and details can be found in note 5 on pages 63-64.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-77.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 79-85 of this report.

The combined statements referred to earlier in connection with general governmental funds, non-major governmental funds, enterprise funds, internal service funds, and fiduciary funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 87-148 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of governments' financial position over time. In the case of the City of Tyler, assets exceeded liabilities by \$638,272,620 as of September 30, 2024.

The largest portion of the City's net position, 85%, or \$542,251,856, reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction-in-progress, and infrastructure), less any outstanding debt used to acquire the assets. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted 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.

CITY OF TYLER'S NET POSITION – Fiscal Year 2024

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$137,834,520	\$144,184,166	\$84,943,120	\$47,840,713	\$222,777,640	\$192,024,879
Capital assets	333,335,573	313,985,957	411,924,076	378,769,801	745,259,649	692,755,758
Total Assets	471,170,093	458,170,123	496,867,196	426,610,514	968,037,289	884,780,637
Deferred Outflow of Resources	45,500,512	57,775,494	10,644,706	13,651,327	56,145,218	71,426,821
Non-current liabilities	110,223,968	128,450,791	209,547,367	158,591,217	319,771,335	287,042,008
Other liabilities	23,550,130	31,005,158	12,662,217	10,293,661	36,212,347	41,298,819
Total Liabilities	133,774,098	159,455,949	222,209,584	168,884,878	355,983,682	328,340,827
Deferred Inflows of Resources	23,163,880	20,115,566	6,762,325	5,750,351	29,926,205	25,865,917
Net Position:						
Net Investment in Capital Assets	321,905,410	302,282,138	220,346,446	243,814,226	542,251,856	546,096,364
Restricted	57,837,543	58,646,738	56,739,327	16,720,857	114,576,870	75,367,595
Unrestricted	(20,010,326)	(24,554,774)	1,454,220	5,091,529	(18,556,106)	(19,463,245)
Total Net Position	\$359,732,627	\$336,374,102	\$278,539,993	\$265,626,612	\$638,272,620	\$602,000,714

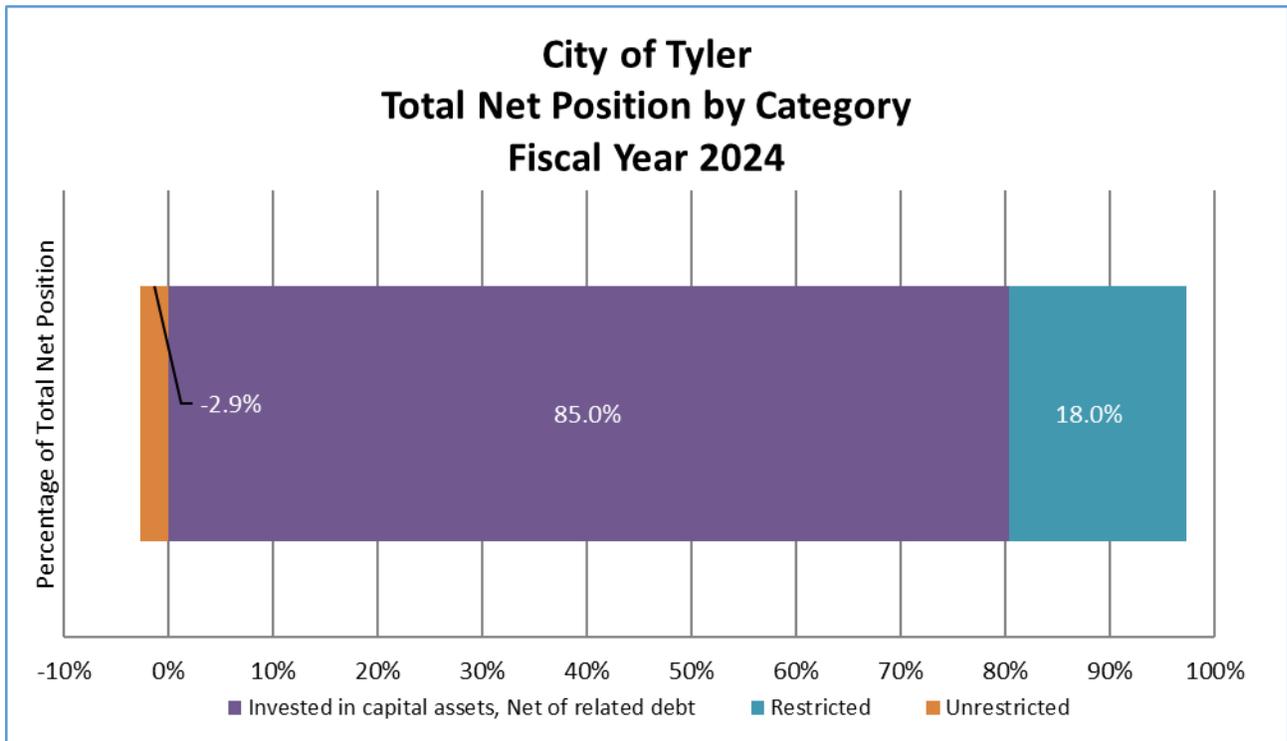
An additional portion of the City's net position, 18% or \$114,576,870, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is (2.9%) at \$(18,556,106).

The negative remaining balance in unrestricted net position is related to the implementation of GASB 68, 71, and 75 in prior years, requiring the recording of all pension and Other Post-Employment Benefits (OPEB) related assets and

liabilities in the financial statements. Currently, Pension and OPEB liabilities exceed pension assets. The City of Tyler has two pension plans: the Texas Municipal Retirement System (TMRS) and the Tyler Firemen’s Relief and Retirement Fund (TFDRRF). Texas Municipal Retirement plan has a thirty-year closed amortization period. The TMRS pension plan is estimated to be 100% funded in 2036. 100% funding will mean that pension and OPEB assets will be equal to liabilities. Once that has been achieved, it is expected that the City’s contribution rate (TMRS) and actuarial determined contribution (ADC) will be reduced. Tyler Firemen’s Relief and Retirement Fund is an open amortization plan that aims to amortize its unfunded actuarial accrued liability over fifteen to twenty-five years.

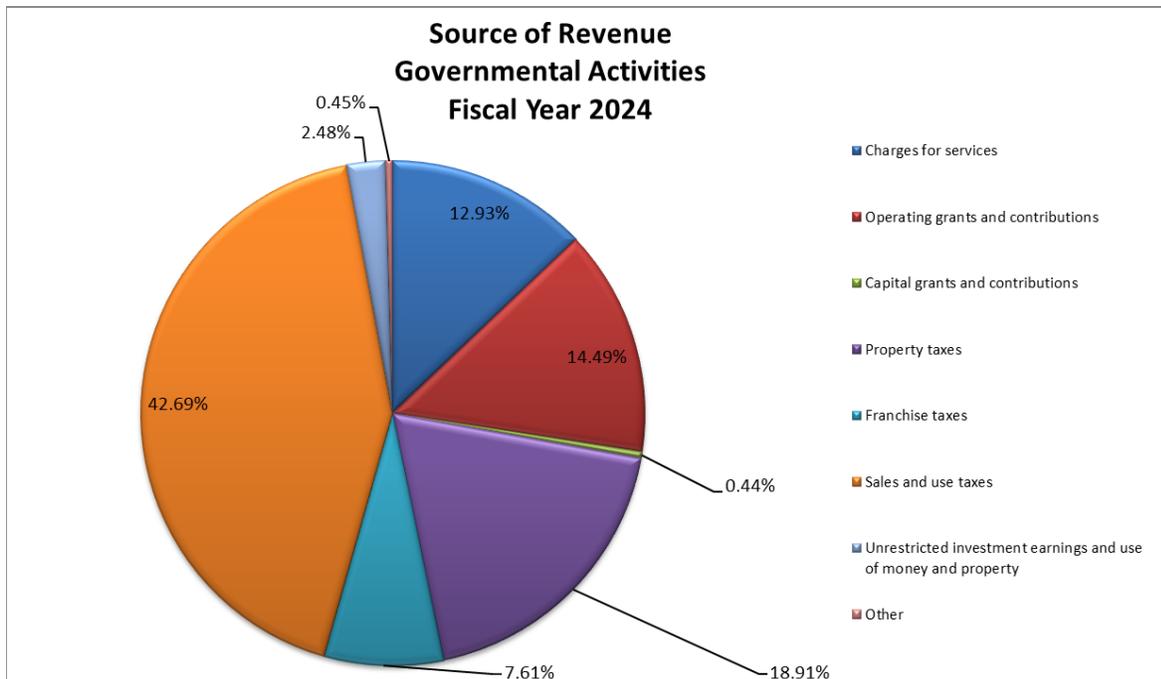
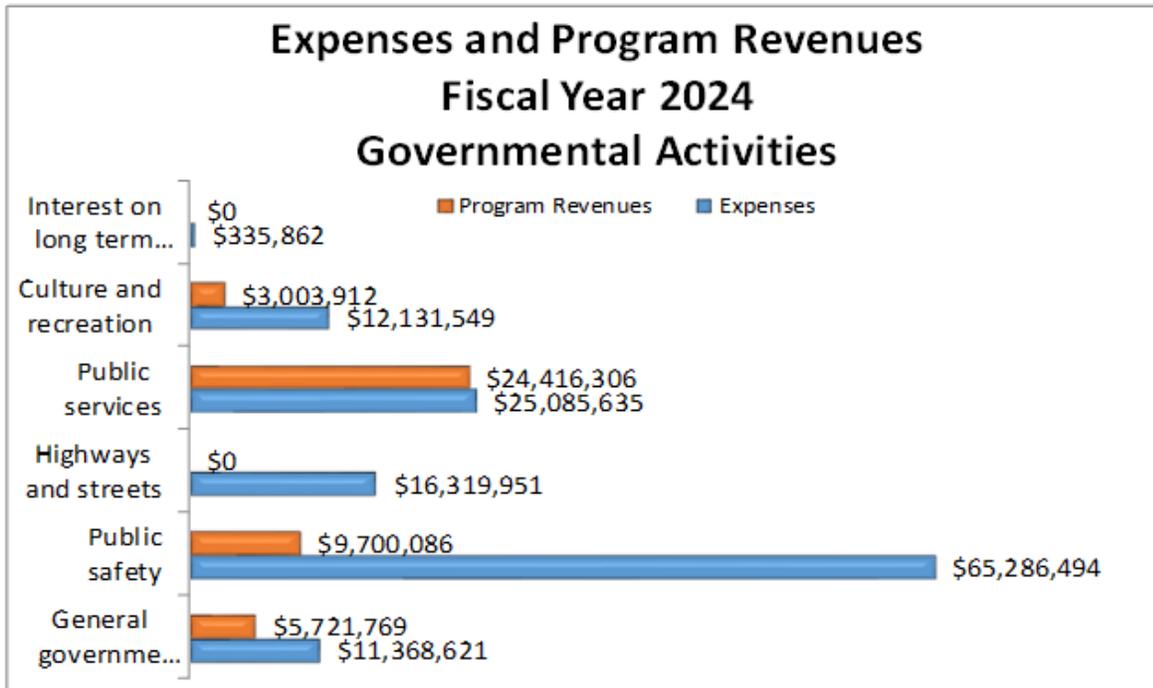
This negative impact on the City’s net position is not unique to the City of Tyler. Many organizations across the country are experiencing similar scenarios when implementing this accounting standard. This standard has been discussed for some time, and organizations have prepared for its implementation. Pension plans like TMRS have worked with us and made changes to ensure we are properly setting aside the appropriate dollars for future benefits. The City has implemented a reduction in retiree Medicare RX and Medicare supplemental insurance contributions and increased its ADC to begin work toward reducing its OPEB liability.

As of September 30, 2024, the City is able to report positive balances in two of the three categories of net position. The prior fiscal year also had positive balances in two of the three categories. The following chart illustrates the percentage of total net position that each category encompasses for the current fiscal year.

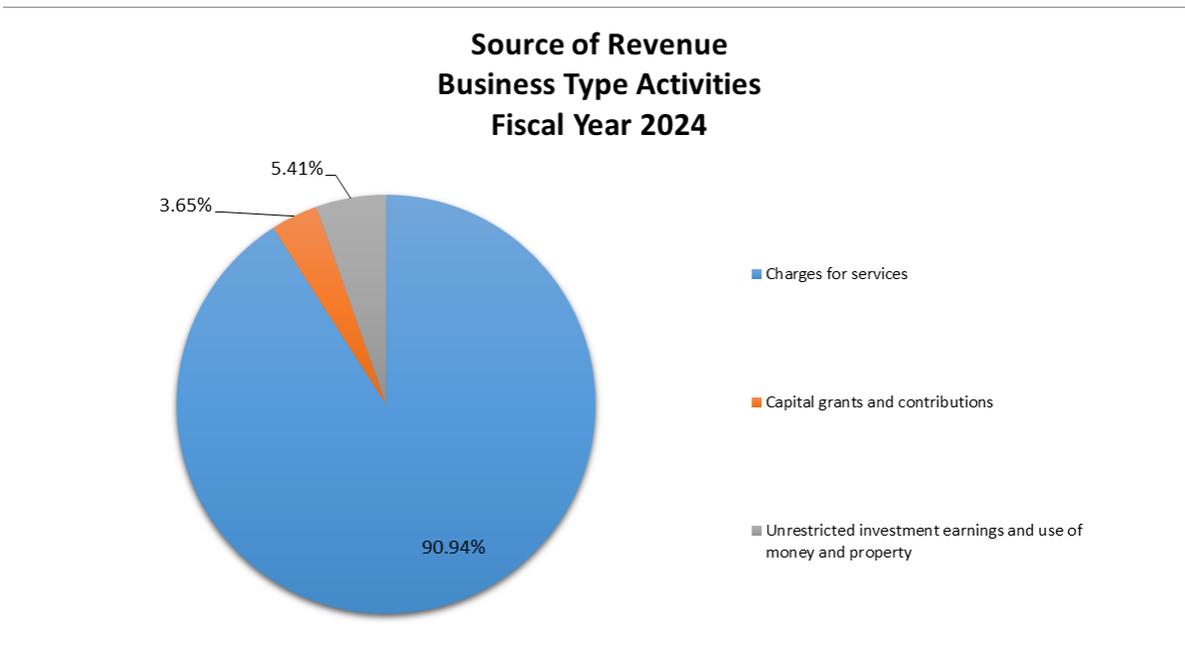
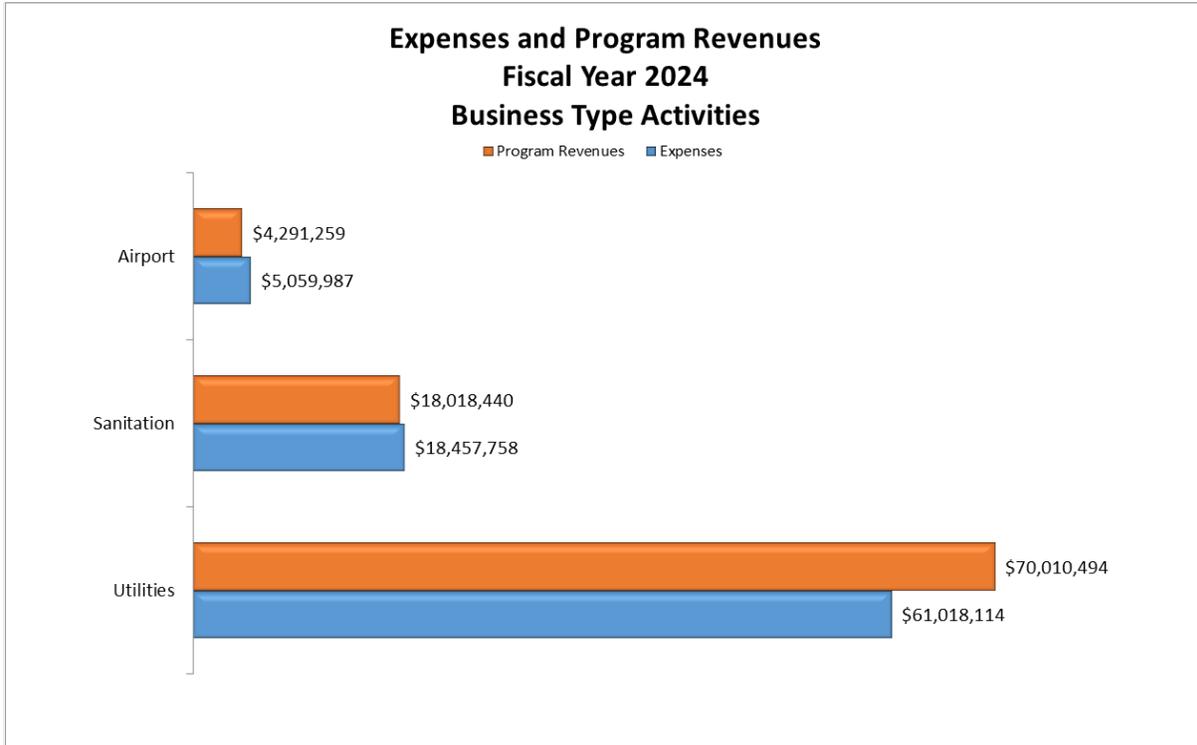


**Analysis of the City’s Operations** – Overall, the City’s total net position increased by \$36,271,906 for the current year.

**Governmental Activities:** Governmental activities increased total net position by \$23,358,525. Net position invested in capital assets; net of related debt increased by \$19,623,272 addition of assets. Restricted net position decreased by \$809,195.



**Business-type Activities:** Net Position from business-type activities increased by \$12,913,381. This increase was primarily due to increased capital assets related to the Water Utilities Fund.



The following table provides a summary of the City's operations for the year ended September 30, 2024, with comparative totals for the year ended September 30, 2023.

**CITY OF TYLER'S CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$19,882,486	\$16,567,263	\$88,754,434	\$79,089,178	\$108,636,920	\$95,656,441
Operating grants and contributions	22,286,818	17,161,327	-	-	22,286,818	17,161,327
Capital grants and contributions	672,769	582,190	3,565,759	5,132,433	4,238,528	5,714,623
<b>General revenues:</b>						
Property taxes	29,073,015	27,403,562	-	-	29,073,015	27,403,562
Franchise taxes	11,705,110	11,462,535	-	-	11,705,110	11,462,535
Sales and use taxes	65,639,395	66,519,588	-	-	65,639,395	66,519,588
Investment earnings and use of money and property	3,807,411	3,372,781	5,277,541	2,392,860	9,084,952	5,765,641
Gain on sale of assets	692,360	189,360	(21,221)	-	671,139	189,360
Donations	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>153,759,364</b>	<b>143,258,606</b>	<b>97,576,513</b>	<b>86,614,471</b>	<b>251,335,877</b>	<b>229,873,077</b>
<b>Expenses:</b>						
General government	11,368,621	13,865,317	-	-	11,368,621	13,865,317
Public safety	65,286,494	59,232,613	-	-	65,286,494	59,232,613
Streets	16,319,951	15,093,538	-	-	16,319,951	15,093,538
Public services	25,085,635	20,597,159	-	-	25,085,635	20,597,159
Culture and recreation	12,131,549	11,081,250	-	-	12,131,549	11,081,250
Interest on long-term debt	335,862	275,485	-	-	335,862	275,485
Water and sewer	-	-	61,018,114	54,848,189	61,018,114	54,848,189
Sanitation	-	-	18,457,758	17,899,836	18,457,758	17,899,836
Airport	-	-	5,059,987	4,980,865	5,059,987	4,980,865
<b>Total Expenses</b>	<b>130,528,112</b>	<b>120,145,362</b>	<b>84,535,859</b>	<b>77,728,890</b>	<b>215,063,971</b>	<b>197,874,252</b>
Increases (decreases) in net position before transfers	23,231,252	23,113,244	13,040,654	8,885,581	36,271,906	31,998,825
Transfers	127,273	(5,082)	(127,273)	5,082	-	-
<b>Change in net position</b>	<b>23,358,525</b>	<b>23,108,162</b>	<b>12,913,381</b>	<b>8,890,663</b>	<b>36,271,906</b>	<b>31,998,825</b>
Net position – October 1	336,374,102	313,265,940	265,626,612	256,735,949	602,000,714	570,001,889
Prior Period Adjustment	-	-	-	-	-	-
<b>Net position – September 30</b>	<b>\$ 359,732,627</b>	<b>\$ 336,374,102</b>	<b>\$ 278,539,993</b>	<b>\$ 265,626,612</b>	<b>\$ 638,272,620</b>	<b>\$ 602,000,714</b>

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Governmental funds**—The City of Tyler's governmental funds focus on providing information on near-term inflows, outflows, and balances of spendable resources. Such information is helpful in assessing the City's financing requirements. In particular, unassigned fund balance may be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$76,421,272. Approximately 17% of this total amount, \$12,830,567, constitutes an unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted or assigned for the following: 1) to pay for capital projects, \$36,804,734; 2) to pay for the perpetual care of city cemeteries, \$3,323,804; 3) to purchase items restricted under grant and donation terms,

\$16,268,701; 4) to purchase items restricted under tourism and conventions, \$1,612,821 and 5) to pay for other miscellaneous restrictions, \$5,580,645. The City of Tyler also self-imposes an operating designation in the general fund equivalent to approximately 15 percent of total expenditures, \$14,558,837.

In the general fund, the City’s original budget planned to decrease the fund balance on a budget basis by \$243,162. Additional amendments were made to fund various expenses required for operations for a net budgeted decrease in the fund balance of \$4,784,664. Due to revenue and expenditure budget variances, the actual net decrease in fund balance for fiscal year 2024 was \$5,253,047. Capital Projects Half Cent Sales Tax Fund balance increased in 2024 by \$1,399,391. Other non-major governmental fund balances increased in 2024 by \$2,246,169, from \$14,631,833 to \$16,878,002.

**Proprietary funds** - The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the respective proprietary funds are Utilities - \$3,480,322, Sanitation – \$(2,335,436) and Airport – \$848,183. The following funds had a net position increase/(decrease) in 2024 as follows: Utilities \$12,073,354, Sanitation \$(535,378), and Airport- \$306,903.

**General Fund Budgetary Highlights** - The City revised the original budget appropriations approved by the City Council. Overall, these changes resulted in increased budgeted appropriations of \$4,541,502.

Actual revenues were below the final budgeted amounts by a total of \$204,447, while actual expenditures, including transfers, were above the final budgeted amounts by a total of \$263,936.

### CAPITAL ASSETS

The City of Tyler’s investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to \$745,259,649 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings, equipment, improvements, infrastructure, construction in progress, right-to-use assets, and subscription assets. The total net increase in capital assets for the current fiscal year was \$52,503,891.

Major capital asset events during the current fiscal year included the following:

- \$ 40,946,699 Water and Sewer capital projects
- \$ 13,532,352 Roadway improvement projects
- \$ 9,463,041 Airport capital projects
- \$ 3,593,820 Rose Complex Convention Center
- \$ 2,322,319 Drainage Capital Projects

	Capital Assets at Year End Net of Accumulated Depreciation					
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$17,309,365	\$17,309,365	\$12,073,047	\$12,073,047	\$29,382,412	\$29,382,412
Water rights	-	-	12,526,700	12,526,700	12,526,700	12,526,700
Building	38,862,696	40,642,396	22,593,994	23,720,063	61,456,690	64,362,459
Improvements	35,622,148	36,124,133	296,317,366	292,511,953	331,939,514	328,636,086
Machinery & equipment	29,098,003	25,521,953	6,922,094	6,851,004	36,020,097	32,372,957
Infrastructure	135,563,036	137,509,165	15,041,504	15,496,769	150,604,540	153,005,934
Right-to-use lease assets	1,308,100	671,802	-	-	1,308,100	671,802
Subscription Assets	391,252	907,456	-	-	391,252	907,456
Construction in progress	75,180,973	55,299,687	46,449,371	15,590,265	121,630,344	70,889,952
<b>Total</b>	<b>\$333,335,573</b>	<b>\$313,985,957</b>	<b>\$411,924,076</b>	<b>\$378,769,801</b>	<b>\$745,259,649</b>	<b>\$692,755,758</b>

Additional information on the City of Tyler’s capital assets can be found in note 4 on page 46-49 of this report.

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City of Tyler had a total bonded debt of \$190,760,000, comprised of bonds secured by water and sewer revenues of \$181,780,000, airport customer facility revenues of \$380,000, and hotel bond revenues of \$8,600,000.

	Outstanding Debt at Year End					
	Bonds and Notes Payable					
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Capital leases	\$1,403,082	\$718,459	-	-	\$1,403,082	\$718,459
Subscription Leases	126,641	724,258	-	-	126,641	724,258
Revenue bonds payable	-	-	190,760,000	136,535,000	190,760,000	136,535,000
Total	1,529,723	1,442,717	\$190,760,000	\$136,535,000	\$192,289,723	\$137,977,717

During the fiscal year, the City’s revenue bond debt increased by \$54,225,000 or 39.7 %.

The City’s General Obligation and Revenue Bond ratings are listed below.

	Standard & Poor’s
General Obligation Bonds	AAA
Revenue Bonds	AA
Revenue Bonds (Rose Complex)	A+

Please see note 4 on page 55 to explain reserve requirements for the City of Tyler. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Tyler is \$1,219,164,370. The City of Tyler has no outstanding general obligation bond debt.

Additional information on the City of Tyler’s long-term debt can be found in note 4 on pages 54-56 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

- The unemployment rate for the City of Tyler is currently 3.9%, an increase from 3.3% a year ago. This compares to the state’s average unemployment rate of 4% and the national average of 4.2%.
- Sales tax receipt growth over a ten-year average decreased slightly to 4.31%. Property values have grown at an average of 5.75% over the last ten years. Growth in values includes new and existing values.

All of these factors were considered in preparing the budget for the fiscal year 2024-2025, and the City of Tyler anticipates that the total net position will remain at similar levels by September 30, 2025.

**REQUEST FOR INFORMATION**

The financial report is designed to give our citizens, customers, investors, and creditors a general overview of the City’s finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Chief Financial Officer at P.O. Box 2039, Tyler, Texas 75710, call (903) 531-1138, or email [cfo@tylertexas.com](mailto:cfo@tylertexas.com).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF TYLER, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2024**

**EXHIBIT 1**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 51,014,257	\$ 15,308,458	\$ 66,322,715
Receivables (net of allowance for doubtful accounts)	32,487,929	11,739,064	44,226,993
Internal balances	1,596,632	(1,596,632)	-
Inventories	350,132	2,233,914	2,584,046
Prepaid items	409,764	51,381	461,145
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	44,358,307	57,124,426	101,482,733
Permanently restricted			
Cash and cash equivalents	3,345,925	-	3,345,925
Lease receivable	119,312	82,509	201,821
Investment in joint venture	4,152,262	-	4,152,262
Capital assets not being depreciated:			
Land	17,309,365	12,073,047	29,382,412
Water rights	-	12,526,700	12,526,700
Construction in progress	75,180,973	46,449,371	121,630,344
Capital Assets net of accumulated depreciation:			
Buildings	38,862,696	22,593,994	61,456,690
Improvements, other than buildings	35,622,148	296,317,366	331,939,514
Machinery and equipment	29,098,003	6,922,094	36,020,097
Infrastructure	135,563,036	15,041,504	150,604,540
Right-to-use lease assets	1,308,100	-	1,308,100
Subscription assets (SBITA)	391,252	-	391,252
<b>Total assets</b>	<b>471,170,093</b>	<b>496,867,196</b>	<b>968,037,289</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	42,760,828	9,630,696	52,391,524
Deferred outflows related to OPEB	2,739,684	1,014,010	3,753,694
<b>Total deferred outflows of resources</b>	<b>45,500,512</b>	<b>10,644,706</b>	<b>56,145,218</b>
<b>LIABILITIES</b>			
Accounts payable	7,441,644	12,163,416	19,605,060
Deposits and other refundable balances	2,348,289	113,702	2,461,991
Insurance claims payable	1,349,847	-	1,349,847
Accrued interest payable	33,230	385,099	418,329
Unearned revenues	12,377,120	-	12,377,120
Non-current liabilities:			
Due within one year	1,489,953	7,364,156	8,854,109
Due in more than one year	108,734,015	202,183,211	310,917,226
<b>Total liabilities</b>	<b>133,774,098</b>	<b>222,209,584</b>	<b>355,983,682</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to leases	117,413	77,670	195,083
Deferred inflows related to OPEB	5,302,675	857,847	6,160,522
Deferred inflows related to pensions	17,743,792	5,826,808	23,570,600
<b>Total deferred inflows of resources</b>	<b>23,163,880</b>	<b>6,762,325</b>	<b>29,926,205</b>
<b>NET POSITION</b>			
Net investment in capital assets	321,905,410	220,346,446	542,251,856
Restricted for:			
Perpetual care - nonexpendable	3,323,804	-	3,323,804
Storm water management	-	2,082,767	2,082,767
Public Safety	1,067,336	-	1,067,336
Capital improvements	2,386,894	-	2,386,894
Tourism and convention	1,629,128	-	1,629,128
Donor restrictions	1,314,294	-	1,314,294
Capital projects	31,198,336	52,793,640	83,991,976
Airport improvements	638,507	-	638,507
Communications	1,322,474	-	1,322,474
Housing assistance	1,314,526	-	1,314,526
Grant restrictions	1,293,229	-	1,293,229
COVID fiscal recovery	12,346,652	-	12,346,652
Debt service	2,363	1,862,920	1,865,283
Unrestricted	(20,010,326)	1,454,220	(18,556,106)
<b>Total net position</b>	<b>\$ 359,732,627</b>	<b>\$ 278,539,993</b>	<b>\$ 638,272,620</b>

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

**CITY OF TYLER, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>Governmental activities:</b>							
General government	\$ 11,368,621	\$ 5,705,315	\$ 16,454	\$ -	\$ (5,646,852)	\$ -	\$ (5,646,852)
Public safety	65,286,494	8,088,555	938,762	672,769	(55,586,408)	-	(55,586,408)
Highways and streets	16,319,951	-	-	-	(16,319,951)	-	(16,319,951)
Public services	25,085,635	3,374,704	21,041,602	-	(669,329)	-	(669,329)
Culture and recreation	12,131,549	2,713,912	290,000	-	(9,127,637)	-	(9,127,637)
Interest on long term debt	335,862	-	-	-	(335,862)	-	(335,862)
Total governmental activities	<u>130,528,112</u>	<u>19,882,486</u>	<u>22,286,818</u>	<u>672,769</u>	<u>(87,686,039)</u>	<u>-</u>	<u>(87,686,039)</u>
<b>Business-type activities:</b>							
Utilities	61,018,114	70,010,494	-	-	-	8,992,380	8,992,380
Sanitation	18,457,758	18,018,440	-	-	-	(439,318)	(439,318)
Airport	5,059,987	725,500	-	3,565,759	-	(768,728)	(768,728)
Total business-type activities	<u>84,535,859</u>	<u>88,754,434</u>	<u>-</u>	<u>3,565,759</u>	<u>-</u>	<u>7,784,334</u>	<u>7,784,334</u>
Total primary government	<u>\$ 215,063,971</u>	<u>\$ 108,636,920</u>	<u>\$ 22,286,818</u>	<u>\$ 4,238,528</u>	<u>(87,686,039)</u>	<u>7,784,334</u>	<u>(79,901,705)</u>
<b>General revenues:</b>							
Property taxes					29,073,015	-	29,073,015
Franchise taxes					11,705,110	-	11,705,110
Sales and use taxes					65,639,395	-	65,639,395
Unrestricted investment earnings and use of money and property					3,807,411	5,277,541	9,084,952
Gain (loss) on sale of assets					692,360	(21,221)	671,139
Transfers					127,273	(127,273)	-
Total general revenues and transfers					<u>111,044,564</u>	<u>5,129,047</u>	<u>116,173,611</u>
Change in net position					23,358,525	12,913,381	36,271,906
Net position - beginning of year					<u>336,374,102</u>	<u>265,626,612</u>	<u>602,000,714</u>
Net position - end of year					<u>\$ 359,732,627</u>	<u>\$ 278,539,993</u>	<u>\$ 638,272,620</u>

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

**CITY OF TYLER, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2024**

	MAJOR FUNDS		OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	ONE-HALF CENT SALES TAX		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,886,165	\$ -	\$ 9,334,875	\$ 32,221,040
Receivables (net of allowance for doubtful accounts) :				
Property taxes	772,240	-	-	772,240
Other	24,890,634	3,523,134	2,303,732	30,717,500
Due from other funds	2,434,660	-	-	2,434,660
Inventories	61,197	-	4,450	65,647
Prepaid items	106,778	218,267	3,670	328,715
Cash and cash equivalents - restricted	12,346,652	27,900,670	7,456,910	47,704,232
	<u>\$ 63,498,326</u>	<u>\$ 31,642,071</u>	<u>\$ 19,103,637</u>	<u>\$ 114,244,034</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 4,888,482	\$ 443,605	\$ 1,094,242	\$ 6,426,329
Deposits and other refundable balances	2,093,149	-	248,152	2,341,301
Other liabilities	-	130	5,202	5,332
Due to other funds	-	-	877,210	877,210
Unearned Revenues	12,376,291	-	829	12,377,120
	<u>19,357,922</u>	<u>443,735</u>	<u>2,225,635</u>	<u>22,027,292</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	733,837	-	-	733,837
Unavailable revenue-fines	15,021,520	-	-	15,021,520
Unavailable revenue-permits	40,113	-	-	40,113
	<u>15,795,470</u>	<u>-</u>	<u>-</u>	<u>15,795,470</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	61,197	-	4,450	65,647
Prepaid items	106,778	-	-	106,778
Permanent fund principal	-	-	3,323,804	3,323,804
Restricted for:				
Debt service	-	-	2,363	2,363
Public Safety	-	-	1,067,336	1,067,336
Capital improvements	-	-	2,386,894	2,386,894
Tourism and convention	-	-	1,629,128	1,629,128
Donor restrictions	-	-	1,314,294	1,314,294
Capital projects	-	31,198,336	-	31,198,336
Airport improvements	-	-	638,507	638,507
Communications	-	-	1,322,474	1,322,474
Housing assistance	-	-	1,314,526	1,314,526
Grant restrictions	-	-	1,293,229	1,293,229
COVID fiscal recovery	12,346,652	-	-	12,346,652
Assigned to:				
Development services	3,016,047	-	-	3,016,047
Capital improvements	-	-	-	-
Capital projects	-	-	2,580,997	2,580,997
Tourism and convention	(16,307)	-	-	(16,307)
Unassigned	12,830,567	-	-	12,830,567
	<u>28,344,934</u>	<u>31,198,336</u>	<u>16,878,002</u>	<u>76,421,272</u>
Total fund balances	<u>28,344,934</u>	<u>31,198,336</u>	<u>16,878,002</u>	<u>76,421,272</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 63,498,326</u>	<u>\$ 31,642,071</u>	<u>\$ 19,103,637</u>	<u>\$ 114,244,034</u>

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

**CITY OF TYLER, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2024**

Total fund balances governmental funds (Exhibit 3)	\$ 76,421,272
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	303,883,250
Equity in an affiliated joint venture is included in governmental activities in the statement of net assets.	4,152,262
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	15,795,470
Deferred outflows of funds related to pension and OPEB activities	43,559,861
Deferred inflows of funds related to pension and OPEB activities	(21,821,565)
Net pension and OPEB liabilities reflected under GASB 68 and 75 at year end	(79,920,122)
Internal service funds are used by management to charge the costs of various goods or services provided to other departments or agencies of the City. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (Net of the amount allocated to business-type activities - \$2,719,682 )	43,249,400
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	<u>(25,587,201)</u>
Net position of governmental activities (Exhibit 1)	<u><u>\$ 359,732,627</u></u>

**CITY OF TYLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	MAJOR FUNDS		OTHER NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	ONE-HALF CENT SALES TAX			
<b>REVENUES</b>					
Taxes:					
Property	\$ 28,535,332	\$ -	\$ 525,052	\$ -	\$ 29,060,384
Franchise	11,519,996	-	185,114	-	11,705,110
Sales and use	41,147,608	19,970,054	4,521,733	-	65,639,395
Licenses and permits	3,151,601	-	87,891	-	3,239,492
Fines, forfeitures, and penalties	4,495,705	-	553,935	-	5,049,640
Revenues from use of money or property	2,971,107	1,186,459	564,089	-	4,721,655
Charges for current services	3,234,130	-	1,186,450	-	4,420,580
Revenues from other agencies	1,129,108	1,904,689	19,925,790	-	22,959,587
Donations	-	-	729,619	-	729,619
Miscellaneous	654,476	-	1,473,062	-	2,127,538
Total revenues	<u>96,839,063</u>	<u>23,061,202</u>	<u>29,752,735</u>	<u>-</u>	<u>149,653,000</u>
<b>EXPENDITURES</b>					
Current:					
General government	10,682,858	343,263	712,257	-	11,738,378
Public safety	64,510,212	-	364,003	-	64,874,215
Public services	3,960,241	1,257,952	19,600,643	-	24,818,836
Highways and streets	6,736,654	-	-	-	6,736,654
Culture and recreation	10,453,675	-	649,965	-	11,103,640
Capital outlay	715,273	19,857,283	10,213,972	-	30,786,528
Debt service:					
Principal retirement	-	-	240,000	-	240,000
Interest and fiscal charges	-	-	361,898	-	361,898
Total expenditures	<u>97,058,913</u>	<u>21,458,498</u>	<u>32,142,738</u>	<u>-</u>	<u>150,660,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(219,850)</u>	<u>1,602,704</u>	<u>(2,390,003)</u>	<u>-</u>	<u>(1,007,149)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,500,000	-	7,903,017	(4,556,892)	5,846,125
Transfers out	(7,533,197)	(203,313)	(3,266,845)	4,556,892	(6,446,463)
Total other financing sources (uses)	<u>(5,033,197)</u>	<u>(203,313)</u>	<u>4,636,172</u>	<u>-</u>	<u>(600,338)</u>
Net change in fund balances	(5,253,047)	1,399,391	2,246,169	-	(1,607,487)
Fund balances - beginning of year	<u>33,597,981</u>	<u>29,798,945</u>	<u>14,631,833</u>	<u>-</u>	<u>78,028,759</u>
Fund balances - end of year	<u>\$ 28,344,934</u>	<u>\$ 31,198,336</u>	<u>\$ 16,878,002</u>	<u>\$ -</u>	<u>\$ 76,421,272</u>

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

**CITY OF TYLER, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ (1,607,487)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	15,546,575
The net increase of the equity in investment in an affiliated joint venture is reflected on the statement of activities.	93,686
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	563
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The current adjustment reflects a net decrease in the deferral of the revenue.	2,459,210
The issuance of long-term debt (e.g. capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	306,357
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences, accrued legal expenses, and net pension expense.	2,351,702
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities, net of amount allocated to business-type activities of \$1,780,710	<u>4,207,919</u>
Change in net assets of governmental activities	<u><u>\$ 23,358,525</u></u>

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

**CITY OF TYLER, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property tax collections	\$ 28,534,768	\$ 28,534,768	\$ 28,535,332	\$ 564
Franchise fees	11,461,879	11,461,879	11,519,996	58,117
Sales and use taxes	42,185,725	42,185,725	41,147,608	(1,038,117)
Licenses and permits	2,961,156	2,961,156	3,151,601	190,445
Fines, forfeitures, and penalties	4,153,000	4,153,000	4,495,705	342,705
Revenues from use of money or property	2,266,485	2,266,485	2,971,107	704,622
Charges for current services	3,006,413	3,160,413	3,234,130	73,717
Revenues from other agencies	1,114,808	1,114,808	1,129,108	14,300
Miscellaneous	1,205,276	1,205,276	654,476	(550,800)
<b>Total revenues</b>	<b>96,889,510</b>	<b>97,043,510</b>	<b>96,839,063</b>	<b>(204,447)</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT:</b>				
General Government Services	5,445,638	5,579,472	6,189,755	(610,283)
Communications	648,645	648,645	601,776	46,869
Finance	1,876,640	1,876,640	1,806,412	70,228
Human Resources	678,559	678,559	672,602	5,957
Legal	1,390,525	1,400,525	1,402,117	(1,592)
Innovation Pipeline	9,994	9,994	10,196	(202)
<b>Total General Government</b>	<b>10,050,001</b>	<b>10,193,835</b>	<b>10,682,858</b>	<b>(489,023)</b>
<b>PUBLIC SAFETY</b>				
Police	36,110,791	35,972,764	36,420,313	(447,549)
Fire	24,684,380	24,689,380	25,644,205	(954,825)
Municipal Court	2,419,262	2,419,262	2,204,974	214,288
COPS	197,533	197,533	240,720	(43,187)
<b>Total Public Safety</b>	<b>63,411,966</b>	<b>63,278,939</b>	<b>64,510,212</b>	<b>(1,231,273)</b>
<b>PUBLIC SERVICES</b>				
Animal Services	1,572,428	1,572,428	1,515,356	57,072
Planning and Zoning Services	871,584	871,584	852,475	19,109
Building Services	1,645,766	1,645,766	1,592,410	53,356
<b>Total Public Services</b>	<b>4,089,778</b>	<b>4,089,778</b>	<b>3,960,241</b>	<b>129,537</b>

(Continued)

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

**CITY OF TYLER, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>EXPENDITURES (continued)</b>				
HIGHWAYS AND STREETS				
Engineering	\$ 779,685	\$ 914,429	\$ 813,748	\$ 100,681
Street administration	3,664,581	3,686,394	3,243,864	442,530
Traffic operations	2,898,305	3,011,207	2,679,042	332,165
	<u>7,342,571</u>	<u>7,612,030</u>	<u>6,736,654</u>	<u>875,376</u>
Total Highways and Streets				
CULTURE AND RECREATION				
Library	2,155,681	2,157,041	2,071,602	85,439
Parks administration	3,472,952	3,479,918	3,472,037	7,881
Indoor recreation	796,795	796,795	773,066	23,729
Outdoor recreation	344,628	344,628	284,648	59,980
Median maintenance and arborist	486,963	486,963	412,525	74,438
Rose Garden center	487,263	487,263	450,553	36,710
Rose Garden maintenance	809,210	809,210	806,003	3,207
Visitor facilities	1,406,168	1,406,168	1,479,267	(73,099)
Main Street	499,633	526,919	457,195	69,724
Liberty Hall	377,877	388,851	246,779	142,072
	<u>10,837,170</u>	<u>10,883,756</u>	<u>10,453,675</u>	<u>430,081</u>
Total Culture and Recreation				
Capital outlay	514,693	962,843	715,273	247,570
Total expenditures	<u>96,246,179</u>	<u>97,021,181</u>	<u>97,058,913</u>	<u>(37,732)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>643,331</u>	<u>22,329</u>	<u>(219,850)</u>	<u>(242,179)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,900,000	2,900,000	2,500,000	(400,000)
Transfers out	(3,786,493)	(7,706,993)	(7,533,197)	173,796
Total other financing sources (uses)	<u>(886,493)</u>	<u>(4,806,993)</u>	<u>(5,033,197)</u>	<u>(226,204)</u>
Net change in fund balance	(243,162)	(4,784,664)	(5,253,047)	(468,383)
Fund balance - beginning of year	14,205,084	8,008,710	33,597,981	25,589,271
Fund balance - end of year	<u>\$ 13,961,922</u>	<u>\$ 3,224,046</u>	<u>\$ 28,344,934</u>	<u>\$ 25,120,888</u>

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

**CITY OF TYLER, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2024**

**EXHIBIT 8**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	UTILITIES	SANITATION	AIRPORT			
<b>ASSETS</b>						
Current assets:						
Unrestricted current assets						
Cash and cash equivalents	13,719,224	\$ 60	\$ 1,589,174	\$ 15,308,458	\$ 18,793,217	
Prepaid expenses	43,421	7,960	-	51,381	81,049	
Accounts receivable (net of allowance for doubtful accounts)	8,249,027	2,559,580	924,064	11,732,671	998,189	
Accrued interest receivable	2,916	536	2,941	6,393	-	
Inventories - at average cost	2,233,914	-	-	2,233,914	284,485	
Lease receivable	27,325	-	-	27,325	4,691	
<b>Total unrestricted current assets</b>	<b>24,275,827</b>	<b>2,568,136</b>	<b>2,516,179</b>	<b>29,360,142</b>	<b>20,161,631</b>	
Restricted Current assets:						
Temporarily restricted:						
Cash and cash equivalents for payment of current maturities of revenue bond principal and interest	2,143,839	-	104,180	2,248,019	-	
<b>Total restricted current assets</b>	<b>2,143,839</b>	<b>-</b>	<b>104,180</b>	<b>2,248,019</b>	<b>-</b>	
<b>Total current assets</b>	<b>26,419,666</b>	<b>2,568,136</b>	<b>2,620,359</b>	<b>31,608,161</b>	<b>20,161,631</b>	
Noncurrent assets:						
Restricted assets:						
Temporarily restricted						
Cash and cash equivalents	54,555,508	320,899	-	54,876,407	-	
<b>Total restricted assets</b>	<b>54,555,508</b>	<b>320,899</b>	<b>-</b>	<b>54,876,407</b>	<b>-</b>	
Lease receivable	55,184	-	-	55,184	114,621	
Capital assets:						
Land	6,842,055	3,285,312	1,945,680	12,073,047	274,972	
Construction in progress	46,146,745	-	302,626	46,449,371	1,190,882	
Water rights	12,526,700	-	-	12,526,700	-	
Buildings and infrastructure	41,380,122	727,319	42,144,225	84,251,666	2,246,833	
Improvements other than buildings	380,183,942	605,496	90,821,830	471,611,268	2,573,286	
Machinery and equipment	8,697,309	10,045,353	2,380,868	21,123,530	61,218,255	
Subscription asset	-	-	-	-	1,421,205	
Right-to-use lease asset	-	-	-	-	2,066,136	
Less accumulated depreciation	(188,907,108)	(7,227,609)	(39,976,789)	(236,111,506)	(41,540,902)	
<b>Total capital assets net of accumulated depreciation</b>	<b>306,869,765</b>	<b>7,435,871</b>	<b>97,618,440</b>	<b>411,924,076</b>	<b>29,450,667</b>	
<b>Total noncurrent assets</b>	<b>361,480,457</b>	<b>7,756,770</b>	<b>97,618,440</b>	<b>466,855,667</b>	<b>29,565,288</b>	
<b>Total assets</b>	<b>387,900,123</b>	<b>10,324,906</b>	<b>100,238,799</b>	<b>498,463,828</b>	<b>49,726,919</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions	6,592,517	2,657,437	380,742	9,630,696	1,754,153	
Deferred outflows related to OPEB	704,744	269,640	39,626	1,014,010	186,498	
<b>Total deferred outflows of resources</b>	<b>7,297,261</b>	<b>2,927,077</b>	<b>420,368</b>	<b>10,644,706</b>	<b>1,940,651</b>	
<b>LIABILITIES</b>						
Current liabilities:						
Unrestricted current liabilities:						
Accounts and contracts payable	11,040,664	1,015,221	107,531	12,163,416	955,240	
Due to other funds	-	49,860	1,007,923	1,057,783	559,742	
Insurance claims payable	-	-	-	-	1,349,847	
Current portion of lease liability	-	-	-	-	388,101	
Current portion of compensated absences payable	26,593	10,949	1,614	39,156	13,162	
Current portion of SBITA payable	-	-	-	-	54,869	
<b>Total unrestricted current liabilities</b>	<b>11,067,257</b>	<b>1,076,030</b>	<b>1,117,068</b>	<b>13,260,355</b>	<b>3,320,961</b>	
Current liabilities payable from restricted assets:						
Revenue bonds payable	7,235,000	-	90,000	7,325,000	-	
Customer deposits	113,702	-	-	113,702	-	
Accrued interest	385,099	-	-	385,099	33,230	
<b>Total current liabilities payable from restricted assets</b>	<b>7,733,801</b>	<b>-</b>	<b>90,000</b>	<b>7,823,801</b>	<b>33,230</b>	
<b>Total current liabilities</b>	<b>18,801,058</b>	<b>1,076,030</b>	<b>1,207,068</b>	<b>21,084,156</b>	<b>3,354,191</b>	
Noncurrent liabilities:						
Revenue bonds payable (net)	183,962,630	-	290,000	184,252,630	-	
Lease liability	-	-	-	-	799,828	
SBITA payable	-	-	-	-	49,456	
Net pension obligation	10,971,468	4,422,212	634,931	16,028,611	2,919,295	
Net OPEB obligation	661,895	262,548	37,760	962,203	176,064	
Compensated absences	638,235	262,786	38,746	939,767	315,870	
<b>Total noncurrent liabilities</b>	<b>196,234,228</b>	<b>4,947,546</b>	<b>1,001,437</b>	<b>202,183,211</b>	<b>4,260,513</b>	
<b>Total liabilities</b>	<b>215,035,286</b>	<b>6,023,576</b>	<b>2,208,505</b>	<b>223,267,367</b>	<b>7,614,704</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to OPEB	258,463	523,953	75,431	857,847	362,100	
Deferred inflows related to pensions	4,359,260	1,283,120	184,428	5,826,808	862,802	
Deferred inflows related to leases	77,670	-	-	77,670	117,413	
<b>Total deferred inflows of resources</b>	<b>4,695,393</b>	<b>1,807,073</b>	<b>259,859</b>	<b>6,762,325</b>	<b>1,342,315</b>	
<b>NET POSITION</b>						
Net investment in capital assets	115,672,135	7,435,871	97,238,440	220,346,446	28,158,413	
Restricted for:						
Debt service	1,758,740	-	104,180	1,862,920	-	
Storm water management	2,082,767	-	-	2,082,767	-	
Capital projects	52,472,741	320,899	-	52,793,640	-	
Unrestricted	3,480,322	(2,335,436)	848,183	1,993,069	14,552,138	
<b>Total net position</b>	<b>\$ 175,466,705</b>	<b>\$ 5,421,334</b>	<b>\$ 98,190,803</b>	<b>\$ 279,078,842</b>	<b>\$ 42,710,551</b>	
Reconciliation to government-wide statements of net assets:						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			Prior years	(1,607,351)		
			Current year	1,068,502		
<b>Net position of business-type activities</b>				<b>\$ 278,539,993</b>		

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

**CITY OF TYLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL
	ENTERPRISE FUNDS				INTERNAL
	UTILITIES	SANITATION	AIRPORT		SERVICE FUNDS
<b>OPERATING REVENUES</b>					
Water and sewer operations	\$ 55,296,792	\$ -	\$ -	\$ 55,296,792	\$ -
Trash and garbage	-	17,916,585	-	17,916,585	-
Airport services	-	-	292,369	292,369	-
Charges for services	-	-	-	-	28,092,065
Contributions	-	-	-	-	13,132,580
Miscellaneous	14,046,017	100,379	33,790	14,180,186	6,516,297
Total operating revenues	<u>69,342,809</u>	<u>18,016,964</u>	<u>326,159</u>	<u>87,685,932</u>	<u>47,740,942</u>
<b>OPERATING EXPENSES</b>					
Water and sewer operations	44,543,534	-	-	44,543,534	-
Sanitation operations	-	17,869,936	-	17,869,936	-
Municipal Airport operations	-	-	1,541,236	1,541,236	-
Garage operations	-	-	-	-	10,536,778
Depreciation	10,627,926	587,822	3,501,267	14,717,015	5,935,457
Insurance claims	-	-	-	-	16,900,085
Administrative	-	-	-	-	8,905,150
Special services	-	-	-	-	1,763,760
Maintenance	-	-	-	-	564,049
Total operating expenses	<u>55,171,460</u>	<u>18,457,758</u>	<u>5,042,503</u>	<u>78,671,721</u>	<u>44,605,279</u>
Operating income (loss)	<u>14,171,349</u>	<u>(440,794)</u>	<u>(4,716,344)</u>	<u>9,014,211</u>	<u>3,135,663</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Revenues from use of money and property	3,974,312	31,570	1,271,659	5,277,541	861,108
Gain (loss) on sale of assets	-	(21,221)	-	(21,221)	692,360
Interest expense	<u>(5,846,654)</u>	<u>-</u>	<u>(17,484)</u>	<u>(5,864,138)</u>	<u>(40,321)</u>
Total non-operating revenues (expenses)	<u>(1,872,342)</u>	<u>10,349</u>	<u>1,254,175</u>	<u>(607,818)</u>	<u>1,513,147</u>
Income (loss) before capital contributions and transfers	<u>12,299,007</u>	<u>(430,445)</u>	<u>(3,462,169)</u>	<u>8,406,393</u>	<u>4,648,810</u>
Capital contributions	-	-	3,565,759	3,565,759	-
Transfers in	-	-	203,313	203,313	727,611
Transfers out	<u>(225,653)</u>	<u>(104,933)</u>	<u>-</u>	<u>(330,586)</u>	<u>(100,000)</u>
Net transfers and capital contributions	<u>(225,653)</u>	<u>(104,933)</u>	<u>3,769,072</u>	<u>3,438,486</u>	<u>627,611</u>
Change in net position	12,073,354	(535,378)	306,903	11,844,879	5,276,421
Net position - beginning of year	<u>163,393,351</u>	<u>5,956,712</u>	<u>97,883,900</u>		<u>37,434,130</u>
Net position - end of year	<u>\$ 175,466,705</u>	<u>\$ 5,421,334</u>	<u>\$ 98,190,803</u>		<u>\$ 42,710,551</u>
Reconciliation to government-wide statements of net assets					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>1,068,502</u>	
Change in net position of business-type activities				<u>\$ 12,913,381</u>	

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

**CITY OF TYLER, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	ENTERPRISE FUNDS				ACTIVITIES
	UTILITIES	SANITATION	AIRPORT	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers and users	\$ 69,309,257	\$ 17,981,532	\$ 326,159	\$ 87,616,948	\$ 47,680,112
Cash paid to suppliers for goods and services	(29,559,451)	(11,505,003)	(705,344)	(41,769,798)	(16,581,268)
Cash paid to employees for services	(16,190,610)	(6,464,445)	(863,650)	(23,518,705)	(4,175,139)
Insurance claims paid	-	-	-	-	(16,820,140)
Net cash provided by (used in) operating activities	<u>23,559,196</u>	<u>12,084</u>	<u>(1,242,835)</u>	<u>22,328,445</u>	<u>10,103,565</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Advances from/ (to) other funds	-	49,860	(879,432)	(829,572)	(254,347)
Transfers in from other funds	-	-	203,313	203,313	727,611
Transfers out to other funds	(225,653)	-	-	(225,653)	(100,000)
Net cash (used in) provided by non-capital financing activities	<u>(225,653)</u>	<u>49,860</u>	<u>(676,119)</u>	<u>(851,912)</u>	<u>373,264</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(42,674,866)	(1,333,634)	(3,542,446)	(47,550,946)	(9,361,699)
Proceeds from grants for capital purposes	-	-	4,924,763	4,924,763	-
Payments on subscription (SBITA) liabilities	-	-	-	-	(528,002)
Proceeds from sale of assets	-	294,141	-	294,141	1,303,542
Bond proceeds	62,205,000	-	-	62,205,000	-
Payments on debt and lease liabilities	(8,040,000)	-	(85,000)	(8,125,000)	(425,464)
Interest paid	(2,627,586)	-	(17,484)	(2,645,070)	(41,050)
Net cash provided by (used in) capital and related financing activities	<u>8,862,548</u>	<u>(1,039,493)</u>	<u>1,279,833</u>	<u>9,102,888</u>	<u>(9,052,673)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	3,974,312	31,570	1,271,659	5,277,541	861,108
Net cash (used in) provided by investing activities	<u>3,974,312</u>	<u>31,570</u>	<u>1,271,659</u>	<u>5,277,541</u>	<u>861,108</u>
Net increase (decrease) in cash and cash equivalents	36,170,403	(945,979)	632,538	35,856,962	2,285,264
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>34,248,168</u>	<u>1,266,938</u>	<u>1,060,816</u>	<u>36,575,922</u>	<u>16,507,953</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 70,418,571</u>	<u>\$ 320,959</u>	<u>\$ 1,693,354</u>	<u>\$ 72,432,884</u>	<u>\$ 18,793,217</u>
<b>Reconciliation to Exhibit 8:</b>					
Unrestricted cash and cash equivalents	\$ 13,719,224	\$ 60	\$ 1,589,174	\$ 15,308,458	\$ 18,793,217
Restricted cash - current asset	2,143,839	-	104,180	2,248,019	-
Restricted cash - non-current asset	54,555,508	320,899	-	54,876,407	-
Total Cash and Cash Equivalents at End of Year	<u>\$ 70,418,571</u>	<u>\$ 320,959</u>	<u>\$ 1,693,354</u>	<u>\$ 72,432,884</u>	<u>\$ 18,793,217</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 14,171,349	\$ (440,794)	\$ (4,716,344)	\$ 9,014,211	\$ 3,135,663
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	10,627,926	587,822	3,501,267	14,717,015	5,935,457
(Increase) decrease in accounts receivable	(48,451)	(35,432)	-	(83,883)	(60,830)
(Increase) decrease in prepaid expenses	10,215	374	-	10,589	1,195,906
(Increase) decrease in inventories	(633,081)	-	-	(633,081)	22,725
(Increase) decrease in net pension asset	-	-	-	-	-
(Increase) decrease in deferred outflows related to pensions	1,420,399	542,543	78,925	2,041,867	376,119
(Increase) decrease in deferred outflows related to OPEB	653,652	272,744	38,358	964,754	174,328
Increase (decrease) in accounts payable	453,537	356,685	30,904	841,126	92,110
Increase (decrease) in claims payable	-	-	-	-	52,572
Increase (decrease) in accrued interest payable	-	-	-	-	-
Increase (decrease) in customer deposits	14,899	-	-	14,899	-
Increase (decrease) in compensated absences payable	5,443	(545)	6,856	11,754	26,619
Increase (decrease) in post employment benefits liability	(1,585,727)	(634,888)	(91,274)	(2,311,889)	(420,967)
Increase (decrease) in deferred inflows related to pensions	751,234	328,040	47,234	1,126,508	213,456
Increase (decrease) in deferred inflows related to OPEB	60,080	(69,796)	(9,939)	(19,655)	(19,362)
Increase (decrease) in net pension obligation	(2,342,279)	(894,669)	(128,822)	(3,365,770)	(620,231)
Total adjustments	<u>9,387,847</u>	<u>452,878</u>	<u>3,473,509</u>	<u>13,314,234</u>	<u>6,967,902</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 23,559,196</u>	<u>\$ 12,084</u>	<u>\$ (1,242,835)</u>	<u>\$ 22,328,445</u>	<u>\$ 10,103,565</u>

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

**EXHIBIT 11**

**CITY OF TYLER, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2024**

	<u>EMPLOYEE BENEFIT TRUST FUNDS</u>	<u>PRIVATE- PURPOSE TRUST FUNDS</u>
<b>ASSETS</b>		
Equity in pooled cash	\$ 3,166,818	\$ 3,420,627
Investments, at fair value		
Equities	57,094,366	97,497
Mutual funds	18,749,710	-
Fixed income	37,514,969	-
Total investments	<u>113,359,045</u>	<u>97,497</u>
Receivables		
Contributions receivable	32,950	-
Interest receivable	814,684	5,356
Total receivables	<u>847,634</u>	<u>5,356</u>
Total assets	<u>117,373,497</u>	<u>3,523,480</u>
<b>LIABILITIES</b>		
Accounts payable	<u>1,531,858</u>	<u>-</u>
Total liabilities	<u>1,531,858</u>	<u>-</u>
<b>NET POSITION</b>		
Restricted for OPEB benefits	23,464,830	-
Restricted for pensions	92,066,382	-
Held in trust for other purposes	310,427	3,523,480
Total net position held in trust for pension/OPEB benefits and other purpose	<u>\$ 115,841,639</u>	<u>\$ 3,523,480</u>

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

**CITY OF TYLER, TEXAS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

	EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS
<b>ADDITIONS</b>		
Contributions:		
Employees	\$ 2,458,025	\$ -
Employer	6,369,735	-
Other	-	175,666
Total contributions	8,827,760	175,666
Investment income:		
Interest and dividend income	6,375,815	145,592
Net depreciation in fair value of investments	12,645,827	13,686
Less investment expense	(350,843)	(3,227)
Total investment income	18,670,799	156,051
Other income	935,073	-
Total additions	28,433,632	331,717
<b>DEDUCTIONS</b>		
Reimbursement for benefit claims	1,606,065	-
Benefits	6,317,819	-
Total deductions	7,923,884	-
Change in net position	20,509,748	331,717
Net position - beginning of year	95,331,891	3,191,763
Net position - end of year	\$ 115,841,639	\$ 3,523,480

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

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The City of Tyler, Texas (City) was incorporated on January 29, 1850. The City Charter was adopted February 9, 1937. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting practices generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

**Blended Component Unit**

The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue in their own name)
- the City holds the corporate powers of the organization.
- the City appoints a voting majority of the organization's board.
- the City is able to impose its will on the organization.
- the organization has the potential to impose a financial benefit/burden on the City.
- there is fiscal dependency by the organization on the City.

Based upon the aforementioned criteria, the City has two component units.

**The Tyler One-Half Cent Sales Tax Corporation, Inc.**

The Tyler One-Half Cent Sales Tax Corporation, Inc. was formed in 1996, and is governed by a seven-member board of directors. Each member of the City Council and the Mayor may nominate one member. Directors are appointed for a two-year term and are removable by the City Council at any time without cause. For financial reporting purposes, the Tyler One-Half Cent Sales Tax Corporation, Inc. has been presented as a blended component unit of the City. It is reported as a Capital Projects Fund, because its purpose is to account for construction activities funded by the revenues generated by the one-half cent sales tax. The Tyler One-Half Cent Sales Tax Corporation, Inc. does not issue separate financial statements. The City uses the proceeds of the one-half cent sales tax to pay for infrastructure, thereby removing the need for debt financing of such improvements, which has resulted in the elimination of general obligation indebtedness and has enabled the City to reduce its property tax rate.

**Tyler Fire Department Relief and Retirement Fund**

The City's fire department employees participate in the Tyler Fire Department Relief and Retirement Fund (TFDRRF). TFDRRF functions for the benefit of these employees and is governed by a pension board. The City and TFDRRF participants are obligated to fund all TFDRRF costs based upon actuarial valuations. The City is authorized to approve the actuarial assumptions used in the determination of contribution levels. For financial reporting purposes, TFDRRF is reported if it were a part of the City's operations as a fiduciary fund, and therefore is not included in the government wide financial statements. TFDRRF's fiscal year-end is December 31 but the information reported corresponds with the City's September 30, 2024 reporting period. Financial statements of TFDRRF can be obtained directly from the FIRE Pension Board, 1520 West Front St., Tyler, Texas 75702.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**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 revenues in the year for which they levied. 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. Revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues, except grants and similar items, to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is susceptible to accrual as revenue of the current period. All other revenue items are measurable when earned.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The One-Half Cent Sales Tax Fund accounts for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued**

The government reports the following major proprietary funds:

The Utilities Fund is used to account for the sale of water and wastewater treatment by the City to businesses and residential customers and to surrounding communities.

The Sanitation Fund accounts for residential and commercial solid waste collection, disposal services, and recycling operations of the City.

The Airport Fund is used to account for operations of the Tyler Pounds Regional Airport.

Additionally, the government reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The City of Tyler reports the following Internal Service Funds:

1. Productivity Improvement Fund – to track performance pay of City employees. This fund accounts for City University, Strategic Planning, and the Internal Audit functions.
2. Fleet Maintenance and Replacement Fund – performs maintenance and repair work on vehicles of all City departments. The fund also acquires vehicles and equipment for use by all City departments.
3. Property and Liability Insurance Funds – accounts for the City’s property, casualty, liability, disability, and workers’ compensation insurance programs.
4. Employee Benefits Fund – accounts for the City’s self-insurance program for health and dental insurance as well as life insurance for current employees.
5. Retiree Benefits Fund – accounts for the City’s self-insurance program for health and dental insurance as well as life insurance for retired employees.
6. Property and Facility Management Fund – accounts for maintenance on City’s facilities including roof and HVAC repairs and replacement.
7. Technology Fund – accounts for the City’s investment and maintenance of technology and office automation.

The City of Tyler reports the following Fiduciary Funds:

The Employee Benefit Trust (Section 125 Plan) Fund is used to account for the resources accumulated and payments made on behalf of the City employees enrolled in the City’s cafeteria plan administered by Health First.

The Other Post Employment Benefit (OPEB) Trust Fund is used to account for the resources accumulated to meet ARC (annual required contributions) and long-term liability requirements associated with administering post-employment health, dental and life benefits for retired employees in accordance with GASB 43 and 45.

The Tyler Fire Department Relief and Retirement Fund is used to account for the resources accumulated to be used for the retirement benefits payments to the members of the fund.

The Greenwood Landfill Private-Purpose Trust Fund is used to accumulate resources held in trust for Allied Waste Management and is used for closure and post-closure expenses of the Greenwood Landfill.

The Lindsey Trust Fund is used to account for the endowment fund created for the charitable purpose of making awards to police officers and firefighters employed by the City of Tyler for outstanding service and providing aid to those injured in the line of duty.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued**

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between the government's water utilities function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When more than one classification of fund balance is available for use, it is the government's policy to use the most restricted resources first.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

1. Equity in Pooled Cash and Investments

The City classifies certain of its cash, investments, due to, and due from accounts into "equity in pooled cash and investments." Each fund participates on a daily transaction basis and income for all assets included in "pooled cash and investments" is allocated to individual funds based on their respective balance in "equity in pooled cash and investments."

For the statements of cash flows for the Proprietary and Internal Service Funds, the City considers all assets included in "equity in pooled cash and investments" to be "cash and cash equivalents."

2. Investments

Accounting pronouncement Governmental Accounting Standards Board Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, is applied to investments in external investment pools, investments purchased with maturities greater than one-year, mutual funds, and certain investment agreements. Generally, governmental entities are required to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statement. Investments with maturities less than one year at the time of purchase are stated at cost or amortized cost. The fair value of the City's position in these investment pools is the same as the value of the pool shares.

Methods and Assumptions used to Estimate Fair Value

The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis. This information is provided by the City's investment custodian. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered "fair value".

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued**

Consistent with GASB Statement 42, *Fair Value Measurement and Application*, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City is disclosed in Note 4 to the financial statements.

Investment Pools

The City holds investments in external investment pools, TexStar and Logic.

Texas Local Government Investment Pool (TexStar) and Local Government Investment Cooperative (Logic) were created to provide local governments with a safe and efficient way to invest their funds. Only local governments having contracted to participate in TexStar and Logic have an undivided beneficial interest in their respective pools of assets. TexStar and Logic do not place any restrictions such as notice periods or maximum transaction amounts. They are not registered with the Securities and Exchange Commission as investment companies but are subject to annual review by independent auditors consistent with the Public Funds Investment Act. Audited financial statements of the pools are available by request through their respective websites.

The investment pools carry investments at amortized cost as the pools meet the requirements of GASB 79, *Certain External Investment Pools and Pool Participants*. The investment pools are priced daily and compared to carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than .995 or greater than 1.005, the investment pools will sell investment securities, as required, to maintain the ratio at a point between .995 and 1.005.

Other

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. The City is authorized by its governing board to invest in the obligations of the United States government, bonds guaranteed by the United States government, certificates of deposit at financial institutions, local government investment pools, direct obligations of the State of Texas, no load government money market mutual funds, and repurchase agreements. Investments are stated at cost or amortized cost.

3. **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account, as determined by experience. All receivables are shown net of this allowance. A detailed schedule of receivables can be found at Note 4:B.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued**

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as unavailable revenue on October 1. The unavailable revenue from taxes is then recognized as revenue during the year as the taxes are actually received. All delinquent property tax receivables are assets of the General Fund.

The City Charter limits the City's ad valorem tax rate to \$1.75 per \$100 of assessed valuation. The tax rate for the year ended September 30, 2024, was \$.247920 per \$100, which means that the City has a tax margin of \$1.48815 per \$100 and could raise up to \$181,261,858 additional taxes a year from the present valuation of \$12,180,348,615 before the limit is reached.

4. Inventories and Prepaid Items

Inventories of materials and supplies are accounted for using the consumption method. Under the consumption method, inventories are recorded as expenditures when they are used with significant amounts on hand reported on the balance sheet at average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements. Prepaid items are accounted for using the consumption method.

In Governmental Funds, reported inventories and prepaid items do not represent available spendable resources and are, therefore, equally offset by a non-spendable fund balance account.

5. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources."

6. 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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at acquisition value. Infrastructure assets are reported retroactively based on estimated historical cost.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued**

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	10 to 20
Improvements other than buildings	10 to 50
Public domain infrastructure	15 to 50
Heavy equipment	7 to 10
Small equipment	3 to 7
Vehicles	3 to 5
Computer and other electronic equipment	3 to 5
Office equipment	3

7. Construction-in-Progress

Expenditures on incomplete capital projects have been capitalized as construction-in-progress. The assets resulting from these projects will be transferred from the construction-in-progress accounts to the appropriate asset account as the projects are completed.

8. Leases

Leases are defined by the general government as the right to use an underlying asset. As lessee, the City recognizes a lease liability and an intangible right-to-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-to-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximates the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

The City calculates the amortization of the discount on the lease liability and reports that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

As lessor, the City recognizes a lease receivable. The lease receivable is measured using the net present value of the future lease payments to be received for the lease term and deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows in a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Remeasurement of lease receivables occurs when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference.

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

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued**

Leases between the Airport and air carriers, Lake Tyler Marina, and other aeronautical users are subject to external laws and regulations. As permitted by GASB Statement No. 87, paragraph 43, the City recognizes inflows of resources based on the payment provisions of the lease contract, and the accounting policies do not apply to certain regulated leases. Additional disclosures regarding regulated leases are in Note 4F.

9. Subscription-Based Information Technology Arrangements – SBITAs

Subscription-based information technology arrangements (SBITAs) are defined by the City as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in exchange or exchange-like transactions. The City recognizes an intangible subscription asset and subscription liability. The subscription liability is measured as the present value of the total subscription payments expected to be made to the vendor during the subscription term. The total future payments are discounted using the interest rate the vendor charges, or if the implicit interest rate is not readily determinable the City uses an estimated incremental borrowing rate. The subscription asset is measured as the initial value of the subscription liability plus and initial capitalized costs and less any vendor incentives received at the commencement of the subscription term.

10. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Utilities Fund is used to report those proceeds of revenue bond issuances that are restricted for use in water and sewer projects. The Utilities Fund is also used to segregate resources accumulated for debt service payments over the life of the bonds. The City also classifies other cash and cash equivalents as restricted because of the restrictions due to enabling legislation and trust agreements established to govern the spending of funds for the permanent care of the City's cemeteries.

Non-Civil Service Employees

Full-time, permanent, non-civil service employees earn paid time off (PTO), which may be used as vacation, sick time or personal time. The PTO is accrued in hourly increments at the end of each pay period. The total amounts accrued annually depend on the number of years of service with the City. Maximums are from 18 to 24 days. All existing non-civil service employees on January 1, 1999, with accumulated vacation and sick time, were allowed to carryover accrued vacation into the PTO program at a maximum of 240 hours. The employees with accrued sick time were allowed to carryover up to 720 hours, only to be paid after 10 years of service. The employees eligible to receive accrued sick leave balance upon termination would be paid at the pay rate applicable when the PTO program was implemented.

Any non-civil service employees hired after January 1, 1999, were enrolled into the PTO program and may only carryover 30 days of PTO per year. Any amount accrued above the 30 days carryover is lost as of December 31 of that year. Unused PTO up to 30 days will be paid to the employee upon termination at employee's current pay rate.

Civil Service Employees

Civil service employees are granted vacation and sick time benefits in varying amounts to specified maximums depending on tenure with the City. Civil service employees are 100% vested in both sick time and vacation time at the start of their employment.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued**

Civil and Non-Civil Service Employees

Vested or accumulated vacation leave is recorded as an expense and a liability, as the benefits accrue to employees, in the government-wide, proprietary, and fiduciary fund financial statements. In accordance with the provisions of Governmental Accounting Standards Board Statement No.16, “*Accounting For Compensated Absences*,” no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of cumulative sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement.

11. Long-Term Obligations

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

12. Bond Premiums, Discounts, and Issuance Costs

Bond premiums in enterprise funds are amortized over the term of the bonds using the effective interest amortization method. Gains or losses on enterprise fund refunding are reported as deferred inflows or outflows and are amortized over the term of the lessor of the new bonds or the refunded bonds using the effective interest method. Debt issuance costs are recognized as expenditures/expenses when incurred.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. They City has the following items that qualify for reporting in this category:

- Deferred charges on refunding - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – The pension contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year.
- Difference between estimated and actual experience related to – These are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period.
- Changes in assumptions related to pensions and OPEB – These are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity continued**

In addition to liabilities, the balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Unavailable revenue – This item arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow is reclassified to revenue on the government-wide financial statements.
- Net difference in projected and actual earnings on pension assets and difference between estimated and actual experience related to pensions – These are amortized as a component of pension expense over a closed period of five years.
- Difference between estimated and actual experience related to pensions and OPEB - These are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period.
- Changes in assumptions related to pensions and OPEB – These are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period.
- Deferred inflows of resources related to leases are reported when the City is the lessor. At the commencement of the lease, both a lease receivable and deferred inflow of resources are reported. The deferred inflow of resources is amortized and recognized as inflow of resources (revenue) over the term of the lease.

**14. Fund Equity**

In the fund financial statements, governmental funds report fund balance categorized as non-spendable, restricted, committed, assigned or unassigned.

Non-spendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by an ordinance of the City’s highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts.

Assigned fund balance – represents amounts the City intends to use for the specific purpose as expressed by the City Council. The City Council may also assign fund balance when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. The amount reflected in the financial statements has been assigned for the purpose intended by the City Council.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued**

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

The City’s minimum fund balance policy requires that fund balance shall be maintained at a level of 15 percent of estimated annual operating expenditures for the General Fund and at 15 percent of estimated annual operating expenses in the Utility Fund and Solid Waste Fund.

When an expenditure is incurred for a purpose for which more than one fund balance classification could be used, the City considers the expenditure to be made from the most restrictive classification first.

15. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net invested in capital assets consists of the City’s capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets less unspent cash acquired through debt at year-end. Net position reported as restricted are those amounts which have limitations imposed by creditors, grantors or other laws and regulations. The government-wide statement of net position reports \$114,576,870 of restricted net position.

In the City’s governmental activities, there is a deficit unrestricted net position of \$20,010,326 as a result of long-term liabilities for items such as bonds, compensated absences, net pension liability, and OPEB. Because of the focus on current assets and liabilities, the City’s budget is developed to address the needs of current operations. The City plans to fund long-term liabilities in future budgets as those liabilities consume current assets.

16. Tax Abatements

The City has evaluated the total tax abatements issued for the year and has determined that the amount is not material to the financial statements.

17. Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the City’s retirement and OPEB plan and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the fiscal year ending September 30, 2024, the City recognized total pension expense of \$14,943,637, \$10,327,225 of which was for the TMRS Plan and \$4,616,412 for the TFDRRF Plan. For the fiscal year ending September 30, 2024, the City recognized total net OPEB income of \$1,783,070, income of \$(1,844,640) of which was for the Health Plan and expense of \$101,570 for the TMRS Supplemental Death Benefit Plan.

18. 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, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued**

19. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed in Governmental Funds. However, encumbrances in the Governmental Funds lapse at the end of the each year and are re-budgeted during the next fiscal year.

Encumbrance accounting is also employed by Proprietary Funds for management control purposes. Encumbrances outstanding at year-end are not reported as restrictions of net position nor have they been included as expenses or liabilities of Proprietary Funds.

20. Newly Implemented Standards

In June 2022, GASB issues statement No., 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* which defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The City adopted this guidance as of October 1, 2023. There was no material effect on the financial statements.

21. Future Implementation of New Standards

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement under a unified model and by amending previously required disclosures. This statement is effective for fiscal periods beginning after December 31, 2023. The City is evaluating the impact of this statement on its financial statements.

GASB Statement 102, *Certain Risk Disclosures*. This statement was issued December 2023 and requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. A concentration, as defined by Statement 102, is a lack of diversity related to an aspect of a significant inflow or outflow of resources, for example, a small number of companies that represent a majority of employment in a government’s jurisdiction, or a government that relies on one revenue source for most of its revenue. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority, such as a voter-approved property tax cap or a state-imposed debt limit. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier implementation is encouraged. The City is evaluating the impact of this statement on its financial statements.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(25,587,201) difference are as follows:

Claims and judgement	\$ (100,000)
Lease liabilities	(60,553)
SBITA liabilities	(17,492)
Revenue bond	(10,059,864)
Compensation absences	<u>(15,349,292)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (25,587,201)</u>

Another element of that reconciliation states that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of this \$15,795,470 difference are as follows:

Unavailable property tax revenues	\$ 733,837
Unavailable fines	15,021,520
Unavailable permits	<u>40,113</u>
Net adjustment to increase balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 15,795,470</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures”. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this 15,546,575 difference are as follows:

Capital outlay	\$ 30,516,996
Depreciation expense	<u>(14,970,421)</u>
Net adjustment to increase net changes in fund balances - total Governmental funds to arrive at changes in net position of Governmental activities	<u>\$ 15,546,575</u>

**NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. After August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in Council chambers at City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**A. Budgetary Information - continued**

4. Budgetary control is established at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years for each fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds (Police Forfeiture Fund, Court Special Fee Fund, Hotel-Motel Occupancy Tax Fund, Passenger Facility Charge Fund, PEG Fee Fund, Homeownership and Housing Fund, CDBG Fund, Home Grant Fund, Housing Assistance Payment Fund, Transit System Fund, TIF/TIRZ #3 Fund), Capital Projects Fund, all Enterprise Funds, all Internal Service Funds and Permanent Funds.

Budgets for the General Fund, certain Special Revenue Funds (Police Forfeiture Fund, Court Special Fee Fund, Hotel-Motel Occupancy Tax Fund, Passenger Facility Charge Fund, PEG Fee Fund, Homeownership and Housing Fund, CDBG Fund, Home Grant Fund, Housing Assistance Payment Fund, Transit System Fund, TIF/TIRZ #3 Fund), Capital Projects Fund and Permanent Funds are adopted by the Council and presented in this report on a basis consistent with generally accepted accounting principles (GAAP). Budgeted expenditures for the General Fund's current fiscal year as adopted in the original budget and amendments thereto were \$97,021,181. Appropriations, which are not expended or encumbered at year-end, must be re-budgeted in the succeeding year.

6. Budgets for Proprietary Funds are adopted on a basis consistent with GAAP (accrual basis) except that for budgetary comparisons capital outlay items are expensed, accrual for compensated absences is excluded, and principal payments on debt are treated as expenses. The budgetary comparisons for Proprietary Funds are on this non-GAAP budgetary basis.

**B. Expenditures Over Appropriations**

For the year ended September 30, 2024, neither the general fund nor any major special revenue fund had expenditures in excess of appropriations.

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**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**NOTE 4: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal bonds, and managed public funds investment pools. The City's cash and investments for the year ended September 30, 2024, are as follows:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 66,322,715
Temporarily restricted cash and cash equivalents	101,482,733
Permanently restricted cash and cash equivalents	3,345,925
Fiduciary Funds	
Cash and cash equivalents	6,587,445
Investments	<u>113,456,542</u>
Total Cash and Investments	<u>\$ 291,195,360</u>
Cash on hand	\$ 9,552
Savings and checking accounts	56,705,066
Cash and cash equivalents held in investment accounts	1,024,157
Investments	<u>233,456,585</u>
Total Cash and Investments	<u>\$ 291,195,360</u>

Custodial Credit Risk – Deposits – At September 30, 2024, the City held several bank accounts, including a NOW interest bearing account, at one financial institution. The City’s bank balances totaled \$59,146,182 All bank balances not covered by federal depository insurance, were covered by collateral held in the pledging financial institutions’ trust department in the City’s name. In accordance with the City’s deposit and investment policy, all deposits placed at a financial institution shall be insured or collateralized in compliance with applicable State law. The City requires market value of pledged securities in excess of 102% of all uninsured deposits.

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**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**A. Deposits and Investments – continued**

Investments are stated at fair value or amortized costs, which approximates fair value. As of September 30, 2024, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
Primary Government			
Certificates of deposit	\$ 119,061,762	0.84	N/A
Texas government investment pool	<u>938,281</u>	0.07	AAA <sub>m</sub>
Total Primary Government	120,000,043		
Fiduciary Funds			
Equities	57,191,863	N/A	N/A
Mutual Funds	18,749,710	N/A	N/A
Fixed income	<u>37,514,969</u>	N/A	N/A
Total Fiduciary Funds	<u>113,456,542</u>		
Total Reporting Entity	<u>\$ 233,456,585</u>		
Portfolio weighted average maturity (years)		0.77	

**Interest Risk Rate** – This is the risk that changes in market risk rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods of time are more likely to be subject to increased variability in their fair values due to changes in the market interest rates. The City, in compliance with its investment policy adopted by the City Council, invests in shorter-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than two years from the date of purchase.

**Credit Risk** – This is the risk that an issuer or other counterparty of a debt type investment will not fulfill its obligation to the holder of the investment. The City’s investment policy requires the City to invest in U.S. Treasury and Agency securities along with Texas Local Government Pool (TexPool) investments. In addition, the City’s investment policy requires approved broker/dealer meeting strict qualification.

**Concentration of Credit Risk** – This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s attempts to avoid over-investment in local government pools and matches a portion of its investments with anticipated cash flow requirements.

**Custodial Credit Risk** – This custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As noted previously, the City requires market value of pledged securities in excess of 102% of all uninsured deposits.

**Foreign Currency risk** – This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**A. Deposits and Investments – continued**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are significant other observable inputs, and level 3 inputs are significant unobservable inputs.

A summary of the City’s investments under the requirements of the fair value hierarchy as of September 30, 2024 are as follows:

	Assets at Fair Value as of September 30, 2024			
	Level 1	Level 2	Level 3	Total
Primary Government:				
Certificates of Deposit	\$ -	\$ 119,061,762	\$ -	\$ 119,061,762
Texas government investment pool	-	938,281	-	938,281
Total Primary Government	-	120,000,043	-	120,000,043
Fiduciary Funds:				
Equities	57,191,863	-	-	57,191,863
Mutual Funds	18,749,710	-	-	18,749,710
Fixed income	-	37,514,969	-	37,514,969
Total Fiduciary Funds	75,941,573	37,514,969	-	113,456,542
Total Reporting Entity	\$ 75,941,573	\$ 157,515,012	\$ -	\$ 233,456,585

**B. Receivables**

Receivables as of year-end for the City’s individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	One-Half Cent Sales Tax Fund	Utilities Fund	Sanitation Fund	Airport Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Receivables:								
Accounts	\$ 23,495,502	\$ -	\$ 8,447,624	\$ 2,623,789	\$ 927,005	\$ 1,109,523	\$ 998,189	\$ 37,601,632
Grants	140,586	-	-	-	-	1,194,209	-	1,334,795
Taxes	10,127,553	3,479,282	-	-	-	-	-	13,606,835
Lease	-	-	82,509	-	-	-	119,312	201,821
Miscellaneous	48,806	43,852	2,916	-	-	-	-	95,574
Gross receivables	33,812,447	3,523,134	8,533,049	2,623,789	927,005	2,303,732	1,117,501	52,840,657
Less: Allowance for uncollectibles	(8,149,037)	-	(198,597)	(64,209)	-	-	-	(8,411,843)
Net total receivables	\$ 25,663,410	\$ 3,523,134	\$ 8,334,452	\$ 2,559,580	\$ 927,005	\$ 2,303,732	\$ 1,117,501	\$ 44,428,814

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**C. Lindsey Trust Fund**

The S.A. Lindsey Police and Firemen’s Trust was created by Louise Lindsey Merrick on July 20, 1971, for the charitable purpose of making awards to police officers and firefighters employed by the City of Tyler for outstanding service and to aid those and their families injured in the line of duty. The S.A. Lindsey Police and Fireman’s Trust was terminated by court order on September 24, 2007, on the petition of the Trustee, Bank of America, due to new legislation making continuation of the trust economically infeasible.

As a result, the Lindsey Police and Firemen’s Board contracted with the East Texas Communities Foundation to receive and manage the assets distributed from the termination of the S.A. Lindsey Police And Firemen’s Trust, to create an Endowment Fund, to be known as the Lindsey Police and Firemen’s Endowment Fund (Fund), designed to meet the primary purposes outlined in the originating trust document. The Lindsey Trust Fund was created to account for this Fund, as reflected in the Private-Purpose Trust Funds Combining Statement of Net Position and Combining Statement of Changes in Net Position, schedules E-3 and E-4 in the additional supplemental information.

The Fund is defined as a Permanent Endowment. The permanent portion or corpus of the Fund is \$25,000, with the remaining amount of the Fund considered net appreciation. Under the terms of the endowment, and consistent with State statutes, distributions from the Fund are to be made from the net appreciation so that the corpus of the fund will not be exhausted or depleted. Distributions may only be made to the City. Ordinary distributions to the City shall be made from the Fund once per calendar year in the amount requested by the City up to a cumulative limit of five percent (5%) of the value of the Fund determined as of the preceding December 31. Any portion of the net appreciation available for distribution which is not withdrawn by the City in one year may be withdrawn in a subsequent year. No additional distributions shall be made from the Fund. To the extent possible, the Donor intends to preserve the permanent portion or corpus of the Fund by limiting distributions to 5% per year. At September 30, 2024, the net appreciation on investments of the Fund was \$13,686.

Because the Lindsey Police and Firefighters’ Endowment Fund is separately organized and managed by contract with an investment company as directed by the Lindsey Police and Firefighters’ Fund Board, it is excluded from the City of Tyler’s Investment Fund policy.

**D. Capital Assets**

Governmental and business-type capital asset activity for the year ended September 30, 2024 was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 17,309,365	\$ -	\$ -	\$ 17,309,365
Construction in progress	55,299,687	26,677,258	(6,795,972)	75,180,973
Total capital assets, not being depreciated	<u>72,609,052</u>	<u>26,677,258</u>	<u>(6,795,972)</u>	<u>92,490,338</u>
<b>Capital assets, being depreciated:</b>				
Buildings	70,702,691	422,936	-	71,125,627
Improvements other than buildings	124,092,403	2,271,264	-	126,363,667
Machinery and equipment	90,707,674	10,683,850	(6,663,856)	94,727,668
Infrastructure	390,464,150	6,619,351	-	397,083,501
Right-to-use assets	1,245,515	1,057,120	-	2,302,635
SBITAs	1,466,753	-	-	1,466,753
Total capital assets being depreciated	<u>678,679,186</u>	<u>21,054,521</u>	<u>(6,663,856)</u>	<u>693,069,851</u>
<b>Less accumulated depreciation and amortization for:</b>				
Buildings	(30,060,295)	(2,202,636)	-	(32,262,931)
Improvements other than buildings	(87,968,270)	(2,773,249)	-	(90,741,519)
Machinery and equipment	(65,185,721)	(6,427,487)	5,983,543	(65,629,665)
Infrastructure	(252,954,985)	(8,565,480)	-	(261,520,465)
Right-to-use assets	(573,713)	(420,822)	-	(994,535)
SBITAs	(559,297)	(516,204)	-	(1,075,501)
Total accumulated depreciation and amortization	<u>(437,302,281)</u>	<u>(20,905,878)</u>	<u>5,983,543</u>	<u>(452,224,616)</u>
Total capital assets, being depreciated, net	<u>241,376,905</u>	<u>148,643</u>	<u>(680,313)</u>	<u>240,845,235</u>
Governmental activities capital assets, net	<u>\$ 313,985,957</u>	<u>\$ 26,825,901</u>	<u>\$ (7,476,285)</u>	<u>\$ 333,335,573</u>

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**D. Capital Assets – continued**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 12,073,047	\$ -	\$ -	\$ 12,073,047
Water Rights	12,526,700	-	-	12,526,700
Construction in progress	15,590,265	37,192,813	(6,333,707)	46,449,371
Total capital assets, not being depreciated	<u>40,190,012</u>	<u>37,192,813</u>	<u>(6,333,707)</u>	<u>71,049,118</u>
Capital assets, being depreciated:				
Buildings	63,500,219	-	-	63,500,219
Improvements other than buildings	456,149,606	15,461,662	-	471,611,268
Machinery and equipment	19,954,866	1,970,817	(802,153)	21,123,530
Infrastructure	20,751,447	-	-	20,751,447
Total capital assets being depreciated	<u>560,356,138</u>	<u>17,432,479</u>	<u>-</u>	<u>576,986,464</u>
Less accumulated depreciation and amortization for:				
Buildings	(39,780,156)	(1,126,069)	-	(40,906,225)
Improvements other than buildings	(163,637,653)	(11,656,249)	-	(175,293,902)
Machinery and equipment	(13,103,862)	(1,479,432)	381,858	(14,201,436)
Infrastructure	(5,254,678)	(455,265)	-	(5,709,943)
Total accumulated depreciation and amortization	<u>(221,776,349)</u>	<u>(14,717,015)</u>	<u>381,858</u>	<u>(236,111,506)</u>
Total capital assets, being depreciated, net	<u>338,579,789</u>	<u>2,715,464</u>	<u>381,858</u>	<u>340,874,958</u>
Business-type activities capital assets, net	<u>\$ 378,769,801</u>	<u>\$ 39,908,277</u>	<u>\$ (5,951,849)</u>	<u>\$ 411,924,076</u>

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

Governmental activities:	
General Government	\$ 1,480,544
Public Safety	1,601,843
Highways and streets, including depreciation of general infrastructure assets	757,433
Public Services	9,742,378
Culture and recreation	1,388,223
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>5,935,457</u>
Total depreciation expense - governmental activities	<u>\$ 20,905,878</u>
Business-type activities:	
Utilities	\$ 10,627,926
Sanitation	3,501,267
Airport	587,822
Total depreciation expense - business-type activities	<u>\$ 14,717,015</u>

**Water Rights**

In 1965, the City purchased the right to 40% of the perpetual annual water yield of Lake Palestine from the Upper Neches River Municipal Water Authority for \$12,524,200. At September 30, 2024, total water rights were \$12,526,700. Management believes there is no impairment in the value of the water rights at September 30, 2024.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**D. Capital Assets – continued**

**Construction Commitments**

As of September 30, 2024, the City has active construction projects. At year-end the City’s commitments with contractors are as follows:

Project	Spent To-Date	Estimated Remaining Commitment
Group 3 24"-42" CIPP	19,960,116	22,458,652
Group 3: Remedial Measures 54" CIPP	11,863,284	12,011,039
Cambridge Road Drainage	7,890,788	606,050
Group 4 Traditional Mainline	4,921,525	4,824,725
Group 5 Remedial Open Cut	4,868,526	6,638,513
Taxiway Alpha Rehab	4,634,700	6,930,292
Group 5 Pipeburst	4,322,368	4,671,386
Group 1 Sewer Sites 2e1 and 10a1	4,022,964	4,086,123
Group 2 Traditional Pipe Rehabilitation	3,858,151	4,338,104
Southside WWTP Chlorination/Aeration	3,630,626	3,661,620
Cloverdale Drainage	3,389,668	3,389,668
2023 Asphalt Enhancement (Overlay)	2,956,145	4,474,061
Group 4 Mainline Specialty CIPP	2,795,798	3,640,612
John Soules Waterline Extension	2,398,946	3,470,534
Group 4 Manhole Specialty	2,038,177	2,528,849
Golden Road WTP Clarifier & Filters 11-14	2,025,637	4,700,136
Group 4 Mainline Specialty	1,862,935	2,374,732
Westside WWTP Administration Building	1,704,332	2,290,000
Group 5 Manhole Rehab	1,423,370	1,492,750
N. Glenwood EST Rehabilitation	1,062,613	1,042,325
Group 5 Open Cut Re-route	989,950	2,304,072
Security Fencing Construction	890,296	1,978,797
2023 Water Main Improvements	885,163	1,177,945
Shiloh Rd Elevated Storage Tank Site Improv.	791,892	960,000
S Thompson Drainage Imp	790,867	1,318,390
2021 Creek Crossings	768,808	1,055,409
Sludge Lagoon Cleanout	735,084	2,750,000
Melinda/Donna Street Reconstruction	722,317	1,182,064
Pollard Park	634,128	634,128
VES Parking Lot	630,185	1,970,000
Misc Drainage Improvements	580,903	747,958
UT Tyler Project	558,978	558,978
CIPP Drainage Improvements	536,303	1,046,175
Grande Reverse Curve	518,375	519,000
Treatment Plant Construction (Service Center)	449,142	616,132
Group 4 Manhole Traditional	403,581	469,815
Charleston LS Rehab	403,573	621,033
Group 2 Private Lateral	389,150	1,125,844
Traffic Signal Modernization	379,529	823,823
2023 Seal Coat	364,269	429,919
Group 6 Traditional	359,037	7,022,462
Ferguson Training Room Improvements	239,644	287,317
Earl Campbell Gravity Sewer Main	156,647	795,208

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**D. Capital Assets – continued**

Project	Spent To-Date	Estimated Remaining Commitment
Brick Street Repair	119,060	993,161
Highway Safety Improvements	107,717	107,717
Lindsey Park	87,200	87,200
Gentry MLK Traffic Signal	72,010	660,725
Fun Forest Park	53,180	53,180
Streets Building Renovations	48,320	64,000
Shackleford Creek Lift Station	35,558	-
Traffic Signal Grande/Nooday	22,592	397,123
Fire Station 10 Renovations	12,019	29,783
Hillside Park	11,950	11,950

The above projects are funded by resources held in the One-Half Cent Sales Tax Fund, airport revenue bonds, water and sewer revenue bonds, and grant funding.

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

The interfund balance in the General Fund resulted from overdrafts in the City’s pooled cash accounts that were funded by the Utility Fund.

The composition of interfund balances as of September 30, 2024, is as follows:

Receivable Fund	Payable Fund	Amount
Utility Fund	General Fund	\$1,596,632

Interfund transfers are recorded to reflect the allocation of internal service fund activities between governmental and business-type fund types.

The composition of interfund transfers as of September 30, 2024, is as follows:

	Transfer In					Total
	General Fund	One-Half Cent Sales Tax Fund	Nonmajor Governmental Funds	Airport Enterprise Funds	Internal Service Funds	
Transfers Out:						
General Fund	\$ -	\$ -	\$ 6,931,892	\$ -	\$ 601,305	\$ 7,533,197
One-Half Cent Sales Tax Fund	-	-	-	203,313	-	203,313
Nonmajor Governmental Funds	2,500,000	-	-	-	25,000	2,525,000
Utilities Enterprise Funds	-	-	175,000	-	50,653	225,653
Sanitation Enterprise Funds	-	-	54,280	-	50,653	104,933
Totals	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ 7,161,172</u>	<u>\$ 203,313</u>	<u>\$ 727,611</u>	<u>\$ 10,592,096</u>

**CITY OF TYLER, TEXAS**  
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**F. Leases**

City as Lessee

The City has obtained various equipment and infrastructure through long-term operating leases. The terms and conditions for these leases vary. The leases contain fixed, periodic payments over the lease terms, which range between 1-20 years. The interest rates for the leases vary between 0.5120% and 3.0161%. At September 30, 2024, operating leases consisted of the following:

**GOVERNMENTAL ACTIVITIES**

	Balance as of October 1, 2023	Additions	Reductions	Balance as of September 30, 2024
<b>Lease Assets</b>				
<b>Equipment</b>				
Pitney Bowes Lease-SLA Equipment	\$ 19,294	\$ -	\$ -	\$ 19,294
Pitney Bowes Lease-Send Pro P Series	28,759	-	-	28,759
Xerox Copiers	348,249	-	-	348,249
PD Body Cams	451,480	-	-	451,480
Breathing Apparatus	236,499	-	-	236,499
Dell servers	-	1,057,113	-	1,057,113
<b>Total Equipment Lease Assets</b>	<b>1,084,281</b>	<b>1,057,113</b>	<b>-</b>	<b>2,141,394</b>
<b>Infrastructure</b>				
702 West Cumberland Rd - Radio Tower	161,241	-	-	161,241
<b>Total Infrastructure Lease Assets</b>	<b>161,241</b>	<b>-</b>	<b>-</b>	<b>161,241</b>
<b>Total Lease Assets</b>	<b>1,245,522</b>	<b>1,057,113</b>	<b>-</b>	<b>2,302,635</b>
<b>Lease Accumulated Amortization</b>				
<b>Equipment</b>				
Pitney Bowes Lease-SLA Equipment	7,880	3,940	-	11,820
Pitney Bowes Lease-Send Pro P Series	11,732	5,866	-	17,598
Xerox Copiers	152,359	87,062	-	239,421
PD Body Cams	269,472	91,004	-	360,476
Breathing Apparatus	118,250	59,125	-	177,375
Dell servers	-	166,814	-	166,814
<b>Total Equipment Lease Accumulated Amortization</b>	<b>559,693</b>	<b>413,811</b>	<b>-</b>	<b>973,504</b>
<b>Infrastructure</b>				
702 West Cumberland Rd - Radio Tower	14,021	7,010	-	21,031
<b>Total Infrastructure Lease Assets</b>	<b>14,021</b>	<b>7,010</b>	<b>-</b>	<b>21,031</b>
<b>Total Lease Accumulated Amortization</b>	<b>573,714</b>	<b>420,821</b>	<b>-</b>	<b>994,535</b>
<b>Total Governmental Lease Assets, Net</b>	<b>\$ 671,808</b>	<b>\$ 636,292</b>	<b>\$ -</b>	<b>\$ 1,308,100</b>

Principal and interest requirements to maturity for the lease liability at September 30, 2024 are as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2025	\$ 448,654	\$ 53,048	\$ 501,702
2026	234,905	40,283	275,188
2027	217,314	28,196	245,510
2028	230,077	15,432	245,509
2029	6,492	1,908	8,400
2030 - 2034	34,077	7,923	42,000
2035 - 2039	36,934	5,066	42,000
2040 - 2044	40,029	2,744	42,773
<b>Total</b>	<b>\$ 1,248,482</b>	<b>\$ 154,600</b>	<b>\$ 1,403,082</b>

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**F. Leases – continued**

City as Lessor

On October 1, 2021, the City leased water tower space to a cellular company. The lease is a seventy-seven-month lease with one extension option for an additional sixty months. The lessee is required to make monthly fixed payments of \$1,659 with no additional variable payments. The lease has an interest rate of 0.740%.

On October 1, 2021, the City leased land from its utilities fund to a tower company for the placement of a radio tower. The lease is a 331-month lease with five extension options for an additional sixty months in each option. The lessee is required to make annual fixed payments of \$6,000 with no additional variable payments. The lease has an interest rate of 1.703%.

On October 1, 2021, the City leased space in the airport to a car rental company. The lease is a sixteen-month lease with no extension options. The lessee is required to make monthly fixed payments of \$500 with no additional variable payments. The lease has an interest rate of 0.193%.

Principal and interest to maturity for the lease receivable at September 30, 2024 are as follows:

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2025	27,325	531	27,856
2026	23,530	358	23,888
2027	23,705	184	23,889
2028	7,949	26	7,975
Total	\$ 82,509	\$ 1,099	\$ 83,608

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2025	4,961	2,032	6,993
2026	4,036	1,964	6,000
2027	4,104	1,895	5,999
2028	4,174	1,825	5,999
2029	4,245	1,755	6,000
2030 - 2034	22,336	7,664	30,000
2035 - 2039	24,304	5,696	30,000
2040 - 2044	26,625	3,555	30,180
2045 - 2049	24,527	1,112	25,639
Total	\$ 119,312	\$ 27,498	\$ 146,810

The balance of the deferred inflows of resources related to lease payments receivable as of September 30, 2024 were as follows:

Deferred Inflows of Resources	Balance as of September 30, 2024
Business-Type Activities	\$ 77,670
Government Type Activities	117,413
Total	\$ 195,083

**CITY OF TYLER, TEXAS**  
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**F. Leases – continued**

The total amount of inflows of resources relating to leases recognized in the current fiscal year are as follows:

Inflows of Resources	Governmental Activities	Total
Lease Revenue	27,453	\$ 27,453
Interest Revenue	2,802	\$ 2,802

Regulated Leases

The City does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration (FAA) regulated aviation leases between airports, air carriers, and other aeronautical users.

The City has regulated leases for the following City property:

- Airport hangar space subject to FAA requirements,
- Lake Tyler marina space subject to City code related to lake activity, and
- Certain tower leases subject to Federal Communications Commission requirements related to lighting, marking, and painting of towers.

The future expected minimum rentals to be received related to existing regulated leases as of September 30, 2024 are as follows:

Fiscal Year	Future Minimum Expected Receipts
2025	\$ 195,222
2026	137,697
2027	115,334
2028	115,334
2028 - 2033	519,215
2034 - 2038	463,044
2039 - 2043	355,841
2044 - 2048	350,985
2049 - 2053	183,759
	\$ 2,436,431

**G. Subscription -based information technology arrangements - SBITAs**

On 10/01/2022, the City entered into a 16-month subscription for the use of Granicus Software. An initial subscription liability was recorded in the amount of \$24,723. As of 09/30/2024, the value of the subscription liability is \$0. The City is required to make annual fixed payments of \$34,918. The subscription has an interest rate of 3.14%. The value of the right to use asset as of 09/30/2024 of \$0 with accumulated amortization of \$0.

On 10/01/2022, the City entered into a 47-month subscription for the use of Bibliotheca SaaS. An initial subscription liability was recorded in the amount of \$19,638. As of 09/30/2024, the value of the subscription liability is \$6,753. The City is required to make annual fixed payments of \$6,974. The subscription has an interest rate of 3.27%. The value of the right to use asset as of 09/30/2024 of \$19,638 with accumulated amortization of \$9,867.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Subscription-based information technology arrangements – SBITAs – continued**

On 10/01/2022, the City entered into an 18-month subscription for the use of ESRI Enterprise License. An initial subscription liability was recorded in the amount of \$80,993. As of 09/30/2024, the value of the subscription liability is \$0. The City is required to make annual fixed payments of \$82,500. The subscription has an interest rate of 3.21%. The value of the right to use asset as of 09/30/2024 of \$0 with accumulated amortization of \$0.

On 10/01/2022, the City entered into a 24-month subscription for the use of ProjectDox SaaS Subscription. An initial subscription liability was recorded in the amount of \$69,700. As of 09/30/2024, the value of the subscription liability is \$0. The City is required to make annual fixed payments of \$65,100. The subscription has an interest rate of 3.217%. The value of the right to use asset as of 09/30/2024 of \$0 with accumulated amortization of \$0.

On 07/01/2023, the City entered into a 48-month subscription for the use of Darktrace DETECT Platform. An initial subscription liability was recorded in the amount of \$195,218. As of 09/30/2024, the value of the subscription liability is \$97,572. The City is required to make annual fixed payments of \$50,834. The subscription has an interest rate of 2.79%. The value of the right to use asset as of 09/30/2024 of \$195,218 with accumulated amortization of \$61,006.

On 10/01/2022, the City entered into a 20-month subscription for the use of Standard Enterprise License. An initial subscription liability was recorded in the amount of \$85,179. As of 09/30/2024, the value of the subscription liability is \$0. The City is required to make annual fixed payments of \$87,000. The subscription has an interest rate of 3.21%. The value of the right to use asset as of 09/30/2024 of \$0 with accumulated amortization of \$0.

On 10/01/2022, the City entered into a 22-month subscription for the use of StormWind Software. An initial subscription liability was recorded in the amount of \$14,432. As of 09/30/2024, the value of the subscription liability is \$0. The City is required to make annual fixed payments of \$14,850. The subscription has an interest rate of 3.21%. The value of the right to use asset as of 09/30/2023 of \$0 with accumulated amortization of \$0.

On 10/01/2022, the City entered into a 32-month subscription for the use of Microsoft 365 - Azure. An initial subscription liability was recorded in the amount of \$876,048. As of 09/30/2024, the value of the subscription liability is \$0. The City is required to make annual fixed payments of \$454,609. The subscription has an interest rate of 3.24%. The value of the right to use asset as of 09/30/2024 of \$876,048 with accumulated amortization of \$657,036.

On 08/11/2023, the City entered into a 36-month subscription for the use of DebtBook. An initial subscription liability was recorded in the amount of \$45,548. As of 09/30/2024, the value of the subscription liability is \$17,493. The City is required to make annual fixed payments of \$13,000. The subscription has an interest rate of 2.90%. The value of the right to use asset as of 09/30/2024 of \$45,548 with accumulated amortization of \$17,291.

At September 30, 2024, SBITAs consisted of the following:

<b>GOVERNMENTAL ACTIVITIES:</b>	Balance as of			Balance as of
	October 1, 2023	Additions	Reductions	September 30, 2024
Subscription Assets				
Software				
Granicus Software	\$ 79,999	\$ -	\$ -	\$ 79,999
Bibliotheca SaaS	19,637	-	-	19,637
ESRI Enterprise License	80,992	-	-	80,992
ProjectDox SaaS Subscription	69,700	-	-	69,700
Darktrace DETECT Platform	195,218	-	-	195,218
Standard Enterprise License	85,179	-	-	85,179
StormWind Software	14,432	-	-	14,432
Microsoft 365 - Azure	876,048	-	-	876,048
DebtBook	45,548	-	-	45,548
Total Subscription Assets	<u>\$ 1,466,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,466,753</u>

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**G. Subscription-based information technology arrangements – SBITAs - continued**

Subscription Accumulated Amortization Software	Balance as of			Balance as of
	October 1, 2023	Additions	Reductions	September 30, 2024
Granicus Software	\$ 63,999	\$ 16,000	\$ -	\$ 79,999
Bibliotheca SaaS	4,933	4,933	-	9,866
ESRI Enterprise License	53,995	26,997	-	80,992
ProjectDox SaaS Subscription	34,850	34,850	-	69,700
Darktrace DETECT Platform	12,201	48,805	-	61,006
Standard Enterprise License	51,107	34,072	-	85,179
StormWind Software	7,585	6,847	-	14,432
Microsoft 365 - Azure	328,518	328,517	-	657,035
DebtBook	2,109	15,183	-	17,292
<b>Total Software Subscription Accumulated Amortization</b>	<b>\$ 559,297</b>	<b>\$ 516,204</b>	<b>\$ -</b>	<b>\$ 1,075,501</b>
<b>Total Governmental Subscription Assets, Net</b>	<b>\$ 907,456</b>	<b>\$ (516,204)</b>	<b>\$ -</b>	<b>\$ 391,252</b>

Principal and interest requirements to maturity for the lease liability at September 30, 2024 are as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2025	\$ 72,361	\$ 3,446	\$ 75,807
2026	49,456	1,378	50,834
	<b>\$ 121,817</b>	<b>\$ 4,824</b>	<b>\$ 126,641</b>

**H. Long-term debt**

Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds issued by the City in prior years were to fund construction projects to improve or expand the water system and to refund prior issuances. Additionally, the City issued a revenue bond in 2021 to fund the construction of the Rose Complex Convention Center. The original amount of the outstanding revenue bonds was \$163,590,000 with maturities ranging from 2027 to 2052.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**H. Long-term debt - continued**

Revenue bonds currently outstanding are as follows:

Issue	Purpose	Interest Rates	Amount
Series 2012	Water and sewer refunding	1.50 to 2.625%	\$ 415,000
Series 2013	Customer facility use	3.76%	380,000
Series 2015A	Water refunding and improvements	2.00 to 4.00%	6,085,000
Series 2015B	Water and sewer refunding	2.00 to 5.00%	8,015,000
Series 2017A	Water and sewer refunding	3.00 to 4.00%	2,410,000
Series 2017B	Water and sewer refunding	2.00 to 3.50%	7,950,000
Series 2018A	Water and sewer revenue	3.00 to 4.00%	6,530,000
Series 2018B	Water and sewer refunding	3.00%	3,945,000
Series 2019	Water and sewer revenue	2.00 to 5.00%	17,805,000
Series 2020	Water and sewer revenue	2.00 to 3.00%	3,005,000
Series 2021	Hotel occupancy tax revenue	2.00 to 5.00%	8,600,000
Series 2021	Water and Sewer revenue	2.00 to 5.00%	25,380,000
Series 2022	Water and sewer revenue	2.00 to 5.00%	39,660,000
Series 2023	Water and Sewer revenue	2.00 to 5.00%	60,580,000
Total outstanding revenue bonds			<u><u>\$ 190,760,000</u></u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending September 30	Principal	Interest	Total
2025	\$ 7,575,000	\$ 7,293,601	\$ 14,868,601
2026	7,885,000	6,990,886	14,875,886
2027	8,205,000	6,648,938	14,853,938
2028	8,410,000	6,310,716	14,720,716
2029	8,010,000	5,954,006	13,964,006
2030-2034	35,665,000	25,188,834	60,853,834
2035-2039	28,455,000	19,494,710	47,949,710
2040-2044	30,350,000	14,302,734	58,955,468
2045-2049	34,215,000	8,397,007	42,612,007
2050-2053	21,990,000	2,174,538	26,339,076
	<u><u>\$ 190,760,000</u></u>	<u><u>\$ 102,755,970</u></u>	<u><u>\$ 309,993,242</u></u>

Cash in the amount of \$2,248,019 as restricted at September 30, 2024 in order to fund the City's annual debt service requirements, to meet the debt service reserve fund requirements of bond covenants and for construction costs in connection with the 2013 Customer Facility Charge Bonds. Revenue bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest tax regulations under these provisions.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**H. Long-term debt - continued**

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2024, was as follows:

	Beginning Balance 10/1/2023	Additions	Reductions	Ending Balance 9/30/2024	Due Within One Year	Due in More Than One Year
<b>Governmental Activities:</b>						
Revenue bonds payable	\$ 8,840,000	\$ -	\$ 240,000	\$ 8,600,000	\$ 250,000	\$ 8,350,000
ADD: bond premiums/(discounts)	1,526,221	-	66,357	1,459,864	-	1,459,864
Claims and judgements	100,000	-	-	100,000	100,000	-
Lease liability	675,723	1,057,113	484,354	1,248,482	448,654	799,828
Subscription liability	664,875	-	543,058	121,817	72,361	49,456
Net pension liability	92,704,445	-	12,237,050	80,467,395	-	80,467,395
Net OPEB liability	9,309,069	142,545	6,903,528	2,548,086	-	2,548,086
Compensated absences	14,630,458	1,646,519	598,653	15,678,324	618,938	15,059,386
<b>Governmental activities</b>						
Long-term liabilities	<u>\$ 128,450,791</u>	<u>\$ 2,846,177</u>	<u>\$ 21,073,000</u>	<u>\$ 110,223,968</u>	<u>\$ 1,489,953</u>	<u>\$ 108,734,015</u>
<b>Business-Type Activities:</b>						
Revenue bonds payable	\$ 127,695,000	\$ 62,505,000	\$ 8,040,000	\$ 182,160,000	\$ 7,325,000	\$ 174,835,000
ADD: bond premium/(discount)	7,260,575	2,647,164	490,109	9,417,630	-	9,417,630
Net pension liability	19,394,381	-	3,365,770	16,028,611	-	16,028,611
Net OPEB liability	3,274,092	49,095	2,360,984	962,203	-	962,203
Compensated absences	967,169	339,778	328,024	978,923	39,156	939,767
<b>Business-Type Activities</b>						
Long-Term Liabilities	<u>\$ 158,591,217</u>	<u>\$ 65,541,037</u>	<u>\$ 14,584,887</u>	<u>\$ 209,547,367</u>	<u>\$ 7,364,156</u>	<u>\$ 202,183,211</u>

The liabilities listed above for claims and judgments, net pension obligation, compensated absences, and contracts payable will be liquidated by the City's General and Proprietary Funds. The liability for leases will be liquidated by the General and Technology Funds. The net pension and OPEB obligations are liquidated primarily by the General Fund, the remaining obligations are liquidated across other funds on a pro rata basis calculated by historical pension and OPEB expenses in each fund.

The City has defeased certain bonds by placing the proceeds of new bond issues in an irrevocable trust for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The 2017A Series bonds were issued to refund the remaining portion of the 2008 Series bonds and resulted in a \$80,000 reduction in the City's debt service fund. The 2017B Series bonds were issued to retire the 2009 Series bonds and this issue resulted in an economic gain of \$286,681 to the City and the debt service fund was reduced by \$273,921 as a result of the issuance of these bonds. The 2020A Series bonds were issued to retire the 2011 Series bond, which resulted in the City's debt service fund being reduced by \$395,000. At September 30, 2024, \$18,450,000 of bonds outstanding are considered defeased. The issues and amounts of outstanding defeased bonds are as follows:

Bond Issue	Year Refunded	Outstanding
Series 2017A Water and Sewer System Refunding Bonds	2008	\$ 2,895,000
Series 2017B Water and Sewer System Refunding Bonds	2009	8,230,000
Series 2018B Water and Sewer System Refunding Bonds	2009	4,385,000
Series 2020A Water and Sewer System Refunding Bonds	2011	2,940,000
<b>Total Bonds Defeased</b>		<u><u>\$ 18,450,000</u></u>

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5: OTHER INFORMATION**

**A. Risk management**

Property and Casualty Insurance Plans

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. A comprehensive insurance plan for property and casualty coverage has been established. Third-party administrators handle property and casualty claims review and processing. Deductibles and self-insured retentions for building and contents are \$100,000 deductible; \$100,000 for claims involving flood and earthquake; 5% with \$250,000 minimum per occurrence for claims involving wind/hail damage. Automobile liability, general liability, employment practices liability, law enforcement liability, and management liability; and \$50,000 for airport liability. The amount of settlements has not exceeded insurance coverage for the last three fiscal years.

Worker's Compensation Plan

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City has established and maintains a comprehensive self-insurance worker's compensation plan. Third party administrators handle claims review and processing. An insurance company provides excess workers compensation insurance for losses over \$1,000,000 fire and police and \$500,000 all other employee classifications self-insured retention with an aggregate retention of \$2,000,000.

Health, Dental, and Life Plans

HEALTH - Employee/Dependents and Non-Medicare Eligible Retirees/Dependents

The City implemented a partially self-insured health plan for employees, their dependents, and retirees/dependents, who are non-Medicare eligible. Non-Medicare Retirees and/or their dependents that have been continuously covered under the City's health plan may elect to continue their coverage at retirement. Active employees pay a portion of current premiums with the City paying the remainder. To reduce long term liabilities, the City elected to eliminate the subsidy for non-Medicare Retiree premiums for those employees hired after January 1, 1997. For those employees hired before January 1, 1997, the same apportionment of premiums continues at retirement. For those employees hired after January 1, 1997, the employee is responsible for the full cost of current premiums.

The city has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$375,000 per illness. A third-party administrator administers health claims and payments.

Medicare Eligible Retirees/Dependents

Retirees and/or their spouses who become eligible for Medicare and have been continuously covered under the City's health insurance plan may elect to participate in a Medicare Supplement Insurance Program. The City provides Retirees hired before January 1, 1997, a monthly subsidy to assist with payment of the Medicare premiums. The Medicare Supplement insurance provider processes and pays all health claims.

DENTAL - Employees/Retirees

The City offers fully self-funded dental and orthodontic benefits to eligible employees/dependents and retirees/dependents. Employees and retirees hired after January 1, 1997, pay a portion of the premiums and the City pays the remainder. Employees and retirees hired after January 1, 1997, pay the full cost of the current premium. A third-party administrator administers dental claims and payments.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**A. Risk management - continued**

LIFE INSURANCE - Employees/Retirees

The City provides a \$10,000 basic life and AD&D insurance for all full-time active employees. Additionally, the City provides a \$5,000 basic life and AD&D insurance policy for eligible retirees. For active employees, supplemental Life insurance is available for purchase by the employee without evidence of insurability, if purchased during initial election period in the amounts of 5 times their annual salary up to a maximum of \$300,000 (guarantee issuance). Spousal Life insurance of 50% of the employee's covered amount up to a maximum of \$50,000 (Guarantee Issuance) whichever is less. Dependent child(ren) coverage is also available for purchase by the employee in \$5,000 increments of to a maximum of \$20,000.

For employees actively at work, Employee and/or Spousal Life Insurance Benefit amounts reduce beginning at age 65 thru 69 by 65%, age 70 thru 74 by 50% and age 75 and thereafter by 30%.

Other Self-Insurance Plans

In addition, the City meets the self-insurance requirements as promulgated by the Environmental Protection Agency, through the Texas Water Commission, for potential third-party claims.

Estimated liabilities for claims incurred but not reported at year-end have been recorded in the Self-Insurance Funds and a reconciliation of changes in claims liabilities is included in the note on contingent liabilities.

**B. Contingent liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. 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 government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and collective legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City. City management and the collective legal counsel have determined the estimated liability for outstanding lawsuit contingencies at September 30, 2024, was \$100,000. See Note 4: G for a reconciliation of changes in claims and judgments.

The City's self-insurance program is described in Note 5: A. The following is a reconciliation of the changes in the estimated liabilities for claims payable within 90 days for the years ended September 30, 2024 and 2023:

	Insurance Claims Payable At Beginning of Year	Current Year Claims and Changes In Estimates	Actual Claim Payments	Insurance Claims Payable At End of Year
Employees Benefits Fund				
FYE 2023	\$ 673,280	\$ 14,398,701	\$ 14,606,650	\$ 465,331
FYE 2024	465,331	14,235,878	13,822,845	878,364
Retiree Benefits Fund				
FYE 2023	\$ 142,632	\$ 1,721,207	\$ 1,806,008	\$ 57,831
FYE 2024	57,381	1,735,841	1,796,986	(3,314)

**CITY OF TYLER, TEXAS**  
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**C. Joint Venture**

The Northeast Public Health District (“District”) was established by a cooperative agreement between the City and Smith County, Texas pursuant to authority granted by the Texas Health & Safety Code for the purpose of providing public health services previously provided by the participating entities. The District is considered a joint venture between the City and County with each retaining an equity interest based upon the percentage each contributed to the budget.

For the year ended September 30, 2024, the City budgeted funding of \$200,000 for the District. The City's equity interest in the District at September 30, 2024 is \$4,152,262. The Health District’s total fund balance at September 30, 2024 was approximately \$6.7 million. Financial statements for the Health District may be obtained at the entity's administrative offices.

**D. Deferred Compensation**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement death, or an unforeseeable emergency. The plan assets are not part of the City’s financial statements because a third-party administrator holds these plan assets in trust. The market value and carrying value of deferred compensation plan assets is \$32,494,648 for September 30, 2024.

**E. Pension Plans**

**1. Texas Municipal Retirement System Plan**

**TMRS Plan Description**

The City of Tyler participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code.

All eligible employees of the City are required to participate in TMRS.

Firefighters are covered by a separate pension plan (see Note 5 E: 2); therefore, they are not included in the Texas Municipal Retirement System Plan. TMRS issues a publicly available annual comprehensive 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 the System. This report may be obtained from TMRS’ website at [www.tMrs.com](http://www.tMrs.com).

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**E. Pension Plans - continued**

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2023	Plan Year 2022
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Year required for vesting	5	5
Service retirement eligibility	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Employees Covered by Benefit Terms**

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2023	12/31/2022
Inactive employees or beneficiaries currently receiving benefits	639	622
Inactive employees entitled to but not yet receiving benefits	368	356
Active employees	707	708
	1,714	1,686

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Tyler were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Tyler were 20.65% and 21.58% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$10,669,216, and exceeded the required contributions by \$2,950.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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NOTES TO FINANCIAL STATEMENTS  
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**E. Pension Plans - continued**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the gender-distinct 2019 Municipal Retirees of Texas mortality tables were used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	<u>100.00%</u>	

**Discount Rate**

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

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**E. Pension Plans – continued**

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2022	\$ 306,338,714	\$ 236,204,300	\$ 70,134,414
Changes for the year:			
Service cost	7,838,386	-	7,838,386
Interest	20,441,509	-	20,441,509
Change of benefit terms	-	-	-
Difference between expected and actual experience	2,240,320	-	2,240,320
Changes of assumptions	(2,754,349)	-	(2,754,349)
Contributions - employer	-	9,792,055	(9,792,055)
Contributions - employee	-	3,319,341	(3,319,341)
Net investment income	-	27,328,225	(27,328,225)
Benefit payments, including refunds of employee contributions	(14,841,488)	(14,841,488)	-
Administrative expense	-	(173,918)	173,918
Other changes	-	(1,215)	1,215
Net changes	12,924,378	25,423,000	(12,498,622)
Balance at 12/31/2023	<u>\$ 319,263,092</u>	<u>\$ 261,627,300</u>	<u>\$ 57,635,792</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 100,836,230	\$ 57,635,792	\$ 22,051,046

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2024, the City recognized pension expense of \$10,327,225.

At September 30, 2024, the City reported deferred outflows of resource and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,134,866	\$ -
Changes in actuarial assumptions	-	1,982,822
Difference between projected and actual investment earnings	21,568,897	15,198,275
Contributions subsequent to the measurement date	7,927,447	-
Total	<u>\$ 34,631,210</u>	<u>\$ 17,181,097</u>

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**E. Pension Plans - continued**

\$7,927,447 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2024	\$ 4,043,359
2025	2,925,521
2026	4,830,673
2027	(2,276,887)
2028	-
Thereafter	-
	\$ 9,522,666

**2. Tyler Firefighter's Relief and Retirement Fund**

**Plan Description**

The City contributes to the retirement plan for firefighters in the Tyler Fire Department known as the Tyler Firefighters' Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Tyler Firefighters' Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Tyler Firefighters' Relief and Retirement Fund at 1718 West Houston, Tyler, Texas 75702.

The Tyler Firefighter's Relief and Retirement Fund is considered part of the City's financial reporting entity and is included in the City's financial reports as a Pension Trust Fund.

**Benefits Provided**

Firefighters in the Tyler Fire Department are covered by the Tyler Firefighters' Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters become eligible for normal service retirement at age 50 with 25 years of service or at age 55 with 20 years of service. If a terminated firefighter has a vested benefit but is not eligible for normal retirement, he may elect an actuarially equivalent early retirement benefit or he may wait to retire starting on the date he would have first satisfied both age and service requirements for normal retirement if he had remained a Tyler firefighter. The present plan effective July 1, 2011 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity (except those who had 20 years of service as of January 1, 2005 have a normal form of a Joint and 100% to Spouse form), equal to 71.5% of Highest 60-Month Average Salary plus \$113 for each year of service in excess of 20. A \$1,000 minimum monthly benefit was added in 2018.

A retiring firefighter eligible for normal service retirement with certain minimum combinations of years of service and age has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 60-Month Average Salary as if they had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date they meet the RETRO DROP eligibility requirements and the date preceding the date they actually retire by the maximum lump sum accumulation period (36 or 60 months, depending upon age and service). Upon retirement, the member will receive, in addition to their monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the fund, after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date they retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**E. Pension Plans - continued**

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

**Members Covered by the Fund**

In the December 31, 2023 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	117
Inactive employees entitled to but not yet receiving bene	-
Active employees	<u>165</u>
	<u>282</u>

**Funding Policy**

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The funding policy of the Tyler Firefighters' Relief and Retirement Fund requires contributions equal to 13.50% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes according to an agreement between the City and the Fund's board of trustees. In 2020, the City agreed to a new contribution policy that will contribute 23% over the remainder of the unfunded liability amortization period. This new policy will gradually phase in from the 21.38% contribution rate to an ultimate rate of 23%. The actual City contribution rate was 22.00% in 2023 and 22.50% in 2024. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2023, the money-weighted rate of return on pension plan investments was 13.15%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed City contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**E. Pension Plans – continued**

**Net Pension Liability**

The City’s total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2023.

Total pension liability	\$ 122,212,262
Plan fiduciary net position	83,352,048
City's net pension liability	\$ 38,860,214

Plan fiduciary net position as a percentage of the total pension liability	68.2%
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**Actuarial Method and Assumptions**

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%	
Salary increases	2.75%, plus promotion, step and longevity increases that vary by service	
Investment rate of return	7%, net of pension plan investment expense, including inflation	

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables for employees and retirees (sex distinct), projected generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.33%) and by adding expected inflation (2.75%). In addition, the final 7% assumption was selected by “rounding up”. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities		
Large cap domestic	29.00%	5.94%
Mid cap domestic	9.00%	5.83%
Small cap domestic	6.00%	5.88%
International developed	7.00%	6.50%
International developing	5.00%	7.26%
Alternatives		
Real estate	5.00%	3.88%
Commodities	5.50%	1.11%
Fixed income		
Domestic core	19.30%	2.00%
Domestic high yield	4.00%	2.77%
Global	5.00%	1.70%
Domestic bank loan	3.70%	2.14%
Cash	1.50%	0.00%
Total	100.00%	
Weighted Average		4.33%

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**E. Pension Plans – continued**

**Discount Rate**

The discount rate used to measure the total pension liability was 7%. No projection of cash flows was used to determine the discount rate because the December 31, 2023 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 25 years. Because of the 25-year amortization period of the UAAL, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City of Tyler, calculated using the discount rate of 7%, as well as what the city’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
City's net pension liability	\$ 53,675,679	\$ 38,860,214	\$ 26,440,917
<b>Plan Fiduciary Net Position</b>			

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund’s separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as of September 30, 2023	\$ 116,730,034	\$ 74,765,622	\$ 41,964,412
Changes for the year:			
Service cost	2,879,269	-	2,879,269
Interest	8,153,409	-	8,153,409
Difference between expected and actual experience	713,621	-	713,621
Contributions by the City	-	3,213,284	(3,213,284)
Firefighter contributions	-	1,972,462	(1,972,462)
Net investment income	-	9,754,690	(9,754,690)
Benefit payments	(6,264,071)	(6,264,071)	-
Administrative expenses	-	(89,939)	89,939
Assumption changes	-	-	-
Other changes	-	-	-
Net changes	5,482,228	8,586,426	(3,104,198)
Balance as of September 30, 2024	\$ 122,212,262	\$ 83,352,048	\$ 38,860,214

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**E. Pension Plans – continued**

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

For the year ended September 30, 2024, the City’s GASB 68 pension expense was \$4,616,412. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

**Components of Pension Expense for the Fiscal Year Ended September 30, 2024:**

Components of Pension Expense	
Service cost	\$ 2,879,269
Interest	8,153,409
Firefighter contributions	(1,972,462)
Projected earnings on pension plan investments	(5,192,704)
Amortization of differences between projected and actual earnings on plan investments	(407,083)
Amortization of changes of assumptions	1,105,893
Amortization of differences between expected and actual experience	(39,849)
Pension plan administrative expenses	89,939
Changes in benefit provisions	-
Total pension expense	<u>\$ 4,616,412</u>

**Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in Pension Expense in Future Years**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,752,376	\$ 958,001
Changes in actuarial assumptions	4,148,238	-
Difference between projected and actual investment earnings	5,374,814	-
Contributions subsequent to the measurement date	2,567,087	404,448
Total	<u>\$ 13,842,515</u>	<u>\$ 1,362,449</u>

\$2,567,087 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	
2025	\$ 2,069,657
2026	2,980,451
2027	3,823,584
2028	(112,162)
2029	629,193
Thereafter	522,256
Total	<u>\$ 9,912,979</u>

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**F. Post-Employment Benefits Other Than Pensions**

**1. Health Plan**

**Plan Description**

In addition to the pension benefits previously described, the City makes available health care benefits to eligible employees, and their spouses and children, who retire from the City and who are receiving benefits from a City sponsored retirement program (Texas Municipal Retirement System or Tyler Firefighters' Relief and Retirement Fund) through a single-employer defined benefit healthcare plan.

The plan does not issue a stand-alone report.

**Benefits Provided**

In addition to providing pension benefits, the City may provide group medical, dental, life and other benefits to eligible employees and their dependents. Detailed and summary information concerning eligibility, coverage and costs will be provided annually by the Finance Department and any outside service or insurance providers. The nature and extent of such benefits are subject to change without prior notice.

Employees who are working for City at the time of their retirement are eligible to continue to participate in City group health, dental, and life insurance plan. If such retiree's dependents were enrolled for coverage at the time of the retiree's retirement, then retiree may continue to have retiree's dependents covered.

Retirees who elect to remain in the insurance plan must continue to pay their portion of premiums and abide by the other conditions of the plan to have coverage. A retiree seeking continued coverage must inform the Finance Department no later than the date of retirement that the person elects to continue coverage for the retiree and/or dependents. Employees hired after 01/01/1997 must pay the full cost of premiums to continue coverage upon retirement. The City may substitute Medicare supplement health benefits coverage as the coverage provided for a retiree who receives health benefits coverage under this policy, including a dependent, after the date that the retiree becomes eligible for Federal Medicare benefits. The City may refuse health benefits coverage to a retiree and/or the retiree's dependent covered under this policy if the retiree and/or retiree's dependent is eligible for group health benefits coverage through another employer; or if premiums are not paid; or if they do not provide required certificate of insurance from insurance company. Non-Medicare Retirees, Medicare Retirees, and their dependents, who elect to opt out of the health and/or dental plan(s), may do so by submitting a written notice to the Finance Department. This written notice must include which plan(s) (health, dental and/or both) and the effective date (first day no longer covered). Retirees terminated for non-payment or who opted out and had not served 20 years with the City of Tyler will not be eligible to opt back into the health and/or dental plan(s) at a later date.

Retirees terminated due to alternative coverage may be able to opt back into the City's coverage if the retiree:

1. No longer qualifies for coverage,
2. Served 20 years with the City of Tyler, and
3. Had selected the coverage at the time of retirement.

Only the coverage selected at the time of retirement will be considered for the 20-year opt-in provision.

Additionally, the City provides eligible retirees with \$5,000 in basic life insurance coverage at no cost to the retirees.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**F. Post-Employment Benefits Other Than Pensions – continued**

**Employees Covered by Benefit Terms**

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	502
Inactive employees entitled to but not yet receiving benefits	-
Active employees	864
	1,366

**Contributions**

City contributions consists of monthly premium contributions to the Public Agency Retirement Services (PARS) Post-Retirement Health Funding Plan Trust, which is a multi-employer irrevocable trust that has a private letter ruling confirming it is in full compliance with the requirements of Section 115 of the Internal Revenue Code.

Medicare eligible retirees are provided with a Medicare insurance supplement program. For retirees hired before January 1, 1997, the City contributions are fixed at the 2013 subsidy level for age-band as of December 31, 2017. For retirees hired on and after January 1, 1997, there is no City contribution. See the table below for the monthly rates for employees:

	Medical Plan	Dental Plan	Vision Plan	
			Gold 100	Gold 150
Employee only	\$ 117.84	\$ 9.82	\$ 5.50	\$ 6.14
Employee + Spouse	392.96	36.10	9.30	10.50
Employee + Child(ren)	305.34	34.96	9.90	11.14
Employee + Family	532.46	54.34	14.80	16.70

Consistent with the requirements of GASB Statement No. 74, the employer contributions include amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets.

**Net OPEB Liability**

The City's Net OPEB Liability was measured as of December 31, 2023, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total OPEB Liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	TMRS: 3.60% to 11.85%, including inflation FIRE: 2.75% to 8.92%, including inflation
Healthcare cost trend rates	Initial rates of 7.20% declining to ultimate rates of 4.25% after 15 years

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**F. Post-Employment Benefits Other Than Pensions – continued**

Salary increases were based on a service-related table obtained from either TMRS or FTDRRF. Per TMRS, mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females.

In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Per FTDRRF, mortality rates for active members, retirees, and beneficiaries were based on the RP2000 Combined Healthy Mortality Tables projected to 2024 using Scale AA for males and females.

The actuarial assumptions for TMRS members are based on the assumptions that were developed for the defined benefit plan in which the City participates. The assumptions are based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement Plan (TMRS). The assumptions for firefighters are based on the pension valuation report provided by the City as of December 31, 2022.

**Discount Rate**

The discount rate used to measure the Total OPEB Liability was 6.25%. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.25%; the municipal bond rate is 3.77% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 6.25%.

The City is expected to consistently fund the actuarially determined employer contribution, which uses a closed amortization period. As a result, the plan's fiduciary net position is expected to be sufficient to pay all future benefits.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**F. Post-Employment Benefits Other Than Pensions – continued**

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2022	\$ 25,206,849	\$ 16,035,712	\$ 9,171,137
Changes for the year:			
Service cost	540,515	-	540,515
Interest on the total OPEB liability	1,527,917	-	1,527,917
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(1,826,279)	-	(1,826,279)
Changes in assumptions	(1,650,708)	-	(1,650,708)
Employer contributions	-	4,626,632	(4,626,632)
Net investment income	-	2,522,210	(2,522,210)
Benefit payments	(2,060,867)	(2,060,867)	-
Administrative expenses	-	(38,066)	38,066
Other	-	-	-
Net Changes	(3,469,422)	5,049,909	(8,519,331)
Balances as of December 31, 2023	\$ 21,737,427	\$ 21,085,621	\$ 651,806

**Sensitivity Analysis**

The following presents the Net OPEB Liability of the City, calculated using the discount rate of 6.25%, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease in Discount Rate (5.25%)	Discount Rate (6.25%)	1% Increase in Discount Rate (7.25%)
Net OPEB Liability	\$ 2,105,107	\$ 651,806	\$ (663,968)

The following presents the Net OPEB Liability of the City, calculated using the assumed trend rates (7.00% declining to the ultimate rate of 4.15% after 13 years), as well as what the City's Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower (5.25% declining to the ultimate rate of 3.15% after 13 years) or 1-percentage-point higher (7.25% declining to the ultimate rate of 5.15% after 13 years) than the current rate:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$ (465,158)	\$ 651,806	\$ 1,904,973

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**F. Post-Employment Benefits Other Than Pensions – continued**

**OPEB Income**

For the year ended September 30, 2024, the City recognized OPEB income of \$1,884,640.

Components of OPEB Expense	
Service cost	\$ 540,515
Interest on total OPEB liability	1,527,917
Current-period benefit changes	-
Employee contributions	-
Projected earnings on OPEB plan investments	(1,081,223)
OPEB plan administrative expenses	38,066
Other changes in plan fiduciary net position	-
Recognition of current year outflow/(inflow) due to liabilities	(566,672)
Recognition of current year outflow/(inflow) due to assets	(288,197)
Amortization of prior year outflow/(inflow) due to liabilities	(2,335,380)
Amortization of prior year outflow/(inflow) due to assets	280,334
Total OPEB expense	\$ (1,884,640)

**Deferred Outflows of Resources and Deferred Inflows of Resources to be Recognized in OPEB expense in Future Years**

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 247,821	\$ 5,151,596
Changes in actuarial assumptions	158,185	1,460,200
Difference between projected and actual investment earnings	935,954	-
Contributions subsequent to the measurement date	2,231,387	-
Total	\$ 3,573,347	\$ 6,611,796

The City had 2,231,387 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction/(addition) of the total OPEB liability for the year ending September 30, 2025. The employer contributions include trust contributions of \$4,626,632 plus the benefit payments paid by the City of \$2,060,867 minus the trust reimbursements of \$1,422,062. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	
2024	\$ (2,535,745)
2025	(771,390)
2026	(525,402)
2027	(793,672)
2028	(566,672)
Thereafter	(76,955)
	\$ (5,269,836)

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**F. Post-Employment Benefits Other Than Pensions - continued**

**2. Supplemental Death Benefits Plan**

**Plan Description**

The City also participates in a single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). Like the Defined Benefit Pension Plan, the OPEB Plan is under the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

**Benefits Provided**

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an “other postemployment benefit” (OPEB) and is a fixed amount of \$7,500.

**Employees Covered by Benefit Terms**

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2023	12/31/2022
Inactive employees currently receiving benefits	507	499
Inactive employees entitled to but not yet receiving benefits	86	81
Active employees	707	708
	1,300	1,288

**Contributions**

The member cities contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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 pre-fund retiree life insurance during employee’s entire careers.

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**F. Post-Employment Benefits Other Than Pensions - continued**

For calendar year 2024, the total SDB contributions rate for the City was 0.45%, while the retiree portion of the SDB contribution was 0.22%. The City’s contributions for the year ended September 30, 2024, were \$108,788 for the retiree portion, and \$223,666 for the total SDB rate. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer’s yearly contributions for retirees.

**Total OPEB Liability**

The City’s total OPEB liability was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.60% to 11.85% including inflation
Discount rate *	3.77%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality

\* The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2023.

The actuarial cost method being used is known as the Entry Age Normal Method. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member’s compensation through their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**F. Post-Employment Benefits Other Than Pensions - continued**

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

**Changes in the Total OPEB Liability**

	<u>Increase (Decrease)</u>
	<u>Total OPEB</u>
	<u>Liability</u>
Balance at 12/31/2022	\$ 2,666,839
Changes for the year:	
Service cost	90,096
Interest	107,719
Change of benefit terms	-
Difference between expected and actual experience	(34,004)
Changes of assumptions or other inputs	132,155
Benefit payments	(104,322)
Net changes	<u>191,644</u>
Balance at 12/31/2023	<u>\$ 2,858,483</u>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, would be if it were calculated using a discount rate that is 1-percentage-point lowers (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	<u>1% Decrease in</u>		<u>Discount Rate (3.77%)</u>		<u>1% Increase in</u>
	<u>Discount Rate (2.77%)</u>		<u>Discount Rate (3.77%)</u>		<u>Discount Rate (4.77%)</u>
Total OPEB Liability	\$ 3,358,038	\$	2,858,483	\$	2,460,745

**OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2024, the City recognized OPEB expense of \$101,570.

<u>Components of OPEB Expense</u>	
Service cost	\$ 90,096
Interest on total OPEB liability	107,719
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(52,367)
Changes in assumptions or other inputs	<u>(43,878)</u>
Total OPEB expense	<u>\$ 101,570</u>

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**F. Post-Employment Benefits Other Than Pensions - continued**

**Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in OPEB Expense in Future Years**

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 66,140
Changes in actuarial assumptions	103,222	587,053
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	68,221	-
Total	<u>\$ 171,443</u>	<u>\$ 653,193</u>

The City had \$68,221 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	
2024	\$ (164,332)
2025	(225,095)
2026	(174,803)
2027	14,259
2028	-
Thereafter	-
	<u>\$ (549,971)</u>

**G. Commitments**

The City invested in other projects and contracts with outside parties. The more significant of these at September 30, 2024, are as follows:

Greenwood Landfill TX, L.P. – The City established a trust fund in January 2001 to ensure the eventual closure and post-closure expenditure requirements. The trust fund will be 100% funded by Greenwood Landfill TX, L.P. (Greenwood). The initial agreement was that Greenwood would fund the trust at the annual rate of \$400,000 per year for 5 years. In January 2005 the agreement was amended to reduce the annual funding rate to \$36,000 per year beginning October 1, 2004 to allow Greenwood to actively pursue authorization to expand the Landfill from the appropriate regulatory agencies. The funding will be re-evaluated periodically to determine future needs. The trust is set up as an expendable trust with expenditures restricted to closure and post-closure costs. Liability for closure and post-closure costs are the responsibility of Greenwood and will be calculated annually under requirements established by the Texas Commission on Environmental Quality.

Water Sales Contracts – The City has an agreement with surrounding cities and water supply corporations to provide a supplemental source of water. The amount to be provided is estimated to be 50% of the annual supply. The parties have established a minimum annual and monthly take or pay volume and a surcharge to water taken above maximum day volume.

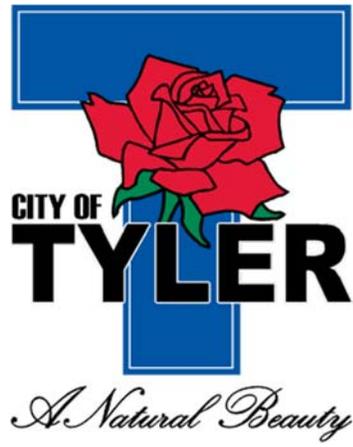
**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**H. Landfill Closure and Post-closure Costs**

Greenwood Landfill – The City has contracted with a private enterprise to operate the Greenwood Landfill. The private enterprise bears the full financial responsibility of operating the landfill including all closure and post-closure costs. The operator is funding a landfill trust, which is administered by the City of Tyler and established for the future closure and post-closure costs of the Greenwood Landfill.

**J. Subsequent Events**

Subsequent events were evaluated through March 6, 2025, the date on which the financial statements were available to be issued.



## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

The ***Police Forfeiture Fund*** was established to account for the receipt and disbursement of funds seized by the Police Department and subsequently awarded to the City through court-ordered judgements, primarily cases involving illegal drugs.

The ***Park Improvement Fund*** was established to account for the receipt and disbursement of funds that are allocated and utilized to improve parks around the City.

The ***Court Special Fee Fund*** was established to track the receipt of court fees restricted for court technology purchases by the State of Texas.

The ***Economic Development Fund*** was established to account for the receipt and disbursement of funds to promote, encourage and enhance the creation and retention of jobs which retain and expand the City tax base.

The ***Hotel-Motel Occupancy Tax Fund*** was established to account for the receipt and disbursement of funds generated by the Hotel-Motel Occupancy Tax.

The ***Donations Fund*** was established to account for the receipt and disbursement of funds for specified miscellaneous projects.

The ***Passenger Facility Charge Fund*** was established to account for the receipt and disbursement of fees collected during the purchase of airline travel tickets and/or fees collected from the rental of vehicles at Tyler Pounds Regional Airport.

The ***Public, Educational and Governmental Access Channel (PEG) Fee Fund*** was established to account for the receipt and disbursement of funds to be spent on governmental access channel facilities and related capital items.

The ***CDBG Fund*** was established to account for the receipt and disbursement of CDBG Grant monies allocated to the City.

The ***Home Grant Fund*** was established to account for the receipt and disbursement of Home Grant monies allocated to the City to provide affordable housing for low-income households.

The ***Homeownership and Housing Fund*** was established to account for the receipt and disbursement of Homeownership and Housing funds allocated to the City.

The ***Housing Assistance Payment Fund*** was established to account for the receipt and disbursement of Department of Housing and Urban Development- Housing Assistance Payments Program Fund.

## **SPECIAL REVENUE FUNDS, CONTINUED**

The *State and Federal Grants Fund* was created to account for the receipt and disbursement of Federal and State Grants for which no separate fund has been established. These are generally fairly small grants which are expended fairly quickly.

The *Transit System Fund* was established to account for the receipt and disbursement of Federal and State Grant Funds received for the operation of the City's Transit System.

The *TIF/TIRZ #3 and #4 Funds* were established to encourage economic development in the Downtown area. These Funds account for additional value and associated taxes received from the property tax and sales tax on improvements and new construction within the zones.

## **CAPITAL PROJECTS FUND**

The *General Capital Projects Fund* is funded periodically by excesses remaining in the General Fund and is used to pay for one time only capital expenditures.

The *One-Half Cent Sales Tax Fund* is funded solely through city sales tax revenues and is used for City infrastructure projects.

The *Quality Street Improvement Fund* is funded through \$0.02 of the City's property tax rate and is used to pay for street improvements in the City as needed.

## **DEBT SERVICE FUND**

The *Rose Complex Debt Service Fund* was established to account for the debt service requirements related to the revenues bond issued in 2021 to fund the construction of the Rose Complex Convention Center.

## **PERMANENT FUND**

The *Cemeteries Fund* was established to provide perpetual care and maintenance to the City's cemeteries.

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**



[Closing Date]

Norton Rose Fulbright US LLP  
2200 Ross Avenue, Suite 3600  
Dallas, Texas 75201-7932  
United States

Tel +1 214 855 8000  
Fax +1 214 855 8200  
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “City of Tyler, Texas, Water and Sewer System Revenue Refunding and Improvement Bonds, New Series 2026,” dated March 15, 2026, in the principal amount of \$\_\_\_\_\_ (the “Bonds”), we have examined into their issuance by the City of Tyler, Texas (the “City”), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City’s outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on September 1 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, an Escrow Agreement (the “Escrow Agreement”) between the City and UMB Bank, N.A. (the “Escrow Agent”), a special report (the “Verification Report”) of Frost CPA LLC, in conjunction with Public Finance Partners LLC (the “Verification Agent”) and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

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

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and, together with the outstanding and unpaid “Previously Issued Bonds” (identified and defined in the Ordinance), are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues (as defined in the Ordinance) of the City’s combined water and sewer system, except to the extent that the enforceability thereof may be affected by bankruptcy,

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of Tyler, Texas, Water and Sewer System Revenue Refunding and Improvement Bonds, New Series 2026"

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

2. The Escrow Agreement has been duly authorized, executed and delivered and, assuming the due authorization, execution or acceptance, and delivery thereof by the Escrow Agent, is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the Verification Report of the Verification Agent for the purposes of paying the outstanding obligations to be refunded and retired with proceeds of the Bonds and interest thereon.

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

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

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