OFFICIAL STATEMENT
Dated May 23, 2019

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: Fitch - "AA"
S&P - "AA"
(See "OTHER INFORMATION - Municipal Bond Ratings" herein)

In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the City (defined herein) after the date of initial delivery of the Bonds (defined herein) with certain covenants contained in the Ordinance (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. See "TAX MATTERS" herein.

$14,570,000
CITY OF SEGUIN, TEXAS
(A political subdivision of the State of Texas located in Guadalupe County, Texas)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

Dated Date: June 1, 2019 **Due: March 1, as shown on page -ii- herein**

The $14,570,000 City of Seguin, Texas (the "City" or the "Issuer") General Obligation Refunding Bonds, Series 2019 (the "Bonds") are being issued pursuant to the laws of the State of Texas (the "State"), including Chapter 1207, as amended ("Chapter 1207"), Texas Government Code, an ordinance (the "Ordinance") adopted on April 16, 2019 by the City Council of the City, and the City's Home Rule Charter. In the Ordinance, the City Council delegated to certain authorized officials of the City, pursuant to certain provisions of Chapter 1207, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale are included in an "Approval Certificate," executed by an authorized City official on May 23, 2019, which completes the sale of the Bonds. See "THE BONDS - Authority for Issuance" herein.

The Bonds are direct obligations of the City payable from an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. See "THE BONDS - Authority for Issuance," "THE BONDS - Security for Payment," and "TAX RATE LIMITATIONS" herein.

Interest on the Bonds will accrue from the Dated Date as shown above, will be payable on March 1 and September 1 of each year, commencing September 1, 2019 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas, as the initial Paying Agent/Registrar, to Cede & Co., which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Proceeds from the sale of the Bonds will be used to (i) provide funds sufficient to refund a portion of the City's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings and (ii) pay for the costs of issuing the Bonds. (See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING" herein.)

FOR MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS, SEE INSIDE PAGE OF THIS FRONT COVER

The Bonds are offered for delivery, when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their legal counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion. It is expected that the Bonds will be available for delivery through the services of DTC, New York, New York, on or about June 18, 2019.

HILLTOPSECURITIES **RBC CAPITAL MARKETS**

$14,570,000
CITY OF SEGUIN, TEXAS
(A political subdivision of the State of Texas located in Guadalupe County, Texas)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2019

CUSIP NO. PREFIX:(1) 815832

MATURITY SCHEDULE

Principal Amount($)	Stated Maturity (March 1)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix (1)
55,000	2020	3.000	1.600	US7
65,000	2021	3.000	1.630	UT5
75,000	2022	4.000	1.660	UU2
85,000	2023	4.000	1.700	UV0
180,000	2024	4.000	1.720	UW8
730,000	2025	4.000	1.760	UX6
725,000	2026	4.000	1.810	UY4
1,130,000	2027	5.000	1.870	UZ1
1,170,000	2028	5.000	1.940(2)	VA5
3,355,000	2029	5.000	2.030(2)	VB3
3,450,000	2030	5.000	2.120(2)	VC1
3,550,000	2031	5.000	2.190(2)	VD9

(Interest to accrue from Dated Date)

Optional Redemption

The Bonds stated to mature on and after March 1, 2028 are subject to optional redemption, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2027 or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption.

---

(1) C*USIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Markets Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the City, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.*

(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on March 1, 2027 the first optional call date for the Bonds, at a redemption price of par, plus accrued interest to the redemption date.

CITY OF SEGUIN, TEXAS
210 East Gonzales
Seguin, Texas 78155

CITY COUNCIL

Name	Position	Years of Service	Term Expires November	Occupation
Don Keil*	Mayor	13	2020	Business Owner
Mark Herbold	Mayor Pro Tem District 8	5	2022	Businessman
Ernest Leal	Councilperson District 1	7	2020	Business Manager
Jeannette Crabb	Councilperson District 2	7	2020	Retired
Chris Aviles	Councilperson District 3	1	2022	Police Chief
Chris Rangel	Councilperson District 4	3	2020	Training Instructor, Seguin ISD
Jeremy Roy	Councilperson District 5	1	2022	Reverend
Fonda Mathis	Councilperson District 6	7	2020	Businesswoman
Penny Wallace	Councilperson District 7	1	2022	CFO

* *Mr. Keil served as a councilmember from 2006 until his election as Mayor in November 2012.*

ADMINISTRATION

Name	Position	Length of Service With City
Douglas G. Faseler [1]	City Manager	24 years
Ricardo Cortes	Assistant City Manager	14 years
Naomi Manski	City Secretary	30 years
Susan Caddell	Director of Finance	31 years
Tracy Stalnaker	Assistant Director of Finance	7 years
Andrew Quittner	City Attorney	9 years

(1) *Mr. Faseler was appointed as the City Manager on January 17, 2006. Prior to that date he served as the Assistant City Manager for 10 years. Mr. Faseler has announced his retirement effective on or about January 1, 2020. The City has engaged a search firm and would like to have the process completed by October 1, 2019.*

CONSULTANTS AND ADVISORS

Armstrong, Vaughn & Associates, P.C. Universal City, Texas	Auditors
Norton Rose Fulbright US LLP San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc. San Antonio, Texas	Financial Advisor

For Additional Information Contact:

Duane L. Westerman, Managing Director
Allen R. Westerman, Managing Director
SAMCO Capital Markets, Inc.
1020 N.E. Loop 410., Suite 640
San Antonio, Texas 78209
(210) 832-9760
Fax (210) 832-9794
Email: dwesterman@samcocapital.com

Douglas G. Faseler, City Manager
Susan Caddell, Director of Finance
City of Seguin
Post Office Box 591
Seguin, Texas 78155
(830) 401-2300
Fax (830) 386-2588
Email: scaddell@seguintexas.gov

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Official Statement, which includes the cover page, schedule, and appendices hereto, does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters.

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

None of the City, the Financial Advisor, or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its "BOOK-ENTRY-ONLY SYSTEM."

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Bonds, is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

TABLE OF CONTENTS

The cover page hereof, the schedule and appendices herein and any addenda, supplement or amendment hereto are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement.

THE ISSUER	The City of Seguin, Texas (the "City") is a political subdivision, home rule municipality, and municipal corporation of the State of Texas (the "State"), operating pursuant to its Home Rule Charter, located in Guadalupe County, Texas. The City covers approximately 23.87 square miles and is the county seat of Guadalupe County. See "APPENDIX B - General Information Regarding the City of Seguin and Its Economy".
THE BONDS	The Bonds are issued as "City of Seguin, Texas General Obligation Refunding Bonds, Series 2019." Semi-annual interest payments begin on September 1, 2019 and continue on each March 1 and September 1 thereafter until stated maturity or prior redemption. The Bonds are being issued in the principal amount of $14,570,000. The Bonds will mature on the dates and pay interest at the rates indicated on page -ii- hereof.
DATED DATE	June 1, 2019.
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, as amended ("Chapter 1207"), Texas Government Code, an ordinance (the "Ordinance") passed by the City Council of the City on April 16, 2019, and the City's Home Rule Charter. In the Ordinance, the City Council delegated to certain authorized officials of the City, pursuant to certain provisions of Chapter 1207, the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale are included in an "Approval Certificate," executed by an authorized City Official on May 23, 2019, which completes the sale of the Bonds. See "THE BONDS - Authority for Issuance" herein.
SECURITY FOR THE BONDS	The Bonds are direct obligations of the City payable from a levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City. See "THE BONDS - Security for Payment" and "TAX RATE LIMITATIONS" herein.
REDEMPTION	The Bonds stated to mature on and after March 1, 2028 are subject to optional redemption on March 1, 2027, or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption Provisions of the Bonds" herein.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas.
BOOK-ENTRY-ONLY SYSTEM	The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment as to principal and interest. See "BOOK-ENTRY-ONLY SYSTEM" herein.
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein.
USE OF PROCEEDS	The proceeds of the Bonds will be used to (i) provide funds sufficient to refund a portion of the City's currently outstanding obligations as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings and (ii) pay the costs related to the issuance of the Bonds. See "PLAN OF FINANCING - Purpose" herein.
BOND RATINGS	Fitch Ratings, Inc. ("Fitch") and S&P Global Ratings ("S&P") have each assigned their underlying unenhanced municipal bond rating of "AA" to the Bonds. See "OTHER PERTINENT INFORMATION - Municipal Bond Ratings" herein.
FUTURE BOND ISSUES	The City is not currently considering the issuance of additional ad valorem tax backed debt in the next twelve months.
PAYMENT RECORD	The City has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated on or about June 18, 2019.
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

OFFICIAL STATEMENT

$14,570,000
CITY OF SEGUIN, TEXAS
(A political subdivision of the State of Texas located in Guadalupe County, Texas)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2019

INTRODUCTION

This Official Statement, which includes the cover page, schedule, and the appendices hereto, provides certain information in connection with the issuance by the City of Seguin, Texas (the "City" or the "Issuer") of its General Obligation Refunding Bonds, Series 2019 (the "Bonds") in the aggregate principal amount of $14,570,000. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Ordinance"), except as otherwise indicated herein.

This Official Statement contains descriptions of the Bonds and certain other information about the City 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 upon request from the City and, during the offering period, from the City's Financial Advisor, SAMCO Capital Markets, Inc., 1020 N.E. Loop 410, Suite 640, San Antonio, Texas 78209, upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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

PLAN OF FINANCING

Purpose

The Bonds are being issued to: (i) refund a portion of the City's currently outstanding debt, identified on Schedule I attached hereto (the "Refunded Obligations") for debt service savings and (ii) pay the costs associated with the issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their respective call dates at par.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on the scheduled maturity dates from funds to be deposited with Zions Bancorporation, National Association, Houston, Texas (the "Escrow Agent") pursuant to an Escrow and Trust Agreement dated as of April 16, 2019 (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds along with other lawfully available funds of the City, if any, with the Escrow Agent in the amount necessary to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations and will be held, in part, uninvested in cash and, in part, used to purchase certain obligations of the United States of America and obligations of agencies or instrumentalities of the United States, including obligations that are unconditionally guaranteed by the agency or instrumentality, that are noncallable and that were, on the date the order is to be adopted, rated as to investment quality by a nationally recognized rating firm not less than "AAA" (the "Federal Securities"). Such maturing principal of and interest on the Federal Securities will be available only to pay the debt service requirements on the Refunded Obligations and not the Bonds.

Prior to, or simultaneously with the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

The issuance of the Bonds will be subject to delivery by Ritz & Associates PA, Bloomington, Minnesota, Verification Agent (the "Verification Agent"), of a report of the mathematical accuracy of certain computations. The Verification Agent will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the Federal Securities and cash deposits listed in the schedules provided by SAMCO Capital Markets, Inc., as Financial Advisor to the City, to be held in escrow, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Obligations which verification will be used by Bond Counsel in its determination that the interest on the Bonds is excludable from the gross income of the holders thereof and for the defeasance of the Refunded Obligations. The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds. See “VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS” herein.

By the deposit of Bond proceeds and cash with the Escrow Agent pursuant to the Escrow Agreement, and the investment thereof in the Federal Securities and cash, if any, the City will have effected the defeasance of the Refunded Obligations pursuant to the terms of the ordinances authorizing their respective issuance. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Obligations will no longer be payable from ad valorem taxes and other sources of security (if any), but will be payable solely from the amounts on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Obligations will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose. See “APPENDIX D – Form of Opinion of Bond Counsel” herein.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations if for any reason the cash balance on deposit in the Escrow Fund should be insufficient to make such payment.

SOURCES AND USES OF FUNDS

Sources of Funds:	
Par Amount of Bonds	$14,570,000.00
Reoffering Premium on the Bonds	2,840,853.80
City Contribution	203,840.41
Accrued Interest	33,440.41
Total	$17,648,134.62
Uses of Funds:	
Deposit to Escrow Fund	$17,366,718.77
Underwriters' Discount	93,940.35
Deposit to Bond Fund	33,440.41
Costs of Issuance and Contingency	154,035.09
Total	$17,648,134.62

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), an ordinance (the “Ordinance”) adopted by the City Council of the City (the “City Council”) on April 16, 2019, and the City’s Home Rule Charter. In the Ordinance, the City Council delegated to certain authorized officials of the City, pursuant to certain provisions of Chapter 1207, the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale are included in an “Approval Certificate”, executed by an authorized City official on May 23, 2019, which completes the sale of the Bonds.

General Description

The Bonds are dated June 1, 2019 (the “Dated Date”) and accrue interest from the Dated Date, and such interest shall be payable on March 1 and September 1 in each year, commencing September 1, 2019, until stated maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 principal for any one maturity.

Initially the Bonds will be 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 owners thereof.** Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security for Payment

The Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance. See "TAX RATE LIMITATIONS" herein.

Payment Record

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

Legality

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated to occur on or about June 18, 2019.

Future Issues

The City is not currently considering the issuance of additional ad valorem tax backed debt in the next twelve months.

Redemption Provisions of the Bonds

The City reserves the right to redeem the Bonds maturing on and after March 1, 2028 in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on March 1, 2027 or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. The years of maturity of the Bonds called for redemption shall be selected by the City. If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of $5,000 within any stated maturity. Additionally, the Underwriters may select two or more serial maturities of the Bonds to be grouped into term bonds (the "Term Bonds"), and such Term Bonds shall be subject to mandatory sinking fund redemption.

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 each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books relating to the Bonds kept by the Paying Agent/Registrar (the "Security Register") at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Ordinance, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bond (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bond shall not be deemed to be Outstanding.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will mail any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds held by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to

DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Defeasance

Any Bond will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Ordinance when payment of the principal of and interest on such Bond to its stated maturity or redemption date will have been made or will have been provided by depositing with the Paying Agent/Registrar, or an authorized escrow agent, (1) cash in an amount sufficient to make such payment, (2) Government Obligations of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Obligations to make such payment. The sufficiency of the aforementioned deposits shall be certified by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Ordinance.

The Ordinance provides that "Government Obligations" 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 the governing body of the City authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid for purposes of applying any debt limitation on indebtedness or for purposes of taxation. 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.

Amendments

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, 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, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of, or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount of Bonds required to be held for consent to any amendment, addition, or waiver.

Defaults and Remedies

If the City defaults in the payment of principal or interest 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 Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and 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 Bond holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia, 197 S.W.3d 325* (Tex. 2006) ("Tooke"), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson"), the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the State's immunity is not an efficient way to ensure efficient allocation of State resources". While the Court recognized that the distinction between governmental and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in October 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 inception of the contractual relationship.

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

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

Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretions.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. If the Bonds are not held in the Book-Entry-Only System, interest on the Bonds will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE - Record Date" herein) or by such other method, acceptable to the

Paying Agent/Registrar, requested by and at the risk and expense of the registered owner, and principal of the Bonds will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The City covenants that until the Bonds are paid it will at all times maintain and provide a Paying Agent/Registrar. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the person entitled to the payment of interest on a Bond is the fifteenth day of the month next preceding each interest payment date.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment is the next succeeding day which is not such a day and payment on such date will have the same force and effect as if made on the original date payment was due.

Special Record Date for Interest Payment

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) 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 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.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed bonds will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or 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 registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer 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 denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. See “BOOK-ENTRY-ONLY SYSTEM" herein.

Limitation on Transferability of Bonds Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen, or lost, such new Bond will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to establish to the City and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with Bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

The following describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, 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, the Financial Advisor and the Underwriters believe the source of such information to be reliable but take 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 United States 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 security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC 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 S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission (the "SEC"). More information about DTC can be found at 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-Only 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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption price and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC (or its nominee), 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, security 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 none of the City, the Financial Advisors, or the Underwriters take 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.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

INVESTMENT POLICIES

Investments

The City invests its 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

Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas 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 of Texas or the United States or their respective agencies and instrumentalities; (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 the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law, or a depository institution that has its main office or a branch office in the State of Texas 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 United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the City or cash held by the City to be 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 (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) 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 (7) 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 (7) above and clauses (12) through (15) below, (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 of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of 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; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934, and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) investment pools if the City has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the City and deposited with the City or with a third party selected and approved by the City.

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) 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 Texas 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 owned by the City 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 Texas Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas 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, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) 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 Texas 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 (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), 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.

Current Investments*

As of April 1, 2019, the following percentages of the City's investable funds were invested as indicated below:

Category of Investments	Amount	Percentage	Term of Investments
Depository Bank - Cash	$ 3,131,228	3.35%	Daily liquidity
Money Market Fund	260,936	.28%	Daily liquidity
Investment Pools	71,281,649	76.23%	Daily liquidity
Certificates of Deposit	2,980,000	3.18%	1-2 years
US Treasuries/Agencies	15,860,000	16.96%	10 months
Total	$93,513,813	100.00%	

* *Unaudited.*

As of such date, the "fair" value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% their book "balance." No funds of the City are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments." The objective of this Statement is to enhance the clarity and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. The City implemented GASB 34 for its fiscal year ending September 30, 2003. While adoption of this Statement altered the presentation of some financial information, there was no material adverse impact to the City's financial position, results of operation, or cash flows. See Note J – Employees' Retirement Systems in the Notes to Basic Financial Statements September 30, 2018 included in "APPENDIX C - Audited Financial Statements."

The City provides certain other post-retirement benefits to retired employees and their dependents that fall within the scope of Governmental Accounting Standards Board's Statement of General Accounting Standards No. 45 ("GASB 45"), Accounting by Employers for Other Post-Employment Benefits ("OPEB").

GASB 45, which sets forth standards for the measurement, recognition, and display of post-employment benefits other than pensions (such as health and life insurance for current and future retirees), applies to the City and requires implementation by the City for the fiscal year that began October 1, 2009. GASB 45 requires the City to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and provide information useful in assessing potential demands on the employer's future cash flows. The employer's contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in a net OPEB cost, which under GASB 45 must be recorded as a liability in the employer's financial statements.

During fiscal year 2009, the City implemented GASB 45. See Note K - Other Post-Employment Benefits in the Notes to Basic Financial Statements September 30, 2018 included in "APPENDIX C - Audited Financial Statements."

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Tax Code") provides for county wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Guadalupe Appraisal District (the "Appraisal District") is responsible for appraising property within the City generally as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Guadalupe Appraisal Review Board (the "Appraisal Review Board") which is appointed by the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the City in establishing its tax roll and tax rate.

Property Subject to Taxation by the City

Except for certain exemptions provided by Texas law, all real and certain tangible personal property with a tax situs in the City are subject to taxation by the City. Principal categories of exempt property (including certain exemptions which are subject to local option by the City Council) include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the City has agreed to abate ad valorem taxes, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a non-profit corporation used in scientific research and educational activities benefiting a college or university, and designated historical sites. Other principal categories of exempt property include tangible personal property not held or used for production of income, solar and wind-powered energy devices; most individually owned automobiles; certain varying amounts of valuation attributable to residential homesteads of persons ages 65 or over and property of disabled veterans or their surviving spouses or children; and certain classes of intangible property. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value.

Valuation of Property for Taxation

Generally, property in the City must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the City in establishing its tax rolls and tax rate. Assessments under the Tax Code are to be based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

Article VIII of the Texas Constitution and the Tax Code permits land designated for agricultural use (Section 1-d), open space or timberland (Section 1-d-1) to be appraised at the lesser of its value based on the land's capacity to produce agricultural or timber products or its market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the City can collect taxes based on the new value, including three (3) years for agricultural use and five (5) years for agricultural open space land and timberland prior to the loss of the designation. The same land may not be qualified under both Section 1-d and 1-d-1.

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to be an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. The City, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the City or an estimate of any new property or improvements within the City. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the City, it cannot be used for establishing a tax rate within the City until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

Under Article VIII and State Law the governing bodies of counties, cities, towns or junior college districts are authorized to establish an ad valorem "tax freeze" on residence homesteads of the disabled and persons sixty-five years of age or older. This "tax freeze" can be implemented by official action of a governing body, or pursuant to an election called by the governing body upon receipt of a petition signed by 5% of registered voters of the political subdivision.

If the tax limitation is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residence homestead of that person or that person's spouse who is disabled or sixty-five years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if (i) the taxpayer died in a year in which he qualified for the exemption, (ii) the surviving spouse was at least 55 years of age when the taxpayer died, and (iii) the property was the residence homestead of the surviving spouse when the taxpayer died and the property remains the residence homestead of the surviving spouse.

In addition, the Texas Legislature by general law may provide for the transfer of all or a proportionate amount of the tax limitation applicable to a person's homestead to be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation. The City Council approved the imposition of the tax freeze in December 2003.

Residential Homestead Exemptions

Under Section 1-b, Article VIII of the Texas Constitution, and State law, the governing body of a political subdivision, at its option, may grant:

(i) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. The City has not elected to grant this additional exemption.

(ii) An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000. The City has not elected to grant this additional exemption.

After the exemption described in (i) above is authorized, such exemption may be repealed or decreased or increased in amount (a) by the governing body of the political subdivision or (b) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the exemption listed in (i) above for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

A disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or a part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Exemptions for Freeport Goods and Goods-in-Transit

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to December 31, 2011 to continue its taxation of goods-in-transit in the 2012 tax year and beyond.

The City took official action before January 1, 1990 to tax freeport property. On December 6, 2011 the City Council took official action to tax goods-in-transit.

Tax Abatement

The City may designate areas within the City as a reinvestment zone. Thereafter, the City may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the City, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same. The City has adopted criteria and entered into abatement agreements with Caterpillar, Tractor Supply and Minigrip.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

See Footnote 1 to table entitled "TOP TEN TAXPAYERS" included in APPENDIX A to this Official Statement for a description of an economic development agreement between the City and Caterpillar Inc. and a payment in lieu of taxes agreement with CPS Energy concerning the Rio Nogales Combined Cycle Natural Gas electric generation facility.

Tax Increment Financing Reinvestment Zones

The City may create one or more tax increment financing reinvestment zones within the City ("TIRZ"), under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. Other overlapping taxing units levying taxes in the TIRZ may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIRZ in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIRZ. Taxes levied by the City against the values of real property in the TIRZ in excess of the "frozen" value are not available for general City use but are restricted to paying or financing "project costs" within the TIRZ.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the orders of the Appraisal Review Board by filing a timely petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

The Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

The Financial Institutions Act of 1989

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC").

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states that (i) no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary lien shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real property tax when due, (iii) no personal property owned by FDIC is subject to ad valorem taxation, and (iv) notwithstanding failure of a person to challenge an appraisal in accordance with State law, such value shall be determined as of the period for which such tax is imposed.

As of the date hereof, the City is not aware of any significant properties in the City which are under the control of the FDIC, however, real property could come under their control while acting as the receiver of an insolvent financial institution. Accordingly, to the extent the FIRREA provisions are valid and applicable to property in the City, and to the extent that the FDIC attempts to enforce the same, the provisions may affect the time at which the City can collect taxes on property owned by the FDIC, if any, in the City.

Levy and Collection of Taxes

The City is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. By the later of September 30 or 60 days after the certified appraisal roll is delivered to the City, the rate of taxation is set by the City based upon the valuation of property within the City as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. Certain taxpayers, including the disabled, persons 65 years or older, disabled veterans, and first responders who qualified for certain tax exemptions are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1. The Property Tax Code also makes provision, on a local option basis, for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. The City does not allow split payments or discounts.

City's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the City records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

2019 Legislative Session

The 86th Regular Legislative Session convened on January 8, 2019 and adjourned on May 27, 2019. According to published reports, legislation that changes current laws affecting ad valorem tax matters, including calculation of the rollback tax rate and rollback election process for maintenance tax increases, among other matters, was adopted on May 27, 2019 and sent to the Texas Governor for his signature. If not vetoed, this legislation will impact the City's future budgeting and the levy and collection of ad valorem taxes for maintenance and operations purposes. At this time, the City has not undertaken a comprehensive review of this legislation to determine the extent of this impact on its maintenance and operations budget. The City does not anticipate that this legislation will impact its ability to levy and collect ad valorem taxes for debt service purposes.

TAX RATE LIMITATIONS

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population: $2.50 per $100 assessed valuation. The City has adopted a Home Rule Charter that imposes a tax rate of $2.50 per $100 of assessed valuation for all City purposes.

No direct funded debt limitation is imposed on the City under current Texas law or the City's Home Rule Charter. Article XI, Section 5 of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which adopts this constitutional provision. The Texas Attorney General has adopted an administrative policy that generally prohibits the issuance of debt by a municipality such as the City if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collection. The issuance of the Bonds does not violate this constitutional provision or the Texas Attorney General's administrative policy.

The Tax Code

By the later of September 30 or 60 days after the date the certified appraisal roll is received by the City, the City Council is required to adopt a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures; and (2) a rate for debt service.

The City must annually calculate and publicize its "effective tax rate" and "rollback tax rate." The City Council may not adopt a tax rate that exceeds the lower of the rollback rate or the effective tax rate until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City, by petition, may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

“Effective tax rate” means the rate that will produce last year’s total tax levy (adjusted) from this year’s total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of last year’s taxes and new values are not included in this year’s taxable values.

“Rollback tax rate: means the rate that will produce last year’s maintenance and operation tax levy (adjusted) from this year’s values (adjusted) multiplied by 1.08 plus a rate that will produce this year’s debt service from this year’s values (adjusted) divided by the anticipated tax collection rate. See “Ad Valorem Tax Procedures - 2019 Legislative Session” for information regarding recently enacted changes to the rollback tax rate by the Texas Legislature.

Reference is made to the Tax Code and Tex. S.B.2, 86th Leg., R.S. (2019) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

The Tax Code provides certain cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for economic development purposes if approved by a majority of the voters in a local option election. The City has approved a 1/4% sales tax for property tax reduction and a 1/4% sales tax for economic development. See “APPENDIX A - Municipal Sales Taxes.”

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), of the owners thereof 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. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears as APPENDIX D hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon the report of the Accountants (see "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS" herein) and upon representations and certifications of the City made in certificates 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.

Except as described above, Bond Counsel will express 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. 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 municipal 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.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Registered Owners 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.

Ancillary Tax Consequences

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, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (FASIT), 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. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). 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 Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. 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 his taxable year.

However, such accrued interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by section 55 of the Code, and 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, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, 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.

However, In the event of the sale or other taxable disposition of a Discount Bond 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 for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial 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 with respect to the Premium Bonds. 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 which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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 agreements for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB through EMMA is available free of charge at www.emma.msrb.org.

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file in its public records each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the City includes all quantitative financial information and operating data of the general type included in this Official Statement. The information is of the type included in APPENDIX A, exclusive of the table reflecting "Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes," and in APPENDIX C. The City will update and provide this information within six months after the end of each of its fiscal years ending in and after 2019.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12. The updated information will include audited financial statements, if it commissions an audit and the audit is completed by the required time. If audited financial statements are not provided with annual information, the City will provide unaudited financial statements at such time and later provide audited financial statements when and if the audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year, unless it changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

Notice of Certain Events

The City will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after 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, which shall occur as described below; (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 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 financial obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), 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. Neither the Bonds nor the Ordinance make any provision for debt service reserves, credit enhancement, or liquidity enhancement. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the MSRB.

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.

Availability of Information from MSRB

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of material 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 or beneficial owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement 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 (1) 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 (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 Beneficial Owners of the Bonds. The City may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case 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 giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City amends its agreement, it must 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 information and data provided.

Compliance with Prior Undertakings

Except as hereafter described, the City has during the past five years complied in all material respects with continuing disclosure agreements made by it in accordance with the Rule.

S&P (defined herein) provides ratings on the City’s utility system revenue bonds (the “Revenue Bonds”) (see “OTHER PERTINENT INFORMATION - Municipal Bond Rating”). On December 13, 2011, as part of a routine surveillance, S&P upgraded the underlying ratings on the then-outstanding Revenue Bonds from “A-” to “A”. On November 25, 2014, S&P again upgraded the underlying ratings on the then-outstanding Revenue Bonds from “A” to “A+”. On November 26, 2014, the City filed notice of the second credit rating upgrade with the MSRB (the “MSRB”) through EMMA; the City, however, did not file notice of the first upgrade. The City filed notice of the first credit rating upgrade applicable to the Revenue Bonds that remain outstanding, as well as notice of its initial failure to timely file notice of the same, with the MSRB through EMMA on January 26, 2016.

The City has outstanding multiple series of obligations whose repayment is guaranteed pursuant to bond insurance policies issued by various monoline bond insurance companies including Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.) and Assured Guaranty Municipal Corp. (formerly Financial Security Assurance). Beginning in 2008, the ratings on municipal bond insurers were downgraded or withdrawn with frequency; more recently, certain of these insurers have been upgraded. The City’s continuing disclosure undertakings made in accordance with the Rule with respect to these insured series of obligations require that notice of rating changes be given only if such change was material within the meaning of federal securities laws. Information about these rating actions was widely and publicly reported, particularly throughout the municipal bond industry. The City is of the position that because the occurrence of these events was widely reported or known, their occurrence was, therefore, not material within the meaning of federal securities laws. Nevertheless, the City has, as of November 25, 2014, filed a notice with EMMA indicating the current enhanced ratings on its outstanding and insured utility system revenue indebtedness. That notice was, however, filed under the wrong CUSIP number (filed under the CUSIP number for the City's general obligation debt). It has since been filed under the correct CUSIP number as of January 12, 2016 and is available through EMMA.

In 2010, the City issued utility system revenue bonds and in connection with such issuance committed to annually provide a table illustrating debt service requirements for the Schertz/Seguin Local Government Corporation’s contract revenue bonds. The City has inadvertently omitted such table from its annual filings; however, such table has been provided annually in the disclosure of the Schertz/Seguin Local Government Corporation and in other debt offering documents of the City. The City has filed such table as an amendment to its 2019 annual filing and will hereafter include such table in its annual filings.

LEGAL MATTERS

The City will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, ("Bond Counsel"), to the effect that the Bonds are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel has been engaged by and only represents the City. A form of Bond Counsel's opinion appears in APPENDIX D attached hereto. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in their capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING – Refunded Obligations," "THE BONDS (except under the subcaptions "Payment Record", "Delivery", "Future Issues", and "Defaults and Remedies", as to which no opinion is expressed)," "REGISTRATION, TRANSFER AND EXCHANGE," "TAX MATTERS," "LEGAL MATTERS" (except for the last sentence of the first paragraph thereof as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale," and "CONTINUING DISCLOSURE OF INFORMATION" (except matters discussed under the subcaption "Compliance with Prior Undertakings", as to which no opinion is expressed) 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 the legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on definitive bonds in the event of discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, whose compensation is contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the 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.

LITIGATION

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

At the time of initial delivery of the Bonds, the City will provide the Underwriters 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in 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, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Municipal Bond 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.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by SAMCO Capital Markets, Inc., as financial advisor to the City, on behalf of the City was examined by Ritz & Associates PA, Bloomington, Minnesota, certified public accountants (the "Accountants"). Such computations were based solely on assumptions and information supplied by SAMCO Capital Markets, Inc. on behalf of the City. The Accountants have restricted their procedures to examining the arithmetical accuracy of certain computations and have not made any study or evaluation of the assumptions and information on which the computations are based, and accordingly, have not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. The Accountants will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the Federal Securities and cash deposits, if any, listed in the schedules provided by SAMCO Capital Markets, Inc., to be held in the Escrow Fund, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Obligations. The report of the Accountants will be relied upon by Bond Counsel in rendering its opinion with respect to the exclusion of the interest on the Bonds from gross income of the holders and the defeasance of the Refunded Obligations.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources that 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. 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.

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 act of any other 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.

Municipal Bond Ratings

Fitch Ratings, Inc. ("Fitch") and S&P Global Ratings ("S&P") have each assigned their underlying unenhanced municipal bond rating of "AA" to the Bonds. See "CONTINUING DISCLOSURE OF INFORMATION - Compliance with Prior Undertakings" herein.

An explanation of the significance of such ratings may be obtained from Fitch and S&P. The respective rating of the Bonds by Fitch and S&P reflects only the view of each company at the time the rating is given, and the City makes no representation as to the appropriateness of each rating. There is no assurance that the rating will continue for any given period of time, or that either rating will not be revised downward or withdrawn entirely by either Fitch or S&P, if, in the respective judgment of Fitch or S&P, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the 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. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City. SAMCO Capital Markets, 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 bond documentation with respect to the federal income tax status of the Bonds.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an underwriting discount of $93,940.35, plus accrued interest. The Underwriters' obligations are subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering price, and such public prices may be changed from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

RBC Capital Markets, LLC ("RBCCM"), has provided the following information for inclusion in this Official Statement: RBCCM and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Forward Looking Statements

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

It is important to note that 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 would prove to be accurate.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Underwriters will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such 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 the light of circumstances under which they are made, not misleading; (c) insofar as the description and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that 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 September 30, 2018, the date of the latest audited financial statements of the City.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Authorization of the Official Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement has been approved by the City Council of the City for distribution in accordance with provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c-12, as amended.

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

CITY OF SEGUIN, TEXAS

/s/ Don Keil
Mayor

ATTEST:

/s/ Naomi Manski
City Secretary

(this page intentionally left blank)

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Series	Principal Amount ($)	Maturities	Interest Rates (%)	Redemption Date and Price
City of Seguin, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2010	165,000	9-1-2020	3.000	09/01/2019 @ 100.00%
	180,000	9-1-2021	4.000	09/01/2019 @ 100.00%
	190,000	9-1-2022	4.000	09/01/2019 @ 100.00%
	205,000	9-1-2023	4.000	09/01/2019 @ 100.00%
	205,000	9-1-2024	4.000	09/01/2019 @ 100.00%
	215,000	9-1-2025	4.000	09/01/2019 @ 100.00%
	225,000	9-1-2026	4.000	09/01/2019 @ 100.00%
	390,000	9-1-2027	4.000	09/01/2019 @ 100.00%
	385,000	9-1-2028	4.000	09/01/2019 @ 100.00%
	2,480,000	9-1-2029	4.125	09/01/2019 @ 100.00%
	2,560,000	9-1-2030	4.125	09/01/2019 @ 100.00%
	2,650,000	9-1-2031	4.250	09/01/2019 @ 100.00%
City of Seguin, Texas Utility System Revenue Bonds, Series 2010	85,000	2-1-2020(1)	4.000	06/27/2019 @ 100.00%
	85,000	2-1-2021(1)	4.000	06/27/2019 @ 100.00%
	95,000	2-1-2022(2)	4.000	06/27/2019 @ 100.00%
	95,000	2-1-2023(2)	4.000	06/27/2019 @ 100.00%
	205,000	2-1-2024	4.000	06/27/2019 @ 100.00%
	750,000	2-1-2025	4.000	06/27/2019 @ 100.00%
	745,000	2-1-2026(3)	4.000	06/27/2019 @ 100.00%
	990,000	2-1-2027(3)	4.000	06/27/2019 @ 100.00%
	1,030,000	2-1-2028(4)	4.000	06/27/2019 @ 100.00%
	1,065,000	2-1-2029(4)	4.000	06/27/2019 @ 100.00%
	1,055,000	2-1-2030(4)	4.000	06/27/2019 @ 100.00%
	1,040,000	2-1-2031	4.000	06/27/2019 @ 100.00%

(1) *Term Bond with a final maturity of February 1, 2021.*
(2) *Term Bond with a final maturity of February 1, 2023.*
(3) *Term Bond with a final maturity of February 1, 2027.*
(4) *Term Bond with a final maturity of February 1, 2030.*

(this page intentionally left blank)

APPENDIX A

SELECTED FINANCIAL INFORMATION
OF THE CITY OF SEGUIN

(this page intentionally left blank)

VALUATION AND DEBT DATA

General Purpose, General Obligation Bonds and Certificates

2018 Total Appraised Valuation[1]	$2,689,257,977
Less Exemptions and Exclusions[2]	595,662,197
2018 Net Taxable Assessed Valuation (100% of market value)	$2,093,595,780

---

[1] *Source: Guadalupe Appraisal District. The Appraisal Review Board approved Certified Values as of February 1, 2019.*
[2] *Does not Include frozen values.*

Outstanding Debt By Issues	Amount Outstanding At 3-01-2019 [1]
Certificates of Obligation, Series 2010	$ 160,000 [2]
Certificates of Obligation, Series 2011	1,700,000
General Obligation Refunding Bonds, Series 2011	1,040,000 [3]
General Obligation Refunding Bonds, Series 2013	4,695,000 [3]
Certificates of Obligation, Series 2013	1,640,000
General Obligation Bonds, Series 2014	18,775,000
General Obligation Refunding Bonds, Series 2014	6,740,000
General Obligation Refunding Bonds, Series 2015	12,960,000 [3]
Certificates of Obligation, Series 2016	12,245,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016A	8,700,000
Tax Notes, Series 2017	520,000
Tax Notes, Series 2018	329,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	6,450,000
Tax Notes, Series 2019	305,000
General Obligation Refunding Bonds, Series 2019 (the Bonds)	14,570,000 [3]
Total General Obligation Debt	90,829,000 [2]
Less: Self-supporting Debt	13,210,000 [2]
Net Tax Supported General Obligation Debt	77,619,000
Less: Interest and Sinking Fund Balance (as of 3-1-2019)	4,250,305
Net General Obligation Debt Outstanding	$73,368,695
Ratio NetTax Supported General Obligation Debt to 2018 Net Taxable Assessed Valuation	3.71% [2]
Ratio Net General Obligation Debt to 2018 Net Taxable Assessed Valuation	3.50% [2]

---

[1] *Unaudited.*
[2] *Excludes the Refunded Obligations.*
[3] *A portion of debt service of this issue is supported by payments from the City's Utility System.*

2010 U. S. Census Population - 22,011
2018 Estimated Population - 31,218
Per Capita 2018 Net Taxable Assessed Valuation - $67,063.74
Per Capita Total Net Tax Supported General Obligation Debt - $2,486.35
Per Capita Net General Obligation Debt - $2,350.20

General Obligation Bonds Authorized but Unissued

The City has no authorized and unissued general obligation voted authority from any bond election; however, the City may, from time to time and without an election, issue debt obligations payable from its collection of ad valorem taxes, including (but not limited to) certificates of obligation, public property finance contractual obligations, certain types of capital leases, and tax notes.

TAXATION DATA

Tax Rate Distribution

Tax Year	2018	2017	2016	2015	2014
Local Maintenance	$0.2763	$0.2879	$0.3104	$0.3126	$0.3000
Interest and Sinking Fund	.2649	.2533	.2308	.2130	.2244
Totals	$0.5412	$0.5412	$0.5412	$0.5256	$0.5244

Tax Collection Data

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of twenty percent (20%) of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Taxable Assessed Valuation[1]	Tax Rate	% Collections Current	% Collections Total	Year Ending
2008	$1,214,768,682	$0.4823	96.90%	102.35%	09-30-09
2009	1,279,059,508	0.4600	97.36%	99.18%	09-30-10
2010	1,328,080,868	0.4893	97.02%	98.96%	09-30-11
2011	1,388,352,916	0.5073	97.20%	99.34%	09-30-12
2012	1,428,682,800	0.5073	98.14%	108.00%	09-30-13
2013	1,369,727,941	0.5173	97.81%	99.80%	09-30-14
2014	1,471,733,571	0.5244	98.41%	99.34%	09-30-15
2015	1,554,809,696	0.5256	97.93%	99.83%	09-30-16
2016	1,798,558,709	0.5412	97.14%	99.89%	09-30-17
2017	1,957,487,506	0.5412	98.40%	100.60%	09-30-18
2018	2,093,595,780 [2][3]	0.5412	(in the process of collection)		09-30-19

(1) City's Comprehensive Annual Financial Report.
(2) Guadalupe Appraisal District.
(3) See the table of Top 10 Taxpayers and Their 2018 Valuations herein.

Non-Funded Debt

Capital Leases

The City has entered into a lease agreement to finance the acquisition of public safety, public works and golf equipment. The City has also financed the acquisition of the Springs Hill Wastewater Collection System through its Utility Fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Future minimum obligations and the net present value of these minimum lease payments as of September 30, 2018 are as follows:

Year Ending September 30,	Governmental Activities
2019	$ 585,972
2020	377,510
2021	412,800
2022	181,928
Total Payments	1,558,210
Less: Amount Representing Interest	(102,986)
Present value of minimum lease payments	$1,455,224

Source: City's Comprehensive Annual Financial Report.

Schedule of Delinquent Taxes Receivable Fiscal Year Ended September 30, 2018 (Unaudited)

Year Ended 9/30	Ending Balance
2009	$ 10,388
2010	12,381
2011	14,287
2012	15,525
2013	19,699
2014	31,118
2015	37,034
2016	50,801
2017	102,723
2018	160,508
Total	$454,464

Source: City's Comprehensive Annual Financial Report.

Municipal Sales Taxes

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City, the proceeds of which are credited to the General Fund and are not pledged to the payment of the Bonds. Collection and enforcement are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In addition to the 1% sales tax, the City collects one-quarter percent (1/4 of 1%) to be used to reduce the property tax rate. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6 1/4%). Beginning in fiscal year 1995, the City has collected an additional sales and use tax of one-fourth of one percent (1/4 of 1%) for its economic development as permitted under provision of Article 5190.6, Section 4A (now codified primarily in Chapter 504, Texas Local Government Code). Net collections on fiscal year basis are as follows:

Fiscal Year	Rate [(1)]	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2006	1 1/2%	$4,479,517	110.78	$0.47
2007	1 1/2%	4,857,969	107.29	0.50
2008	1 1/2%	5,155,539	101.87	0.46
2009	1 1/2%	5,022,478	89.40	0.41
2010	1 1/2%	5,278,917	86.16	0.41
2011	1 1/2%	5,281,333	84,60	0.39
2012	1 1/2%	6,533,697	96.56	0.47
2013	1 1/2%	6,918,184	99.23	0.49
2014	1 1/2%	6,909,704	97.32	0.50
2015	1 1/2%	7,214,240	98.39	0.52
2016	1 1/2%	7,389,899	96.56	0.50
2017	1 1/2%	7,434,928	82.72	0.44
2018	1 1/2%	7,970,496	80.77	0.44

Source: City of Seguin.

(1) 1.00% City sales tax; 0.25% to be used by the City to reduce property taxes; and 0.25% for Seguin Economic Development Corporation. The remaining 0.50% is collected by the Commissioners Court of Guadalupe County to reduce property taxes.

Top 10 Taxpayers and Their 2018 Valuations [(1)]

Name	Type of Property	2018 Net Assessed Valuation	Percent of Total 2018 Assessed Valuation
Temic Automotive (Motorola)	Automotive Parts Manufacturing	$140,744,137	6.72%
Helmerich & Payne International	Contract Drilling	74,266,527	3.55%
Niagara Bottling LLC	Water Bottle Manufacturing	51,777,524	2.47%
8th Street Properties	Real Estate	32,068,363	1.53%
Hexcel Reinforcements Corporation	Fiberglass Manufacturing	18,471,317	0.88%
ET Seguin Dist LLC	Caterpillar Plant	13,600,000	0.65%
MA Ranch at Seguin LLC	Land/Development	12,420,000	0.59%
Ameritex Pipe & Products LLC	Manufacturing	11,386,390	0.54%
Wonder Properties LTD	Apartment Buildings	10,300,000	0.49%
Tyson Foods, Inc.	Poultry Processing	9,202,254	0.44%
Total		$374,236,512	17.88% [(2)]

Source: Guadalupe Appraisal District.

(1) *The Rio Nogales Combined Cycle Natural Gas electric generation facility (previously a top ten taxpayer) was purchased in fiscal year 2012 by CPS Energy in San Antonio, Texas, a municipal-owned utility. As a result, the City and CPS Energy reached an agreement that paid the City $9,585,200 to compensate for all future tax losses due to this electric generation power plant now being tax-exempt. The City also has abatement agreements with Caterpillar, Inc. that will end in 2020. Based on current valuations, Caterpillar, Inc. would be the top taxpayer in the City when the values become fully taxable.*

(2) *As shown in the table above, the top ten taxpayers in the City account for in excess of 15% of the City's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the City, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Bonds may be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process that may only occur annually.*

Taxpayers by Classification

Classification	2018 Assessed Valuation	Percent of Total	2017 Assessed Valuation	Percent of Total	2016 Assessed Valuation	Percent of Total
Single Family Residential	$1,127,709,179	41.93%	$1,032,346,116	39.97%	$ 908,091,764	39.22%
Multi-Family Residential	76,233,344	2.83%	73,952,801	2.86%	62,007,727	2.68%
Vacant-Platted Lots	33,013,704	1.23%	31,077,425	1.20%	30,857,300	1.33%
Qualified Open Space	96,856,834	3.60%	106,083,965	4.11%	84,359,246	3.64%
Rural Land, Non-qualified Space	27,550,460	1.02%	26,050,359	1.01%	23,614,424	1.02%
Commercial Real Property	331,263,495	12.32%	348,390,076	13.49%	297,059,823	12.83%
Industrial Real Property	212,704,972	7.91%	214,811,974	8.32%	197,265,825	8.52%
Utilities	14,913,889	0.55%	15,570,967	0.60%	14,640,986	0.63%
Commercial Personal Property	151,177,168	5.62%	153,927,817	5.96%	143,124,465	6.18%
Industrial Personal Property	586,709,661	21.82%	553,144,112	21.42%	526,494,814	22.74%
Mobile Homes	5,799,672	0.22%	5,845,719	0.23%	5,661,520	0.25%
Residential Inventory	9,891,805	0.37%	7,627,718	0.30%	9,046,187	0.39%
Special Inventory	15,433,794	0.57%	13,907,228	0.54%	12,939,586	0.57%
Total Appraised Valuation	$2,689,257,977	100.00%	$2,582,736,237	100.00%	$2,315,163,667	100.00%
Less Exemptions & Exclusions	595,662,197		623,829,863		629,549,447	
Net Taxable Assessed Valuation	$2,093,595.780		$1,958,906,414		$1,685,614,220	

Source: Guadalupe Appraisal District.

Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes

Expenditures of the various taxing bodies overlapping the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of direct and overlapping extended debt of these various taxing bodies:

	Gross Debt		Percent	Amount
Political Subdivision	Amount	As Of	Overlapping	Overlapping
Seguin ISD	$129,909,858	4-01-2019	49.68%	$ 64,539,217
Guadalupe County	11,570,000	4-01-2019	19.18%	2,219,126
Total Net Overlapping Debt				66,758,343
Seguin, City of	77,619,000 *	4-1-2019	100.00%	77,619,000 *
Total Direct and Estimated Overlapping Debt				$144,377,343
Ratio Total Direct and Estimated Overlapping Debt to 2018 Net Taxable Assessed Valuation				6.90%

____
***** *Includes the Bonds; excludes the Refunded Obligations, net of self-supporting debt.*

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2018/19

Interest and Sinking Fund Balance at 9-30-2018	$1,093,814
Estimated Income from $0.2649 Collected Using 2018 Taxable Assessed Valuation of $2,093,595,780 at 95% Collections	5,268,638
Estimated Other Revenue	550,000
Estimated Total Funds Available	6,912,452
2018/19 Net Debt Service Requirement	5,930,482
Estimated Interest and Sinking Fund Balance at 9-30-2019	$ 981,970

CONSOLIDATED DEBT SERVICE REQUIREMENTS

FISCAL YEAR 30-Sept	CURRENTLY OUTSTANDING DEBT SERVICE(1)	PLUS: THE BONDS AT ACTUAL RATES PRINCIPAL DUE 9/1	INTEREST DUE 3/1 & 9/1	TOTAL	GRAND TOTAL OF ALL DEBT SERVICE	LESS SELF SUPPORTING SEDC	LESS SELF SUPPORTING UTILITY SYSTEM	NET GENERAL OBLIGATION DEBT SERVICE
2019	$ 7,365,939.19		$ 177,037.50	$ 177,037.50	$ 7,542,976.69	$(203,650.00)	$ (1,408,844.75)	$ 5,930,481.94
2020	7,117,952.25	$ 55,000	707,325.00	762,325.00	7,880,277.25	(207,000.00)	(1,647,268.50)	6,026,008.75
2021	6,952,921.63	65,000	705,525.00	770,525.00	7,723,446.63		(1,657,748.25)	6,065,698.38
2022	6,663,417.13	75,000	703,050.00	778,050.00	7,441,467.13		(1,656,347.00)	5,785,120.13
2023	6,684,489.88	85,000	699,850.00	784,850.00	7,469,339.88		(1,658,457.50)	5,810,882.38
2024	6,449,069.13	180,000	694,550.00	874,550.00	7,323,619.13		(1,516,800.00)	5,806,819.13
2025	5,623,237.50	730,000	676,350.00	1,406,350.00	7,029,587.50		(1,295,150.00)	5,734,437.50
2026	5,628,062.50	725,000	647,250.00	1,372,250.00	7,000,312.50		(1,257,650.00)	5,742,662.50
2027	5,108,325.00	1,130,000	604,500.00	1,734,500.00	6,842,825.00		(1,105,250.00)	5,737,575.00
2028	5,130,281.25	1,170,000	547,000.00	1,717,000.00	6,847,281.25		(1,109,500.00)	5,737,781.25
2029	3,051,531.25	3,355,000	433,875.00	3,788,875.00	6,840,406.25		(1,101,500.00)	5,738,906.25
2030	3,069,793.75	3,450,000	263,750.00	3,713,750.00	6,783,543.75		(1,047,625.00)	5,735,918.75
2031	3,076,743.75	3,550,000	88,750.00	3,638,750.00	6,715,493.75		(989,125.00)	5,726,368.75
2032	5,825,368.75				5,825,368.75			5,825,368.75
2033	5,819,093.75				5,819,093.75			5,819,093.75
2024	5,810,093.75				5,810,093.75			5,810,093.75
2035	5,713,518.75				5,713,518.75			5,713,518.75
2036	5,540,712.50				5,540,712.50			5,540,712.50
2037	4,925,050.00				4,925,050.00			4,925,050.00
2038	1,480,050.00				1,480,050.00			1,480,050.00
	$107,035,651.71	$14,570,000	$6,948,812.50	$21,518,812.50	$128,554,464.21	$(410,650.00)	$(17,451,266.00)	$104,762,066.27

(1) *This is the currently outstanding general obligation debt service less the Refunded Obligations' debt service.*

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2019/20

Estimated Interest and Sinking Fund Balance at 9-30-2019	$ 981,970
Estimated Income from $0.2649 Collected Using Projected 2019 Estimated Taxable Assessed Valuation of $2,135,467,696 at 95% Collections	5,374,011
Other Revenue (includes revenue for self-supporting debt)	600,000
Estimated Total Funds Available	6,955,981
Estimated 2019/20 Net Debt Service Requirement	6,026,009
Estimated Interest and Sinking Fund Balance at 9-30-2020	$ 929,972

COMPARATIVE CONDENSED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND BALANCE

The following statements reflect the historical operations of the City. Such summary has been prepared for inclusion herein based upon information obtained from the City's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended September 30				
	2018	**2017**	**2016**	**2015**	**2014**
REVENUES					
Taxes	$13,340,223	$12,678,017	$12,182,731	$11,377,976	$10,676,386
Licenses and Permits	717,589	941,986	723,820	1,104,009	585,838
Intergovernmental	1,104,510	1,396,474	862,132	954,686	919,670
Charges for Services	5,779,712	5,711,530	5,696,651	5,635,600	5,556,445
Fines and Forfeits	1,573,956	1,707,497	1,497,809	1,728,156	1,717,511
Interest	226,354	144,635	64,240	10,728	13,533
Miscellaneous	823,332	819,081	762,398	740,455	685,365
Total Revenues	$23,565,676	23,399,220	$21,789,781	21,551,610	20,154,748
EXPENDITURES					
General Government	3,273,323	3,070,934	2,807,542	2,652,479	2,462,188
Public Safety	13,917,286	13,497,928	12,595,423	11,847,542	11,099,683
Public Service	7,186,793	7,191,996	7,075,027	6,523,397	6,087,470
Nondepartmental	2,047,463	2,386,674	1,970,564	1,691,140	1,827,306
Indirect Cost Allocation (recovery)	(4,819,725)	(4,641,289)	(4,352,992)	(4,190,324)	(3,848,566)
Capital Projects/Outlay	44,061	-0-	158,620	-0-	-0-
Total Expenditures	21,649,201	22,435,704	20,254,184	18,524,234	17,628,081
Excess of Revenues Over (Under) Expenditures	1,916,475	963,516	1,535,597	3,027,376	2,526,667
Total Other Financing Sources (Uses)		(2,948,073)	(4,367,865)	(4,031,458)	(3,479,302)
Special Items	-0-	-0-	-0-	-0-	-0-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(170,343)	(1,984,557)	(2,832,268)	(1,004,082)	(952,635)
Fund Balance at Beginning of Year	13,173,454	15,158,011	17,990,279	18,994,361	19,946,996
Equity Transfer	-0-	-0-	-0-	-0-	-0-
Fund Balance - September 30	$13,003,111	$13,173,454	$15,158,011	$17,990,279	$18,994,361

Source: City's Comprehensive Annual Financial Reports.

(this page intentionally left blank)

APPENDIX B

GENERAL INFORMATION REGARDING
THE CITY OF SEGUIN AND ITS ECONOMY

(this page intentionally left blank)

This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the City is located. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Much of the information was obtained from the Seguin Area Chamber of Commerce, and the City of Seguin and Guadalupe County *Texas Municipal Reports.*

Economic and Demographic Characteristics

The City of Seguin, Texas (the "City") is located in South Central Texas and is the county seat and principal commercial center of Guadalupe County (the "County"). The City is located on Interstate Highway 10, about 35 miles east of San Antonio, 160 miles west of Houston, and 50 miles south of Austin, the State capital.

Incorporated in 1853, the City operates under a Home Rule Charter, which was adopted on December 7, 1971. The City has a council-manager type of government composed of the City Manager, Mayor and eight Councilpersons elected for four-year terms.

The Seguin-Guadalupe County economy is an important contribution to the San Antonio metropolitan area. Industry, agriculture and agribusiness, minerals, education, and recreation are major contributors.

Population

	1970	1980	1990	2000	2010	Est. 2018
City	15,934	17,854	18,853	22,011	25,175	31,218
County	33,354	46,700	64,874	89,023	131,533	163,694

Major Area Employers

The area has been economically stable for many years because of the industries located there. The major area employers, their products and approximate number of employees, as currently reported by the Seguin Economic Development Corporation, are given below:

Name	**Product**	**Number of Employees**
Caterpillar	Engine Assembly	2,190
Continental Automotive Systems	Automotive Manufacturing	1,600
Seguin Independent School District	Education	1,130
CMC Steel Texas	Steel Products Manufacturing	840
Tyson Foods, Inc.	Poultry Processing	745
Guadalupe Regional Medical Center	Healthcare	700
Guadalupe County	County Government	595
Texas Lutheran University	Higher Education	400
HEB	Retail	340
Walmart Supercenter	Retail	300
Hexel	Manufacturing	262
City of Seguin	City Government	249
Total		9,351

Many people commute to nearby San Antonio and Randolph Air Force Base for employment.

With the development of SH-130 providing an alternate route from the IH-35 gridlock, commercial traffic is diverted from just north of Austin to Seguin. This places Seguin as a very strategic location for distribution centers and manufacturers alike and will impact both retail and industrial market growths complimenting the already accelerated growth trend.

The City of Seguin, the Seguin Economic Development Corporation and NewQuest Properties continue to work together to make the Seguin Town Center Development a reality. The proposed mixed-use development located at the intersection of State Highway 46 and Interstate 10 in Seguin, will encompass 545 acres and includes plans for over 700,000 square feet of retail space, as well as tracts for residential and other commercial development. Major infrastructure improvements have been tackled in order to accommodate proposed developments at the site. Completed infrastructure improvements include the construction of a new frontage road with curb cuts, extension of sanitary sewer under Interstate 10 to the property line and construction of a new 1-million-gallon elevated water storage tank located half a mile away from the site. All parties are working together to aggressively market the site to prospective residential developers and retail anchor tenants. NewQuest anticipates that construction of the Seguin Town Center development will commence once a residential developer and a retail anchor tenant are secured.

Labor Force Statistics - Guadalupe County

Annual Average	Annual Average 2018	2017	2016	2015	2014	2013
Civilian Labor Force	79,824	77,510	74,988	72,288	71,566	69,580
Total Employed	77,326	74,946	72,296	69,720	68,501	65,654
Total Unemployed	2,497	2,564	2,692	2,568	3,065	3,926
% Unemployed	3.1%	3.3%	3.6%	3.6%	4.3%	5.6%
% Unemployed (Texas)	3.9%	4.3%	4.6%	4.5%	5.1%	6.4%
% Unemployed (United States)	3.9%	4.4%	4.9%	5.3%	6.2%	7.4%

Source: Texas Workforce Commission - Economic Research and Analysis Department, and United States Department of Labor.

Employment and Wages by Industry - Guadalupe County

	Number of Employees Third Quarter 2018	Fourth Quarter 2017	Fourth Quarter 2016	Fourth Quarter 2015
Natural Resources and Mining	477	236	234	345
Construction	2,611	2,556	2,316	2,236
Manufacturing	8,084	7,644	7,209	7,104
Trade, Transportation & Utilities	10,022	12,379	10,904	6,635
Information	101	181	211	226
Financial Activities	1,114	1,113	1,127	1,119
Professional and Business Services	3,355	3,546	2,695	2,483
Education and Health Services	3,639	3,544	3,346	3,242
Leisure and Hospitality	4,634	4,129	4,363	4,187
Other Services	1,302	1,103	1,031	1,063
Unclassified	64	69	23	12
Federal Government	213	226	225	211
State Government	165	161	169	159
Local Government	5,921	6,182	6,123	5,981
Total Employment	41,703	43,069	39,976	35,002
Total Wages	$450,188,220	$466,903,178	$416,486,332	$377,856,263

Source: Texas Workforce Commission - Texas Labor Market Information.

Agriculture

Guadalupe County agricultural income is derived from beef, dairy cattle, hogs, and poultry. Crops include sorghum, corn, wheat, oats, cotton, peanuts and pecans.

Minerals

Minerals produced include oil, gas, sand and gravel. A part of Guadalupe County lies in the Austin Chalk formation from which there is considerable oil production.

Transportation

In addition to Interstate Highway 10, highway facilities include State Highways 46 and 123, and U.S. Highways 90 and 90-A. Interstate 35 goes through the western portion of Guadalupe County.

Railroad facilities are provided by Union Pacific Railroad.

Commercial air service is available at the nearby San Antonio International Airport or Austin Bergstrom. Small and medium sized private aircraft may land at two airfields located within 12 miles of downtown Seguin.

Four local motor freight carriers serve Seguin from local depots. Four additional motor freight carriers serve Seguin from terminals in nearby San Antonio.

Educational Facilities

The Seguin Independent School District, accredited by the Texas Education Agency, is administered by a board comprised of elected citizens who serve in their respective positions without compensation. In addition to the basic curriculum prescribed by the state for grades K through 12, the District offers a wide range of electives. There are extensive special education and vocational education programs, as well as provisions for the accelerated students.

In addition, pre-school and day care centers are located throughout the City with religious and secular programs. Private and parochial schools, representing many teaching disciplines and religious affiliations, can also be found in the area. Baptist, Lutheran, Catholic and other Christian faiths provide pre-school and some elementary through high school programs. There is one Montessori program offered.

Texas Lutheran University ("TLU"), a fully accredited four-year co-educational senior liberal arts institution of higher learning, is located in Seguin. TLU's 1,400 students (50-50, male/female) come from 36 states and seven foreign countries. The 15:1 student-teacher ratio allows for small classes. TLU has been listed as one of the top ten small colleges in the southern United States by the U.S. News and World Report survey of college presidents for 15 out of 16 years. TLU is a central part of life in Seguin and the university pumps an estimated $50 million into the Seguin economy annually.

The Central Texas Technology Center (the "CTTC") is a District Workforce Specialty Campus located minutes from downtown Seguin. The CTTC consists of a 25,000-square-foot facility. It is the area's first higher education facility dedicated to technology and it is a collaborative effort of the governing bodies and business development agencies of New Braunfels, Seguin and the Alamo Community College District (ACCD). The ACCD runs the programs, and classes provide college level education and training to residents of Comal, Guadalupe, Hays, Bexar and Wilson counties. An expansion project is currently underway to double the size of the facility.

Other educational facilities nearby include: Texas State University at San Marcos; University of Texas at Austin; and the San Antonio institutions of San Antonio College, Trinity University, St. Mary's University, University of Texas at San Antonio, The University of the Incarnate Word, Our Lady of the Lake University, and the University of Texas Health Science Center composed of schools of Dentistry, Nursing, Allied Health Sciences and graduate school of Biomedical Sciences.

Recreation

The Guadalupe River meanders through Guadalupe County and the City of Seguin in a northwest to southeast direction. Canyon Lake dam and reservoir are located in adjoining Comal County about thirty miles upstream from the City of Seguin and this impoundment usually assures the normal flow of the river and provides a variety of water sports including canoeing, tube floating and fishing in a very scenic setting. Other impoundments include Lake Placid, Lake McQueeney and Lake Dunlap, all of which provide boating, fishing and skiing.

Max Starke Park, owned by the City of Seguin, is a 160-acre park, which provides an 18-hole golf course, wave pool, tennis courts, baseball fields, and a large picnic area.

Seguin is also home to ZDT's Amusement Park. It is a family oriented amusement park with 11 attractions. The park draws numerous visitors to the area.

Community Services

Many cultural events are held at the Seguin-Guadalupe City Coliseum. The Jackson Auditorium at Texas Lutheran College, home of the Mid-Texas Symphony, hosts nationally and internationally renowned acts in music, theatre, and dance, as well as distinguished lecturers.

The One Seguin Art Center has brought area and out-of-town artistic activities to Seguin.

"Teatro de Artes de Juan Seguin" has brought area and out-of-town Mexican American artists through the annual events of Fiestas Patrias and Noche De Gala.

The Seguin-Guadalupe County Public Library offers a variety of programs for both children and adults. A major library expansion has resulted in enlargement of facilities from approximately 2,900 square feet to 9,600 square feet and an increase in the book collection from 38,000 to 68,000 volumes.

The City is served by two local daily newspapers. San Antonio and Austin daily newspapers are also available. Two radio stations, four commercial television stations and cable television serve the Seguin area.

Churches representing most religious denominations are available. Those not represented generally are available in nearby San Antonio.

Guadalupe Regional Medical Center, with an annual budget of $119 million, serves the area. The hospital currently has 107 acute care beds and 12 inpatient rehabilitation beds and has a staff of approximately 60 doctors. The hospital also provides Home Health and Hospice care. The Wellness Center provides an exercise facility for the community, outpatient physical therapy, and physician offices for new doctors. The Teddy Buerger Center is an outpatient psychiatric and substance abuse center. In addition to the hospital, several clinics are available in Seguin. Numerous hospitals and clinics are available in nearby San Antonio.

Financial

Commercial banks located in Seguin include First Commercial Bank, N.A., Bank of America, First American Bank of Texas, Wells Fargo, Prosperity Bank, Broadway National Bank, and Randolph-Brooks Federal Credit Union, Schertz Bank & Trust, and The First National Bank.

Growth Indices

Fiscal Year	City Building Permits Number Issued	Amount	City Sales Tax	Seguin ISD Enrollment
2007	1,026	$31,990,888	$4,857,969	7,326
2008	861	97,944,325	5,155,539	7,501
2009	694	35,680,585	5,022,478	7,559
2010	886	32,981,097	5,278,917	7,548
2011	756	27,276,413	5,281,333	7,548
2012	765	39,261,603	6,533,697	7,440
2013	906	45,228,136	6,918,184	7,514
2014	903	65,393,557	6,909,704	7,419
2015	1,093	82,433,635	7,214,240	7,459
2016	967	91,438,004	7,389,899	7,492
2017	584	94,487,487	7,434,928	7,425
2018	384	53,168,398	7,970,496	7,427

Source: C*ity of Seguin and Seguin ISD.*

APPENDIX C

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the City of Seguin Comprehensive Annual Financial Report (the "Report") for the fiscal year ended September 30, 2018.

The information presented represents only a part of the Report and does not purport to be a complete statement of the City's financial condition. Reference is made to the complete Comprehensive Annual Financial Report for additional information.

(this page intentionally left blank)

CITY OF SEGUIN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2018

Prepared by: Finance Department
Susan Caddell
Director of Finance

SEGUIN
TEXAS
It's real.

March 4, 2019

The Honorable Mayor and City Council
City of Seguin, Texas

We are pleased to present the Comprehensive Annual Financial Report of the City of Seguin, Texas (the City), for the fiscal year ended September 30, 2018. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the presented data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City of Seguin's financial statements have been audited by Armstrong, Vaughan & Associates, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Seguin for the fiscal year ended September 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor has issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the management's discussion and analysis letter, the government-wide financial statements, the fund financial statements, notes to the financial statements, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds of the City. The City provides a full range of services including: police and fire protection, health services, maintenance of streets, planning and zoning, parks and recreation, convention and visitors' bureau and general administrative services. The City also provides electric, water, and wastewater services; therefore, these activities are included in the reporting entity.

City of Seguin profile. The City of Seguin is the county seat and principal commercial center of Guadalupe County. Seguin is located thirty-five minutes east of San Antonio, fifty-five minutes south of Austin and about two and a half hours west of Houston. Seguin offers immediate access not only to Interstate 10, but to State Highway 130, the safe, fast and reliable alternative to congested Interstate 35 in Central Texas.

Founded in 1838 and incorporated in 1853, the City operates under a Home Rule Charter, which was adopted on December 7, 1971. The City has a council-manager type of government composed of the manager, mayor and eight councilpersons elected for four-year terms. The City Manager is the chief administrator and executive officer for the City and has full responsibility for carrying out Council policies and administering City operations, including hiring department Directors and all other City employees. City service departments provide a full range of services including police and fire protection, EMS services, building inspections, animal control services, parks and recreation services, golf, library services, public works services and general administrative services. In addition, the City of Seguin also provides electric, water and wastewater services.

Local economy. The City of Seguin has grown substantially since 1838, and today Seguin's economy is a vital component to the San Antonio metropolitan area. Seguin's diverse economy is made of primary industries such as advanced manufacturing, distribution and warehousing, healthcare, agriculture, and education. Numerous businesses and Fortune ranked companies have major operations located within the City of Seguin. This includes Continental Automotive Group, Commercial Metals Corporation (CMC), Tyson Foods, Inc., Caterpillar, Inc., The Interplast Group – Minigrip, Alamo Group, Georgia Pacific and Hexcel. Since 2015, several businesses have established new operations within the City of Seguin, including Tractor Supply Company, Niagara Bottling, United Alloy and American Colors.

Manufacturing is the heart of the Seguin economy. Nearly 30 % of Seguin's workforce is employed within the manufacturing industry. In fact, the Seguin area has over 4,000 manufacturing jobs; this is more than three times the national average. The City of Seguin's proximity to San Antonio and Austin enables our manufacturers to tap into a large, diverse and skilled labor pool. Seguin is located three hours away from the U.S. – Mexico Border via Interstate 35 and two and a half hours away from the Port of Houston, one of the world's largest sea ports. This provides Seguin manufacturers with great access to get materials in and out to their customers around the world.

It's not all about manufacturing in Seguin, the City is also home to growing education and healthcare industries as well. In 2018, U.S. News & World Report ranked Seguin's Texas Lutheran University the #1 Best Value School, the #2 Best College for Veterans, and the #2 Regional College in the West. Seguin's Guadalupe Regional Medical Center (GRMC) was the proud recipient of the Healthgrades 2018 Patient Safety Excellence Award, a designation that recognizes superior performance in hospitals that have prevented the occurrence of serious, potentially avoidable complications for patients during hospital stays. The distinction has placed GRMC in the top 5% of all short-term acute care hospitals in the United States for patient safety. Each year GRMC admits approximately 5,000 patients, treats 32,000 Emergency Department visits, delivers 700 babies, and performs 3,200 surgeries. GRMC contributes nearly $40 million per year to the local economy in salaries and benefits and is one of the largest employers in Guadalupe County. Jointly owned by the City of Seguin and Guadalupe County, GRMC is a not-for-profit community hospital committed to its values of compassion, teamwork, excellence, enthusiasm, and dedication.

The City of Seguin and the Seguin Economic Development Corporation continuously engage area employers in order to understand what needs to be done to remain economically competitive. Ensuring that we have strong workforce training options and a healthy talent pipeline will enable the City of Seguin to retain existing employers and will position us to recruit new ones.

The Alamo Colleges, in partnership with the Seguin Economic Development Corporation have worked to bring Alamo Colleges services to the Seguin area. Located just 15 minutes north of Seguin, the Central Texas Technology Center (CTTC) serves as an avenue for Seguin area residents and workers to attain entry-level skills or increase technical skills and to connect to jobs or higher education opportunities. Area high school students also benefit from the CTTC through the Alamo Academies. The Alamo Academies is a national award winning, innovative, STEM-based instructional model operated by the Alamo Area Academies Inc., a non-profit organization, in partnership with the Alamo Colleges. The Alamo Academies provides Seguin area youth with tuition-free career pathways into critical demand technical STEM occupations. The program utilizes contextualized industry-driven curricula resulting in 94% of graduates entering higher education or high-wage careers in Aerospace, Manufacturing, Information Technology, and Healthcare. The Seguin Economic Development Corporation provides annual funding to support the operations of the Academies in the Seguin region. This enables Seguin area high school students to participate in the Advanced Technology and Manufacturing Academy, as well as the Information Technology and Security Academy in conjunction with the Alamo Academies program. Facilities such as the CTTC and programs like the Alamo Academies help ensure that Seguin has a strong pipeline of skilled workers to fill the jobs of today and the jobs of the future.

Data provided by the Bureau of Labor Statistics indicates that Economic conditions within the State of Texas, the San Antonio-New Braunfels Metropolitan Statistical Area (MSA) and the City of Seguin continue to be strong. Seguin primary employers have continued to expand operations and add new workers. In 2018, the unemployment rate remained below 4%, averaging 3.4% for the year, while the labor force population averaged 13,373. From January 2017 to December 2018, the labor force population grew by about 2.9%. Unemployment rates in 2018 averaged 3.3% for the San Antonio-New Braunfels MSA, 3.2% for the City of New Braunfels, 3.3% for the City of San Antonio, and 3.4% for the City of Schertz —all rates considered by economist to be at full employment.

Comparing the San Antonio-New Braunfels MSA to the state and nation, the Texas unadjusted (actual) unemployment rate for 2018 averaged 3.85%. The nation's unadjusted (actual) unemployment rate averaged 3.9% for 2018.

In 2018, CMC Steel Texas worked with the City of Seguin and the Seguin Economic Development Corporation to successfully be designated as a Texas enterprise project by the Office of the Governor's Economic Development and Tourism Division. As a designated enterprise project, CMC Steel has committed to creating 18 new jobs, retaining 462 jobs and a capital investment of $150 Million at their Seguin facility.

In 2016, Caterpillar announced it would be closing an electric generator packaging facility in Newberry, South Carolina, and a generator assembly plant in Ridgeway, South Carolina. As a part of these consolidation efforts, Caterpillar shifted the operations of these facilities to three other plants, one of which was the Seguin, Texas facility. In addition, Caterpillar also relocated its Americas Sales and Marketing team to the Seguin, Texas facility. The relocation involved employees throughout the United States and Europe. As of the end of 2018, Caterpillar has grown their workforce from 1200 employees to nearly 2000. This is a direct result of the operations shifted to the Seguin facility. The transfer of operations to Caterpillar's Seguin Plant speaks volumes about our region's workforce and the business friendly Texas economy.

In the spring of 2016, Niagara Bottling opened its new 557,000 square foot bottling facility located on 30.77 acres of land off Interstate 10 at the intersection of Rio Nogales Drive and Eighth Street. The project created over $85 million in new capital investment and currently employs about 120 people. Niagara Bottling is currently finalizing plans to add a 4th production line to their Seguin facility. The new line will create 30 new jobs and will represent a $22 million investment.

Going into 2019, the Seguin Economic Development Corporation continues to work on a number of recruitment and retention projects that could result in investment and substantial job creation within the City of Seguin.

Long-term financial planning. The City issued $9,900,000 in utility revenue bonds in June 2018, which funded major water and wastewater improvements. In addition, the City issued $6,450,000 in certificates of obligation bonds in April 2018 which, provided funding for needed street and drainage improvements. The City also issued $1,424,000 in Tax Anticipation Notes to provide financing for the purchase of larger pieces of equipment.

FINANCIAL INFORMATION

Internal control. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The City utilizes a computerized financial accounting system, which includes a system of internal accounting controls. Such controls have been designed and are continually being reevaluated to provide reasonable, but not absolute, assurances.

Budgeting Controls. The City also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of all funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. However, budgetary accounting is maintained on a line-item basis. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end, however, encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet is responsibility for sound financial management.

Financial rating. The City's bond rating for Fitch Ratings and Standard & Poor's is as follows:

	Fitch Ratings	Standard & Poor's
General Obligation Bonds	AA/stable outlook	AA/stable outlook
Utility Revenue Bonds	A+/stable outlook	A+/stable outlook

Retirement Plan. The City provides pension benefits for all of its full-time employees through the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system.

Deferred Compensation Plan. 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. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Health Benefits Trust Fund. During fiscal year 2009, the City established a Health Benefits Trust Fund and Retiree Insurance Trust Fund. These funds were established for the receipt of health insurance premiums from the benefits paid by the City, premiums paid by retirees and dependent premiums paid by employees and retirees. The disbursements of these premiums are also paid out of these funds.

OTHER INFORMATION

Independent Audit. The City Charter requires an annual audit of the books, accounts, financial records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with and the independent auditors' report by Armstrong, Vaughan & Associates, P.C., Certified Public Accountants, has been included in this report.

Acknowledgements. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to thank the members of the City Council and the citizens of the City of Seguin for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Douglas G. Faseler
City Manager

Susan Caddell
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sequin

Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

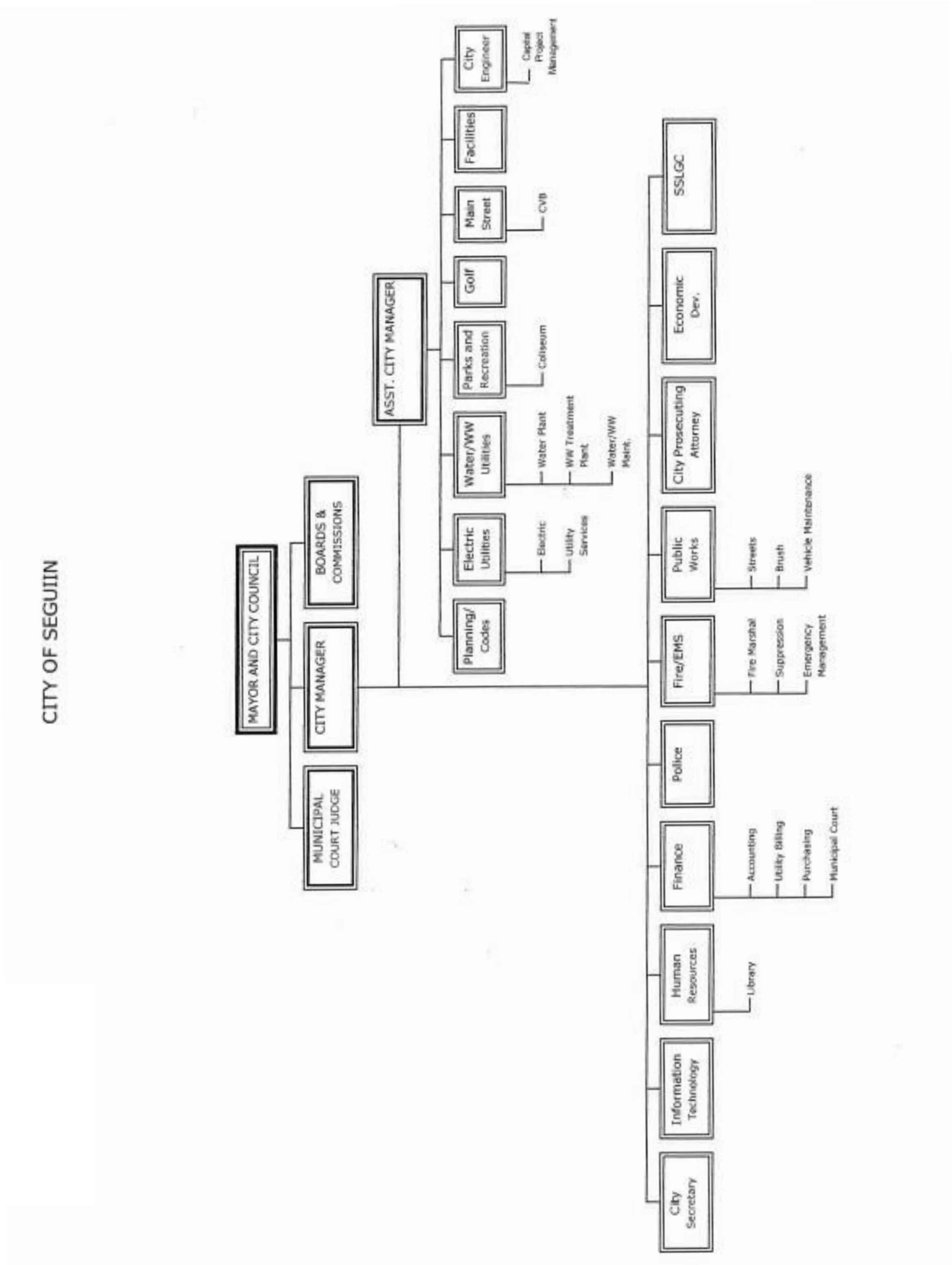
CITY OF SEGUIN, TEXAS

PRINCIPAL OFFICERS

DON KEIL	Mayor
FONDA MATHIS.	Mayor Pro-Tem
JEANETTE CRABB	Councilwoman
DONNA DODGEN	Councilwoman
MARK HERBOLD.	Councilman
ERNESTO M. LEAL	Councilman
CARLOS MEDRANO (deceased)	Councilman
CHRIS RANGEL	Councilman

DOUG FASELER
City Manager

RICK CORTES	Assistant City Manager
NAOMI MANSKI	City Secretary
SUSAN CADDELL	Director of Finance
ANDREW QUITTNER	City Attorney


CITY OF SEGUIIN
MAYOR AND CITY COUNCIL
MUNICIPAL COURT JUDGE
CITY MANAGER
BOARDS & COMMISSIONS
ASST. CITY MANAGER
Planning/ Codes
Electric Utilities
Electric
Utility Services
Water/WW Utilities
Water Plant
WW Treatment Plant
Water/WW Maint.
Parks and Recreation
Coliseum
Golf
Main Street
CVB
Facilities
City Engineer
Capital Project Management
City Secretary
Information Technology
Human Resources
Library
Finance
Accounting
Utility Billing
Purchasing
Municipal Court
Police
Fire/EMS
Fire Marshal
Suppression
Emergency Management
Public Works
Streets
Brush
Vehicle Maintenance
City Prosecuting Attorney
Economic Dev.
SSLGC

Armstrong, Vaughan & Associates, P. C. Certified Public Accountants
Deborah F. Fraser Phil S. Vaughan Nancy L. Vaughan Kimberly J. Roach

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Seguin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seguin, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Seguin Economic Development Corporation (component unit) were not audited in accordance with *Government Auditing Standards*.

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

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

941 West Byrd Blvd., Suite 101 • Universal City, Texas 78148
Phone: 210-658-6229 • Fax: 210-659-7611 • Email: info@avacpa.com • www.avacpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seguin, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A23 to the financial statements, in 2018 the City adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 75 related to accounting for other post-employment benefits. This resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedules of changes and city contributions – defined benefit plan, and other postemployment benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on management's discussion and analysis, budgetary comparison information and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seguin, Texas' basic financial statements as a whole. The comparative statements, combining and individual nonmajor fund financial statements, introductory section, statistical section, and schedule of expenditures of federal awards (SEFA) 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative financial statements, combining and individual nonmajor fund financial statements, and SEFA are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining, individual nonmajor fund financial statements, and SEFA are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2019 on our consideration of the City of Seguin, Texas' 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 the City of Seguin, Texas' internal control over financial reporting and compliance.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

February 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Seguin, we offer readers of the City of Seguin's financial statements this narrative overview and analysis of the financial activities for the City of Seguin for the fiscal year ended September 30, 2018. 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 in the introductory section of this report, and the City's financial statements immediately following this analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Seguin exceeded its liabilities at the close of the fiscal year ending September 30, 2018, by $115,752,891 (net position). Of this amount, $30,685,639 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net position increased by $8,643,583 or 8% compared to the prior fiscal year.

- As of September 30, 2018 the City of Seguin's governmental funds reported combined ending fund balances of $36,024,628, a decrease of $313,573.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $10,529,800, or 48.6% of total General Fund expenses.

- The City's total debt increased by $13,997,806 during the current fiscal year. The City issued Certificates of Obligation Bonds for $6,450,000, Tax Anticipation Notes for $1,424,000 and Utility Revenue Bonds for $9,900,000.

- During the year, the City's expenses were $2,265,528 less than the $34,917,264 generated in taxes and other revenues for governmental activities before transfers.

- The total cost of the City's governmental activity programs increased by $448,106 from last year, and no new programs were added this year. Salaries and benefits increased from fiscal year 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Seguin's basic financial statements. The City of Seguin'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. The comprehensive annual financial report (CAFR) also contains other supplementary information in addition to the basic statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Seguin's finances, in a manner similar to a private-sector business

The *statement of net position* presents information on all of the City of Seguin'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 financial position of the City of Seguin is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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 not used vacation leave).

In the *statement of net position* and the *statement of activities,* the City's operations are divided into two kinds of activities:

1 Governmental Activities – Most of the City's basic services are reported here, such as public safety, public works and general administration. Property taxes, franchise fees and charges for services finance most of these activities.

2 Business-Type Activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's Utility Fund, which include, electric, water and wastewater services, are reported here.

In addition, the *government-wide financial statements* include not only the City of Seguin itself, but also the Seguin Economic Development Corporation, a legally separate component unit for which the City is financially accountable. Financial information for this component unit is reported separately from the primary government and business-type activities.

The *government-wide financial statements* can be found on pages 15 - 18 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. The City of Seguin, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of 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 near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Governmental funds statements are reported using current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful 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 relationships or differences between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds are detailed in a reconciliation following the fund financial statements.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the CAFR.

The basic governmental fund financial statements can be found on pages 19 - 24.

Proprietary funds. The City charges customers for certain services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *statement of net position* and the *statement of activities.*

The City maintains two different types of proprietary funds. The Utility Fund is a business-type activity and consists of revenues from charges for electric, water and wastewater sales. The Internal Service Funds account for revenues and expenditures for the employee health insurance, retiree health insurance and workers' compensation insurance. The fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary funds financial statements can be found on pages 25 - 29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Seguin's own programs. The method of accounting utilized for these funds is similar in nature to that of the proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30 - 31 of this report.

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 32 - 68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund budgetary schedule. The City of Seguin adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 69 - 79 of this report.

In addition, this report also contains certain required supplementary information concerning the City of Seguin's progress in funding its obligation to provide pension benefits to City staff and members of the City's firemen's pension fund, as well as funding progress for other postemployment benefits (health insurance) provided to retirees.

The combining statements referred to earlier in connection with nonmajor governmental and enterprise funds and individual internal service funds are presented immediately following the required supplementary information described in the preceding paragraph. Combining and individual fund statements can be found on pages 80 - 122 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2018, the City of Seguin's assets and deferred outflows of resources exceeded liabilities by $115,752,891. Table A-1 is a condensed version of the City's statement of net position for the years ended September 30, 2018 and 2017, respectively.

The largest portion of the City's total net position (68.2%) is its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Seguin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The next largest portion of the City's total net position (26.5%) is its unrestricted net position.

Table A-1

City of Seguin's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Assets						
Current assets	$ 28,177,210	$ 27,017,724	$ 42,318,382	$ 37,207,003	$ 70,495,592	$ 64,224,727
Capital assets	99,413,041	91,443,641	92,015,611	90,354,183	191,428,652	181,797,824
Other non current assets	12,759,464	15,653,893	21,517,416	14,459,337	34,276,880	30,113,230
Total assets	140,349,715	134,115,258	155,851,409	142,020,523	296,201,124	276,135,781
Deferred Outflows of Resources	3,403,782	5,132,092	1,088,610	1,741,400	4,492,392	6,873,492
Liabilities						
Current liabilities	26,355,322	7,854,771	4,285,054	7,246,835	30,640,376	15,101,606
Noncurrent liabilities	84,442,920	102,230,507	59,969,809	58,567,856	144,412,729	160,798,363
Total liabilities	110,798,242	110,085,278	64,254,863	65,814,691	175,053,105	175,899,969
Deferred Inflows of Resources	1,426,359	-	554,507	-	1,980,866	-
Net Position						
Invested in Capital Assets	28,797,978	30,491,009	50,116,822	49,099,409	78,914,800	79,590,418
Restricted	3,098,632	2,806,714	3,053,820	2,975,869	6,152,452	5,782,583
Unrestricted	(367,714)	(4,135,651)	31,053,353	25,871,954	30,685,639	21,736,303
Total Net Position	$ 31,528,896	$ 29,162,072	$ 84,223,995	$ 77,947,232	$ 115,752,891	$ 107,109,304

**Restated for GASB 75*

An additional portion of the City of Seguin's net position (5.3%) is subject to external restrictions, including bond covenants, on how they must be used. The remaining balance of unrestricted net position of $30,685,639 may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net position. The City's total government-wide revenues increased by $3,114,757 or 3.7%. This was largely due to increase in electric, water and sewer revenue along with an increase in property tax revenue and an increase in the developer contributions. The City's total government-wide expenses increased by $1,364,785 or 1.8%. There was a large increase in wholesale power costs, along with an increase in salaries and benefits and depreciation.

Table A-2
Changes in City of Seguin's Net Position

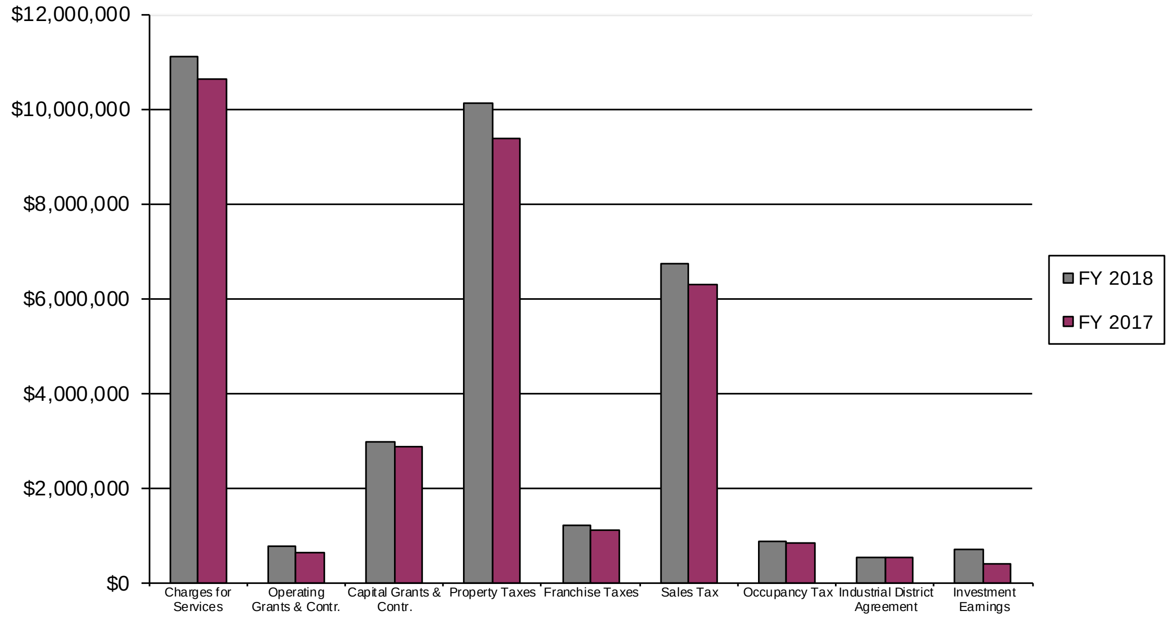
	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Program Revenues:						
Charges for Services	$ 11,086,538	$ 10,619,004	$ 52,260,672	$ 49,979,572	$ 63,347,210	$ 60,598,576
Operating Grants and Contributions	760,164	618,406	-	-	760,164	618,406
Capital Grants and Contributions	2,952,449	2,868,007	-	1,845,532	2,952,449	4,713,539
General Revenues						
Property Taxes	10,126,201	9,362,955	-	-	10,126,201	9,362,955
Franchise Taxes	1,187,699	1,096,104	-	-	1,187,699	1,096,104
Sales Tax	6,729,041	6,271,333	-	-	6,729,041	6,271,333
Occupancy Tax	861,218	842,217	-	-	861,218	842,217
Industrial District Agreement	535,000	531,294	-	-	535,000	531,294
Investment Earnings	678,954	400,790	764,923	389,947	1,443,877	790,737
Gain (Loss) on Sale of Assets	-	-	660	3,601	660	3,601
Total Revenues:	34,917,264	32,610,110	53,026,255	52,218,652	87,943,519	84,828,762
Expenses:						
General Government	3,154,001	4,116,593	-	-	3,154,001	4,116,593
Public Safety	15,581,434	15,578,523	-	-	15,581,434	15,578,523
Public Service	11,044,845	9,644,071	-	-	11,044,845	9,644,071
Interest on Long-Term Debt	2,871,456	2,864,443	-	-	2,871,456	2,864,443
Utility	-	-	46,648,195	45,731,516	46,648,195	45,731,516
Total Expenses	32,651,736	32,203,630	46,648,195	45,731,516	79,299,931	77,935,146
Excess (Deficiency) Before	2,265,528	406,480	6,378,060	6,487,136	8,643,588	6,893,616
Transfers In (Out)	101,297	81,723	(101,297)	(81,723)	-	-
Increase (Decrease) in Net Position	$ 2,366,825	$ 488,203	$ 6,276,763	$ 6,405,413	$ 8,643,588	$ 6,893,616

**Restated for GASB 75*

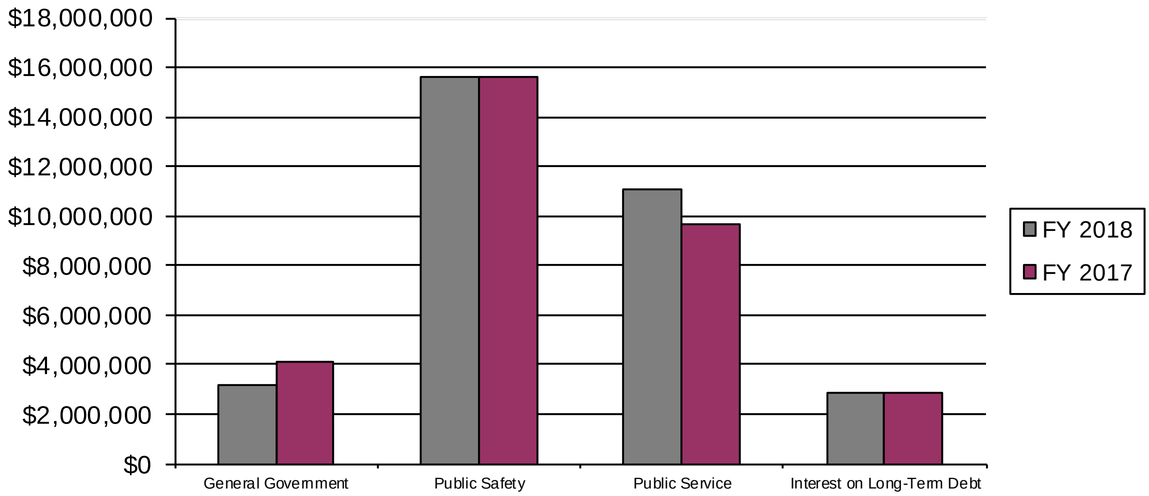
Governmental activities. The City's total governmental revenues increased by $2,307,154 or 7.1% above last year. The City's total governmental expenses increased by $448,106 or 1.4% above last year.

- Capital Grants and Contributions and Operating Grants and Contributions increased by $226,200 or 6.49%.
- Property Taxes increased by $763,246 or 8.15%. Property values increased along with an increase in debt service payments. This was the first full year the debt service payments were made for the 2016-A General Obligation Bonds.
- Interest and Investment Earnings increased by $278,164. An increase in interest rates along with investments in higher yield investments occurred in FY18.
- Sales Tax increased by $457,708 or 7.3%. In FY18, the City received a sales tax audit refund from the state in the amount of $298,905.
- The most significant governmental expense for the City was in providing for public safety, which incurred expenses of $15,581,434. These expenses are offset by revenues collected from a variety of sources, with the largest being from fines and penalties in the amount of $1,510,971. Additional funding also included EMS revenue in the amount of $1,531,458 and Fire and EMS interlocal agreements with Guadalupe County in the amount of $616,235. The major components of public safety are police and fire. Police accounted for $7.2 million in public safety expense while Fire accounted for $5.8 million in public safety expense.

Revenues - Governmental Activities



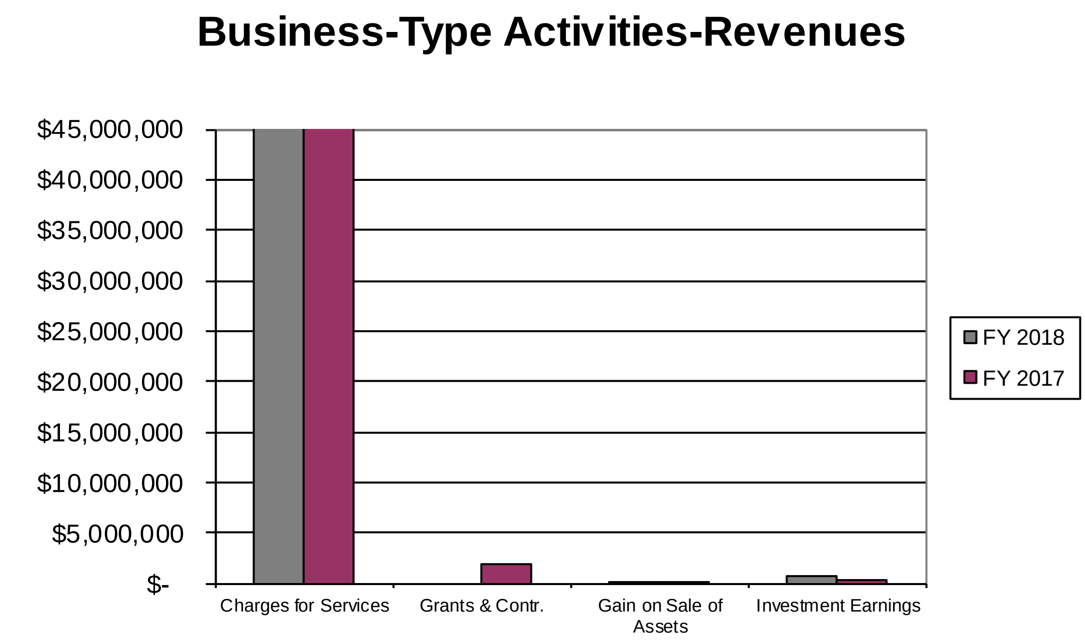
Expenses - Governmental Activities

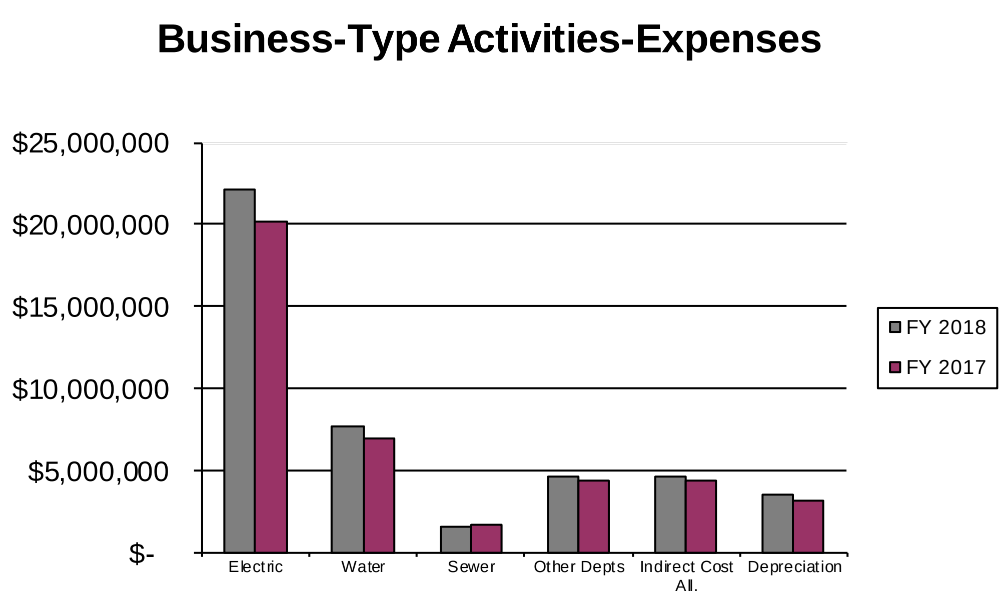


Business-type activities. The City's total business-type revenues increased by $957,603 or 1.8%. The City's total business-type expenses increased by $1,066,679 or 2.3%.

- Electric revenues make up $30.6 million of the charges for services. This year electric revenues increased by $427,214. The increase was due to an increase in consumption. Wholesale power costs decreased by $1,384,947 or 7.58%.
- Water revenues make up $11.6 million of the charges for services. This year water revenues increased by $1,247,853 or 12.04%. This was a result of an increase in consumption along with an increase in rates. The wholesale water costs increased by $245,258 or 7.32%. The City purchases water from the Schertz-Seguin Local Government Corporation (SSLGC).

- Sewer revenues make up $8 million of the charges for services. This year sewer revenues increased by $751,356 or 10.35%. This was due to an increase in water consumption along with an increase in rates.





FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Seguin uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Seguin's financing requirements. In particular, unassigned fund balance may serve as 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's governmental funds reported combined ending fund balances of $36,024,628. This is a decrease of $313,573. We continue to spend down bond proceeds received in previous fiscal years. Of this total amount of fund balance, $10,529,800 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balances is as follows: 1) nonspendable fund balance in the amount of $153,322 which are prepaids and inventory, 2) restricted fund balance in the amount of $16,022,560, which are restricted to tourism and economic development, public safety, public service, capital projects or debt service, 3) committed fund balance in the amount of $2,502,026, which is committed to stabilization agreement and aquatic and golf fees, and 4) assigned fund balance in the amount of $6,816,920, which is assigned to capital projects.

The General Fund is the main operating fund of the City of Seguin. At the end of the current fiscal year, unassigned fund balance of the General Fund was $10,529,800, while total fund balance reached $13,003,111. Of this amount, $1,634,454 is attributable to the balance of a tax exemption settlement agreement. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. With the $1,634,454 taken out of the equation, unassigned fund balance represents 41.1% of general fund expenditures, while total fund balance represents 52.5% of that same amount.

The General Fund Capital Projects Fund has a total fund balance of 6,288,162, an increase of $1,805,133. Additional projects have been funded and are in progress.

At the end of FY18, six bond funds had a total fund balance of $12,593,408. This was a decrease of $2,494,834. Even though new bond proceeds in the amount of $7,874,000, the City still spent down bond funds issued in previous years.

Other factors concerning the finances of governmental fund have already been addressed in the discussion of the City's governmental activities in the government-wide financial statements.

Proprietary funds. The City of Seguin's proprietary funds are utilized to account for operations of the City that are commercial in nature and accounted for in a manner more similar to private enterprise. The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility Fund at the end of the year amounted to $31,053,353. The restricted net position for debt services is $474,501, while restricted net position for impact fees is $2,579,319. Net position invested in capital assets amounted to $50,116,822.

GENERAL FUND BUDGETARY HIGHLIGHTS

For FY 2017-18, actual revenues on a budgetary basis were $23,565,676 compared to the final budget of $22,905,742, which is $659,934 above budget. Property tax exceeded budget by $101,130 due to an increase in values. Sales tax exceeded budget by $412,913.

For FY 2017-18, actual expenditures on a budgetary basis were $21,649,201 compared to the final budget of $23,558,553, which was $1,909,352 below final budget amounts. Some departments had employee turnover resulting in their personnel services being under budget and savings on other operating expenditures. Indirect cost allocation also exceeded budget by $169,725.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2018, the City had invested $191,428,652, net of depreciation, in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount represents a net increase (including additions and deductions) of $9,630,828 or 5.3%. The increase was due in part to large bond projects being completed or underway begun during fiscal year 2018. More detailed information about the City's capital assets can be found in Note G, page 46 - 47.

Table A-3

City of Seguin's Capital Assets

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017 - 2018
Land	$ 4,584,816	$ 4,584,815	$ 727,026	$ 727,026	$ 5,311,842	$ 5,311,841	0.0%
Buildings and Improvements	37,932,843	37,836,176	36,648,795	35,938,858	74,581,638	73,775,034	1.1%
Improvements Other than Buildings	77,074,132	64,790,507	101,676,276	89,868,569	178,750,408	154,659,076	15.6%
Transportation and Equipment	19,716,519	17,875,883	8,569,917	8,060,934	28,286,436	25,936,817	9.1%
Construction in Progess	14,867,151	16,352,771	11,508,821	18,028,664	26,375,972	34,381,435	-23.3%
Totals at Historical Cost	154,175,461	141,440,152	159,130,835	152,624,051	313,306,296	294,064,203	6.5%
Total Accumulated Depreciation	(54,762,420)	(49,996,511)	(67,115,224)	(62,269,868)	(121,877,644)	(112,266,379)	8.6%
Net Capital Assets	$ 99,413,041	$ 91,443,641	$ 92,015,611	$ 90,354,183	$ 191,428,652	$ 181,797,824	5.3%

Long-term debt. At year-end, the City had $138,793,223 in bonds, loans and capital leases outstanding as shown in Table A-4. This was an increase of $12,859,806 or 10.2% from 2017. This fiscal year, the City issued Certificates of Obligation in the amount of $6,450,000, Tax Anticipation Notes in the amount of $1,424,000 and Utility Revenue Bonds in the amount of $9,900,000. More detailed information about the City's debt is presented in Notes H and I, pages 48 – 52.

The City's tax-supported debt rating by Fitch is AA with a stable outlook while Standard and Poor rating is AA with a stable outlook. The City's utility system revenue bonds' rating by Fitch is A+ with a stable outlook while Standard and Poor rating is A+ with a stable outlook. The current ratio of net tax-supported debt to assessed value of all taxable property is 4.4%. The pledged revenue coverage for the utility system revenue bonds is 3.47.

Table A-4

City of Seguin's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Bonds Payable	$ 37,628,666	$ 39,590,288	$ 57,826,333	$ 49,699,711	$ 95,454,999	$ 89,289,999	6.9%
Certificates of Obligation	41,883,000	35,090,000	-	-	41,883,000	35,090,000	19.4%
Tax Anticipation Notes	1,138,000	-	-	-	1,138,000	-	100.0%
Capital Leases	1,455,224	1,517,298	-	36,120	1,455,224	1,553,418	-6.3%
Total Bonds & Notes Payable	$ 82,104,890	$ 76,197,586	$ 57,826,333	$ 49,735,831	$ 139,931,223	$ 125,933,417	11.1%

Net Pension Liability. The City's net pension liability is determined annually by an actuarial valuation. The City's net pension liability decreased by $3,915,368, from $33,593,619 to $29,678,251. Over the past several years, the City has been contributing more than what was required in order to reduce the liability. In FY18, the city contributed $1,000,480 more than what was required. The excess contributions, along with increased earnings on investments, have helped to reduce the net pension liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2018-19, City staff and City Council considered many factors when setting the budget. Staff reviewed all of the fees charged to citizens and customers when using City services. Along with the fees, staff also considered the tax rate. They also reviewed expenditures and how the increases may be held to a minimum. The City set a goal to maintain financial stability, a lean organization, a competitively paid staff and investment in capital outlay. This helped to maintain the City's services with the least affect possible on our citizens through taxes, fees, and utility rates. The projected revenues and expenditures for the General Fund are budgeted to increase by $1,978,930 or 6.8% above the FY18 budget.

- Property tax revenue is budgeted to increase by $770,963. This is based upon an increase in values.
- The property tax rate of $.5412/$100 remained the same as the prior year. It is higher than the effective rate by $.01.
- ROW User Fees is budgeted to increase by $533,512, which is based upon electric, water, and sewer revenues in the Utility Fund.
- Miscellaneous Revenue is budgeted to increase by $365,000. The City is expected to receive a refund of indigent health care payments made to Guadalupe County in FY19.
- Building Permits is budgeted to increase by $100,000 based upon anticipated construction of several new developments.
- Salaries and benefits are budgeted to increase by $728,119. This includes a 2% cost of living effective January 1.
- Indigent Health Care is budgeted to increase by $121,085, which represents a 7.5% increase.

The projected revenues and expenditures for the Utility Fund are budgeted to increase by $4,137,527 or 8.8% above the FY18 budget.

- Electric revenue is budgeted to increase by $2,201,600 due to increase in consumption of residential and industrial customers in FY18.
- Water revenue is budgeted to increase by $1,154,111 due to a new wholesale water sales contract and an increase in rates as recommended by a water/wastewater rate study.
- Sewer revenue is budgeted to increase by $734,500 due to an anticipated increase in consumption and customers along with an increase in rates.
- Wholesale power is budgeted to increase by $629,731 due to an increase in consumption.
- ROW User Fees is budgeted to increase by $533,512 due to an increase in revenue and an increase in the percentage of the electric fee from 3% to 4%.
- Salaries and benefits are budgeted to increase by $447,393. This includes a 2% cost of living effective January 1.
- Transfers to the Rate Stabilization Fund is budgeted to increase by $400,000 in order to transfer the remaining funds to provide full recommended funding.
- Indirect cost allocation is budgeted to increase by $250,000 based upon prior years.
- Water Purchased is budgeted to increase by $212,000 due to an increase in the rates paid to SSLGC.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the City of Seguin, 205 North River Street, Seguin, Texas 78155.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
    - Governmental funds
    - Proprietary funds
    - Fiduciary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			Component Unit
ASSETS	Governmental Activities	Business-Type Activities	Total	Seguin Economic Development Corporation
Cash and Cash Equivalents	$ 1,147,325	$ 731,075	$ 1,878,400	$ 3,833
Investments	22,870,055	31,611,401	54,481,456	584,328
Receivables (net of allowances for uncollectibles)				
Taxes	2,158,540	-	2,158,540	-
Accounts	1,063,338	6,036,506	7,099,844	696
Grants	709,054	-	709,054	-
Miscellaneous	75,576	2,076,198	2,151,774	-
Due From Component Unit/ Primary Government	-	21,505	21,505	215,049
Inventories	20,559	1,785,251	1,805,810	-
Prepaids	132,763	56,446	189,209	-
Restricted Assets:				
Cash and Cash Equivalents	4,017	58,444	62,461	-
Investments	12,755,447	21,039,111	33,794,558	-
Notes Receivable	-	-	-	207,789
Net Present Value of Lease Financing	-	419,861	419,861	-
Capital Assets:				
Land	4,584,816	727,026	5,311,842	2,190,910
Buildings & Improvements	37,932,843	36,648,795	74,581,638	89,547
Improvements Other than Buildings/Infrastructure	77,074,132	101,676,276	178,750,408	-
Transportation & Equipment	19,716,519	8,569,917	28,286,436	-
Construction in Progress	14,867,151	11,508,821	26,375,972	-
Accumulated Depreciation	(54,762,420)	(67,115,224)	(121,877,644)	(12,914)
Total Assets	140,349,715	155,851,409	296,201,124	3,279,238
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension/OPEB Related Outflows	2,914,312	966,491	3,880,803	-
Deferred Charge on Refunding	489,470	122,119	611,589	-
Total Deferred Outflows of Resources	$ 3,403,782	$ 1,088,610	$ 4,492,392	$ -

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2018

	Primary Government			Component Unit
LIABILITIES	Governmental Activities	Business-Type Activities	Total	Seguin Economic Development Corporation
Accounts Payable and Other Current Liabilities	$ 1,865,843	$ 3,155,617	$ 5,021,460	$ 42,214
Unearned Revenue	288,714	169,223	457,937	-
Accrued Interest Payable	251,175	-	251,175	-
Due to Component Unit/ Primary Government	215,049	-	215,049	21,505
Customer Deposits	-	626,296	626,296	600
Payable from Restricted Assets:				
Accrued Interest Payable	-	333,918	333,918	-
Current Portion of Long-Term Debt	-	2,003,248	2,003,248	-
Noncurrent Liabilities:				
Due within One Year	4,515,058	244,826	4,759,884	50,623
Due in more than One Year	79,927,862	57,721,735	137,649,597	703,300
Net Pension Liability	22,321,087	7,357,164	29,678,251	-
Total OPEB Liabilities	1,413,454	549,490	1,962,944	-
Total Liabilities	110,798,242	72,161,517	182,959,759	818,242
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension/OPEB Related Inflows	1,426,359	554,507	1,980,866	-
Total Deferred Inflows of Resources	1,426,359	554,507	1,980,866	
NET POSITION				
Net Investment in Capital Assets	28,797,978	50,116,822	78,914,800	1,513,620
Restricted for:				
Tourism & Economic Development	1,074,007	-	1,074,007	-
Public Safety	686,430	-	686,430	-
Public Service	310,888	-	310,888	-
Debt Service	1,027,307	474,501	1,501,808	-
Impact Fees	-	2,579,319	2,579,319	-
Unrestricted (Deficit)	(367,714)	31,053,353	30,685,639	947,376
Total Net Position	$ 31,528,896	$ 84,223,995	$ 115,752,891	$ 2,460,996

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Expenses		Program Revenues		
Functions and Programs	Direct	Indirect Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 7,973,726	$ (4,819,725)	$ 3,306,325	$ 389,044	$ 6,530
Public Safety	15,581,434	-	3,897,134	232,372	231
Public Service	11,044,845	-	3,883,079	138,748	2,945,688
Interest on Long-term Debt	2,871,456	-	-	-	-
Total Governmental Activities	37,471,461	(4,819,725)	11,086,538	760,164	2,952,449
Business-Type Activities					
Utility	41,828,470	4,819,725	52,260,672	-	-
Total Business-Type Activities	41,828,470	4,819,725	52,260,672	-	-
Total Primary Government	$ 79,299,931	$ -	$ 63,347,210	$ 760,164	$ 2,952,449
Component Unit:					
Seguin Economic Development Corporation	1,062,559	$ -	$ 7,524	3,294	$ -
Total Component Unit	$ 1,062,559	$ -	$ 7,524	$ 3,294	$ -

General Revenues:
Taxes
Property Taxes
Franchise Taxes
Sales Taxes
Occupancy Taxes
Industrial District Agreement Annual Payment
Gain on Sale of Capital Assets
Interest and Investment Earnings
Total General Revenues

Transfers

Change in Net Position

Net Position at Beginning of Year
Prior Period Adjustment
Net Position at End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Seguin Economic Development Corporation
$ 547,898	$ -	$ 547,898	$ -
(11,451,697)	-	(11,451,697)	-
(4,077,330)	-	(4,077,330)	-
(2,871,456)	-	(2,871,456)	-
(17,852,585)	-	(17,852,585)	-
-	5,612,477	5,612,477	-
-	5,612,477	5,612,477	-
(17,852,585)	5,612,477	(12,240,108)	-
-	-	-	(1,051,741)
-	-	-	(1,051,741)
10,126,201	-	10,126,201	-
1,187,699	-	1,187,699	-
6,729,041	-	6,729,041	1,328,416
861,218	-	861,218	-
535,000	-	535,000	-
-	660	660	-
678,954	764,923	1,443,877	19,734
20,118,113	765,583	20,883,696	1,348,150
101,297	(101,297)	-	-
2,366,825	6,276,763	8,643,588	296,409
30,156,368	78,340,785	108,497,153	2,164,587
(994,296)	(393,553)	(1,387,849)	-
$ 31,528,897	$ 84,223,995	$ 115,752,892	$ 2,460,996

CITY OF SEGUIN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

ASSETS	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds
Cash and Cash Equivalents	$ 476,489	$ 10,053	$ 260,697
Investments	12,540,923	1,074,657	8,540,372
Receivables (net of allowances for uncollectibles):			
Taxes	1,795,252	193,772	191,068
Accounts	1,004,026	-	648,639
Grants	85,431	-	-
Miscellaneous	75,576	-	-
Inventories	20,559	-	-
Prepaid Items	114,894	-	17,869
Restricted Assets:			
Cash and Cash Equivalents	-	-	3,720
Investments	-	-	12,673,744
Total Assets	$ 16,113,150	$ 1,278,482	$ 22,336,109
LIABILITIES			
Accounts Payable	$ 932,694	$ -	$ 287,873
Accrued Expenditures	522,429	-	17,278
Due to Component Unit	215,049	-	-
Unearned Revenues	252,871	-	36,240
Due to Others	30,893	-	67,015
Total Liabilities	1,953,936	-	408,406
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	1,156,103	184,668	-
Total Deferred Inflows of Resources	1,156,103	184,668	-
FUND BALANCE			
Nonspendable:			
Prepaids and Inventory	135,453	-	17,869
Restricted:			
Tourism & Economic Development	-	-	1,074,007
Public Safety	-	-	686,430
Public Service	5,300	-	305,588
Capital Projects	-	-	12,857,421
Debt Service	-	1,093,814	-
Committed:			
Stabilization Arrangement	2,202,612	-	-
Aquatic/ Golf Fees	-	-	299,414
Assigned	129,946	-	6,686,974
Unassigned	10,529,800	-	-
Total Fund Balances	13,003,111	1,093,814	21,927,703
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	$ 16,113,150	$ 1,278,482	$ 22,336,109

See accompanying notes to basic financial statements.

Total Governmental Funds
$ 747,239
22,155,952
2,180,092
1,652,665
85,431
75,576
20,559
132,763
3,720
12,673,744
$ 39,727,741
$ 1,220,567
539,707
215,049
289,111
97,908
2,362,342
1,340,771
1,340,771
153,322
1,074,007
686,430
310,888
12,857,421
1,093,814
2,202,612
299,414
6,816,920
10,529,800
36,024,628
$ 39,727,741

(this page intentionally left blank)

CITY OF SEGUIN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 36,024,628
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		99,413,041
Internal service funds are used by management to charge costs related to employee insurance. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		1,201,662
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,340,772
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and, therefore, not reported in the funds:		
General Bonded Debt	79,511,666	
Unamortized Premiums and Deferred Charges	1,620,304	
Capital Leases	1,455,224	
Net Other Post Employment Benefit Obligations (Net of Deferred Outflows & Inflows)	1,369,061	
Net Pension Liability (Net of Deferred Outflows & Inflows)	20,877,528	
Compensated Absences	1,366,249	(106,200,032)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		(251,175)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 31,528,896

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

REVENUES	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds
Taxes	$ 13,340,223	$ 4,796,846	$ 869,557
Licenses and Permits	717,589	-	48,936
Intergovernmental	1,104,510	344,175	3,058,372
Charges for Services	5,779,712	-	1,228,517
Fines and Forfeits	1,573,956	-	245,292
Interest	226,354	49,653	388,601
Miscellaneous	823,332	10,161	160,610
Total Revenues	23,565,676	5,200,835	5,999,885
EXPENDITURES			
Current:			
General Government	3,273,323	-	1,682,629
Public Safety	13,917,286	-	-
Public Service	7,186,793	-	55,372
Nondepartmental	2,047,463	-	330,321
Indirect Cost Allocation (Recovery)	(4,819,725)	-	-
Capital Projects/Outlay	44,061	-	13,446,631
Debt Service:			
Principal	-	2,804,784	661,315
Interest and Fiscal Charges	-	2,747,306	38,072
Bond Issue Costs	-	-	159,158
Total Expenditures	21,649,201	5,552,090	16,373,498
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,916,475	(351,255)	(10,373,613)
OTHER FINANCING SOURCES (USES)			
Transfers In	501,659	551,928	2,245,522
Transfers Out	(2,588,477)	-	(609,335)
Issuance of Debt	-	-	8,235,403
Premiums on Issuance of Debt	-	-	158,120
Total Other Financing Sources (Uses)	(2,086,818)	551,928	10,029,710
Net Change in Fund Balance	(170,343)	200,673	(343,903)
Fund Balances at Beginning of Year	13,173,454	893,141	22,271,606
Fund Balances at End of Year	$ 13,003,111	$ 1,093,814	$ 21,927,703

See accompanying notes to basic financial statements.

Total Governmental Funds
$ 19,006,626
766,525
4,507,057
7,008,229
1,819,248
664,608
994,103
34,766,396
4,955,952
13,917,286
7,242,165
2,377,784
(4,819,725)
13,490,692
3,466,099
2,785,378
159,158
43,574,789
(8,808,393)
3,299,109
(3,197,812)
8,235,403
158,120
8,494,820
(313,573)
36,338,201
$ 36,024,628

CITY OF SEGUIN, 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, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (313,573)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		
Current Year Additions	13,045,686	
Current Period Depreciation	(5,070,812)	7,974,874
In the Statement of Activities, only the gain or loss on the disposal of a capital asset is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of disposed assets.		(5,475)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase in Unavailable Revenues		136,526
The issuance of long-term-debt (e.g. bonds) 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. Neither transaction, however, has any effect on net position Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Proceeds of New Debt	(8,235,403)	
Premiums on Debt Issues	(158,120)	
Principal Payments	3,466,099	
Amortization of Deferred Charges & Premiums	92,097	(4,835,327)
The governmental funds report pension and other postemployment benefit contributions as expenditures when paid. However, in the statement of activities, differences between pension plan and other postemployment benefit contributions and costs for the year are reported as an asset or obligation.		(278,992)
Some expenses reported in the Statement of Activities (including compensated absences and accrued interest expense) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(89,321)
Internal service funds are used by management to charge the costs of employee insurance to individual funds. The net revenue/(loss) is reported with governmental activities.		(221,887)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 2,366,825

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
ASSETS		
Current Assets		
Cash and Cash Equivalents:		
Restricted Cash	$ 58,444	$ -
Unrestricted Cash	731,075	400,381
Investments:		
Restricted Investments	21,039,111	-
Unrestricted Investments	31,611,401	795,803
Accounts Receivable (Net)	6,036,506	-
Miscellaneous Receivables	2,076,198	13,564
Due from Component Unit	21,505	-
Inventories	1,785,251	-
Prepaid Items	56,446	-
Total Current Assets	63,415,937	1,209,748
Noncurrent Assets		
Net Present Value of Lease Financing	419,861	-
	419,861	-
Capital Assets:		
Land	727,026	-
Buildings and Improvements	36,648,795	-
Improvements Other than Buildings	101,676,276	-
Transportation & Equipment	8,569,917	-
Construction in Progress	11,508,821	-
Accumulated Depreciation	(67,115,224)	-
Capital Assets, net	92,015,611	-
Total Noncurrent Assets	92,435,472	-
Total Assets	155,851,409	1,209,748
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Related Outflows	966,491	-
Deferred Charge on Refundings	122,119	-
Total Deferred Outflows of Resources	$ 1,088,610	$ -

Continued

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2018

	Business-Type Activities	Governmental Activities
LIABILITIES	Utility Fund	Internal Service Funds
Current Liabilities:		
Accounts Payable	$ 2,983,167	$ 8,086
Accrued Expenses	417,276	-
Unearned Revenue	169,223	-
Customer Deposits	626,296	-
Current Liabilities	4,195,962	8,086
Current Liabilities Payable from Restricted Assets:		
Accrued Interest Payable	333,918	-
Current Portion of Long-term Bonds	2,003,248	-
Current Liabilities Payable from Restricted Assets	2,337,166	-
Total Current Liabilities	6,533,128	8,086
Noncurrent Liabilities:		
Compensated Absences	193,556	-
Total Other Post Employment Benefit Liabilities	549,490	-
Net Pension Liability	7,357,164	-
Revenue & Refunding Bonds Payable	57,528,179	-
Total Noncurrent Liabilities	65,628,389	-
Total Liabilities	72,161,517	8,086
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Related Inflows	554,507	-
Total Deferred Inflows of Resources	$ 554,507	$ -
NET POSITION		
Net Investment in Capital Assets	50,116,822	-
Restricted for:		
Debt Service	474,501	-
Impact Fees	2,579,319	-
Unrestricted	31,053,353	1,201,662
Total Net Position	$ 84,223,995	$ 1,201,662

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
OPERATING REVENUES		
Charges for Utility Service	$ 50,260,623	$ -
Charges for Premiums	-	3,309,048
Miscellaneous Revenues	2,000,048	481
Total Operating Revenues	52,260,671	3,309,529
OPERATING EXPENSES		
Administration	2,371,580	3,545,760
Operation and Maintenance:		
Electric Distribution	20,980,876	-
Utility Services	1,183,237	-
Water Production	5,755,115	-
Water/Sewer Maintenance	4,951,145	-
Sewer	1,913,487	-
Economic Development	320,749	-
Facilities Maintenance	767,016	-
Information Technology	462,229	-
City Attorney	96,839	-
Nondepartmental	1,001,165	-
Indirect Cost Allocation	4,819,725	-
Total Operating Expenses	44,623,163	3,545,760
OPERATING INCOME (LOSS)	7,637,508	(236,231)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	764,923	14,344
Gain (Loss) on Sale of Assets	660	-
Interest and Fiscal Charges	(1,707,309)	-
Bond Issue Costs	(317,722)	-
Total Nonoperating Revenues (Expenses)	(1,259,448)	14,344
Net Income (Loss) Before Contributions and Transfers	6,378,060	(221,887)
Transfers Out	(101,297)	-
	(101,297)	-
Change in Net Position	6,276,763	(221,887)
NET POSITION AT BEGINNING OF YEAR	78,340,785	1,423,549
Prior Period Adjustment	(393,553)	-
NET POSITION AT END OF YEAR	$ 84,223,995	$ 1,201,662

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received From Customers	$ 51,536,734	$ 3,314,541
Cash Paid for Employee Wages & Benefits	(7,938,168)	-
Cash Paid to Suppliers for Goods & Services	(27,701,461)	(3,541,652)
Cash Paid General Fund for Indirect Costs	(4,819,725)	-
Net Cash Provided (Used) by Operating Activities	11,077,380	(227,111)
Cash Flows From Noncapital Financing Activities:		
Transfers From Other Funds	(101,297)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(101,297)	-
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(6,506,784)	-
Proceeds from Revenue and Refunding Bonds	9,900,000	-
Premiums received on Bonds	367,722	-
Principal Payments on Long-term Bonds	(1,773,378)	-
Interest and Fiscal Charges Paid	(1,739,935)	-
Principal Payments on Capital Leases	(36,120)	
Bond Issue Costs	(317,722)	-
Advances (To) From Component Unit	(2,470)	-
Proceeds from Sale of Capital Assets	660	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(108,027)	-
Cash Flows From Investing Activities:		
Sale/(Purchase) of Investment Securities	(12,203,510)	335,333
Investment Interest Received	764,923	14,344
Lease Financing - Principal Payments Received	42,111	-
Net Cash Provided (Used) by Investing Activities	(11,396,476)	349,677
Net Increase (Decrease) in Cash and Cash Equivalents	(528,420)	122,566
Cash and Equivalents at Beginning of Year:		
Cash and Cash Equivalents	1,259,918	277,815
Restricted Cash and Cash Equivalents	58,021	-
	1,317,939	277,815
Cash and Cash Equivalents at End of Year:		
Cash and Cash Equivalents	731,075	400,381
Restricted Cash and Cash Equivalents	58,444	-
	$ 789,519	$ 400,381

Continued

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ 7,637,508	$ (236,231)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation:	4,845,356	-
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(449,728)	5,012
Inventory/Prepaid Items	(84,281)	3,423
Net Deferred Pension/OPEB Related Outflows	631,392	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(706,190)	685
Accrued Expenses	462	-
Unearned Revenue	(280,705)	-
Customer Deposits	6,496	-
Total Other Postemployment Benefit Liability	18,598	-
Net Pension Liability	(1,096,035)	-
Net Deferred Pension/OPEB Related Inflows	554,507	9,120
	$ 11,077,380	$ (227,111)

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2018

ASSETS	Private Purpose Trust Funds	Agency Fund
Cash and Cash Equivalents	$ 3,209	$ 27,507
Investments	268,908	-
Inventory	359,431	-
Total Assets	631,548	27,507
LIABILITIES		
Accounts Payable/ Due to Others	-	27,507
Total Liabilities	-	$ 27,507
NET POSITION		
Held in Trust for Scholarship	960	
Held in Trust for Riverside Cemetery	15,012	
Held in Trust for Industrial Development	615,576	
Total Net Position	$ 631,548	

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Private Purpose Trust Funds
ADDITIONS	
Interest	$ 4,848
Total Additions	4,848
DEDUCTIONS	
Distributions to Participants	18,219
Total Deductions	18,219
Change in Net Position	(13,371)
Net Position, Beginning of Year	644,919
Net Position, End of Year	$ 631,548

See accompanying notes to basic financial statements.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Seguin, Texas ("City") was incorporated in 1853. The City Charter was adopted on December 7, 1971, under the provisions of the Home Rule Charter Act of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: police and fire protection, health services, maintenance of streets, planning and zoning, parks and recreation, general administrative services, electric, water, and wastewater services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

1. REPORTING ENTITY

Component Units
As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

The Seguin Economic Development Corporation, a nonprofit corporation, was incorporated under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, Section 4A. The Corporation is organized exclusively for public purposes of the City of Seguin, and the City Council appoints directors of the Corporation. It receives all proceeds from the 0.25% sales tax adopted in 1994 for economic development in Seguin. The corporation meets the criteria of a discretely presented component unit, described above, and is presented in the government-wide financial statements. Complete financial statements for the Seguin Economic Development Corporation may be obtained at City Hall.

Joint Ventures
A joint venture is a legally separate entity that results from a contractual arrangement and that is owned, operated, or governed by two or more participating governments. The following entities meet the criteria as joint ventures:

The Guadalupe Regional Medical Center is a joint venture between the City of Seguin and Guadalupe County. Each participating government appoints one-half of the board of directors and approves annual budgets. In addition, the participating governments are financially responsible for indigent health care provided by the hospital, and are contingently liable for hospital debts. Separate financial statements of the Guadalupe Regional Medical Center may be obtained by contacting the hospital administrator.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. REPORTING ENTITY (Continued)

Joint Ventures (Continued)
The Schertz/Seguin Local Government Corporation is a public, nonprofit corporation organized to aid, assist, and act on behalf of the cities of Schertz and Seguin in acquiring, constructing, maintaining, and operating a water utility system. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations. Separate financial statements for the Schertz/Seguin Local Government Corporation may be obtained at City Hall.

Summarized financial data for joint ventures has been provided in Note M.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City and its component unit (except for City fiduciary activity). The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The primary government is reported separately from the component unit within the government-wide statements.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is 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 or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund and Debt Service Fund meet criteria as ***major governmental funds***. Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue and Capital Projects Funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented in the Combining Fund Statements and Schedules as “Supplementary Information”.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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. This measurement focus is also used for the proprietary 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. Major revenue types, which have been accrued, are revenue from investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues.* 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. General revenues include all taxes and grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition. Nondepartmental expenses include insurance costs, professional services and miscellaneous costs that do not benefit any one department, as well as contributions to local charitable organizations and the Guadalupe Regional Medical Center.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Debt Service Fund accounts for ad valorem tax and contributions from the component unit to support city bonded debt.

Nonmajor funds include Special Revenue Funds (other than major projects and grants) and Capital Projects Funds.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Utility Fund (used to account for the provision of electric, water and sewer services to residents) and the Internal Service Funds used to account for the City's group medical insurance program and workers compensation benefits.

Revenues are derived from charges for services for utilities, city contributions, employee and retiree/cobra premiums, and investment of idle funds. Expenses are charges incurred for operating, purchases of electricity and water, premiums and administrative expenses for insurance.

The **Proprietary Funds** are accounted for using the accrual basis of accounting as follows:

Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds. Fiduciary fund reporting focuses on net position and changes in net position. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAm (or equivalent) rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: 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. Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost (see Note B).

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1, 2017 and past due after January 31, 2018. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year’s levy are shown net of an allowance for uncollectible in the amount of $27,616.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. ACCOUNTS RECEIVABLE (Continued)

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

8. INVENTORIES & PREPAID ITEMS

Inventories of consumable supplies are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Inventories of repair and replacement parts for the utility system are valued at cost, which approximates market, using the moving average cost method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and in the fund financial statements are offset by a reservation of fund balance which indicates they do not represent “available spendable resources.”

9. RESTRICTED ASSETS

Certain proceeds of General Obligation Bonds, Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds are segregated to report those proceeds of revenue bond issuances that are restricted for use in construction. Funds are also segregated to provide for debt service as provided under bond indenture agreements.

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, such as equipment, are defined as assets with a cost of $5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. CAPITAL ASSETS (Continued)

Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation, with the exception of works of art and capital assets received in a service concession arrangement. Those assets are reported at acquisition value rather than fair value.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and improvements	20 to 40 years
Improvements other than buildings	20 to 40 years
Utility system in service	20 to 67 years
Machinery and equipment	5 to 15 years

11. 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. The City has the following items that qualify for reporting in this category: deferred pension and other post employment benefits related costs which will be included in the subsequent actuarial valuation, and deferred charge on refundings reported in the government-wide statement of net position, as well as the Proprietary Fund statement of position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Deferred inflows for pension and other post employment benefits are deferred and will be recognized in a subsequent actuarial valuation. Unavailable revenues from property tax and EMS receivables are deferred and recognized as an inflow of resource in the period the amounts become available.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. COMPENSATED ABSENCES

The City permits employees to accumulate earned but unused vacation pay benefits up to the amount earned in two years. Upon resignation, an employee may receive pay for any unused accrued vacation provided the employee gives two weeks written notice of the resignation and is not subject to discharge for misconduct. Unused sick leave may be accumulated to certain limits. In the event of termination, no reimbursement is made for accumulated sick leave. No liability is reported for unpaid accumulated sick leave. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

13. UNEARNED REVENUE

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

15. PENSIONS

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

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. OTHER POST-EMPLOYMENT BENEFITS

The fiduciary net position of the Texas Municipal Retirement System (TMRS) and the City's Retiree Health Insurance have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions or deductions from the fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as both OPEBs are pay-as-you-go plans.

17. FUND EQUITY

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

<u>Restricted fund balance</u>. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

<u>Committed fund balance</u>. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council – the government's highest level of decision making authority. The City Council is the highest level of decision-making authority for the city that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (by adoption of another ordinance) to remove or revise the limitation.

The City Council adopted an ordinance in March 2012 establishing an *emergency fund stabilization arrangement*. The Ordinance requires additions to the fund in the event the fund balance falls below $2,000,000. Additions are to come from interest earnings, direct transfers from the General Fund and/or Utility Fund, or reimbursements from insurance or grants for expenditures incurred by the fund. The stabilization fund may be expended on recovery efforts for public infrastructure damage that occurs as a result of a disaster declared by the federal or state governments. During fiscal year 2017, significant expenditures occurred due to Hurricane Harvey. Guadalupe County was included in the federal disaster area. The City received funds from the Federal Emergency Management Agency as reimbursement for expenses incurred from the disaster. The FEMA funds were used to replenish the fund in accordance with the arrangement.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. FUND EQUITY (Continued)

Assigned fund balance. This classification reflects the amounts constrained by the city's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has designated the City Manager as the responsible agent for assigning fund balances. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

As of September 30, 2018, the City Manager had assigned fund balances for the following:

- Excess recycling fees over expenditures were assigned for future expenditures associated with "green" waste disposal ($1,348), also favorable budget variances for street maintenance were assigned for future street projects ($128,598).
- Funds set aside in nonmajor capital project funds that are not otherwise restricted by bond covenants are assigned for specific capital projects.

Total assigned funds in the General Fund were $129,946. Total assigned balances in nonmajor capital project funds were $6,686,975.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

The City Council has set a General Fund minimum fund balance target at three months of expenditures and recurring transfers. No other fund balance policies exist.

18. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Utility (Proprietary) Fund an indirect cost percentage of general government administration expenses that are paid through the General Fund. During the year ended September 30, 2018, the City allocated $4,819,725 as a transfer for such services. The indirect cost allocation is reflected as an operating expense in the Utility Fund, and a reduction of current expenditures in the General Fund, and in a separate column in the Statement of Activities.

20. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for electric, water, and sewer services and premiums for employee insurances. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

21. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

22. COMPARATIVE DATA/RECLASSIFICATIONS

Comparative data for the prior year has been provided for the General Fund and Utility Fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operation of these funds. Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. The reclassifications had no effect on the changes in financial position.

23. ADOPTION OF GASB STATEMENT NO. 75

In accordance with GASB Statement No. 75, the City has recorded a prior period adjustment to recognize the Other Post-Employment Benefits Liability as described in Note K. The OPEB liability was allocated between the general and utility funds to restate beginning balances in accordance with the statement. The restatement is noted as a prior period adjustment on the Government-wide Statement of Activities, as well as the Statement of Revenues, Expenses and Changes in Net Position- Proprietary Funds.

NOTE B -- DEPOSITS AND INVESTMENTS

As of September 30, 2018, the City of Seguin had the following investments:

Investment Type		Fair Value	Input Level	Weighted Average Maturity (Days)
Primary Government				
Local Government Investment Pools:				
TexPool	$	10,264,343	1	28
LOGIC		58,663,128	1	78
Certificates of Deposit		3,727,000	1	292
Federal and Local Bonds		15,890,450	1	365
	$	88,544,921		
Portfolio Weighted Average Maturity				132
Component Unit				
Local Government Investment Pools:				
TexPool	$	281,980	1	28
LOGIC		302,348	1	78
	$	584,328		
Portfolio Weighted Average Maturity				54

Investment Rate Risk. The City and component unit manage exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit Risk. The City's investment policy limits investments to obligations of the United States (up to 95% of total invested funds) or its agencies and instrumentalities (maximum 80% of funds); direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than AAA by a nationally recognized investment firm. U.S. Government Securities are not considered to have credit risk and do not require disclosure of credit quality. The Florida State Revenue Bond is rated AA and Aa3 by S&P and Moody's respectively.

The City may also invest funds in government investment pools provided the pool maintains a AAA rating, the pool maintains a stable asset value, and the average dollar weighted maturity does not exceed 90 days. As of September 30, 2018, the investments in TexPool and LOGIC were rated AAAm by Standard & Poor's. The City may invest in Money Market Mutual funds that are regulated by the SEC and have a dollar weighted average stated maturity of 90 days or less and maintain a net asset value of $1.00 per share.

The City's and Component Units' investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Both Texpool and Logic Pools operate in a manner consistent with Rule 2a7. Therefore, the investments are reported at $1 per share, which approximates fair value. There was no change in fair value of the investment pools for the year ended September 30, 2018.

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2018, the government's deposits were fully collateralized or insured by FDIC. The City's certificates of deposit are brokered through the City's depository and are fully insured through FDIC.

The Component Unit had deposits that were fully insured by FDIC.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2018, the City and Component Unit were not exposed to custodial credit risk.

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Guadalupe County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2017, upon which the fiscal 2018 levy was based, was $1,957,487,506 (i.e., market value less exemptions). The estimated market value was $2,916,479,185 making the taxable value 67% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to $2.50 per $100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to $1.50 per $100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2018, was $0.5412 per $100 of assessed value, which means that the City has a tax margin of $1.9588 for each $100 value and could increase its annual tax levy by approximately $38,343,265 based upon the present assessed valuation of $1,957,487,506 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's effective tax rate.

Property taxes are recorded as receivables and unearned revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

NOTE D -- INTERFUND RECEIVABLE/PAYABLE

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2018, balances of interfund amounts receivable or payable have been recorded as follows:

	Due From	Due To
Primary Government		
General Fund	$ -	$ 215,049
Enterprise Fund	21,505	-
	21,505	215,049
Component Unit		
General Fund	215,049	-
Enterprise Fund	-	21,505
	215,049	21,505
Totals	$ 236,554	$ 236,554

NOTE E -- NOTES RECEIVABLE (COMPONENT UNIT)

The SEDC (Component Unit) provides incentives in the form of grants and notes receivable to area businesses in conjunction with its function of generating economic development. Various notes receivable were outstanding as of September 30, 2018 with interest rates ranging from 3.0% to 5.5% and mature from 2023 through 2026. Future payments on the notes are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 39,270	$ 10,145	$ 49,415
2020	41,443	7,972	49,415
2021	43,739	5,676	49,415
2022	46,162	3,253	49,415
2023	32,789	803	33,592
2024-2026	4,386	168	4,554
	$ 207,789	$ 28,017	$ 235,806

NOTE F -- NET PRESENT VALUE OF LEASE FINANCING

The City has leased property located at 2460 Crossroads Blvd., consisting of a 49,120 square foot building and improvements, to Pure and Gentle Soap Products, Inc. under a sales-type lease agreement. The lease is for an original term of twenty (20) years and transfers property to the lessee for $1 at the end of the lease term (2026), or earlier by paying the remaining base rental payments under the lease, discounted at 5.75%.

The agreement calls for the lessee to operate a business within the premises in order to generate sales tax revenue, property tax and utility revenue. Failure to continue the business would be considered a breach of the contract.

Future minimum lease payments under the lease are as follows:

September 30,		
2019	$	75,151
2020		75,151
2021		98,277
2022		105,986
2023		105,986
2024-2026		238,633
Total Payments		699,184
Less: Amount Representing Interest		(279,323)
Net Present Value of Lease Financing	$	419,861

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

Governmental Activities	Balance 10/1/2017	Additions	Disposals	Transfers/ Adjustments	Balance 9/30/2018
Land	$ 4,584,816	$ -	$ -	$ -	$ 4,584,816
Construction in Progress	16,352,771	6,288,377	-	(7,773,997)	14,867,151
Total Assets Not Depreciated	20,937,587	6,288,377	-	(7,773,997)	19,451,967
Buildings and Improvements	37,836,176	96,667	-	-	37,932,843
Improvements Other Than Buildings	64,790,507	4,509,628	-	7,773,997	77,074,132
Transportation and Equipment	17,875,883	2,151,014	(310,378)	-	19,716,519
Totals at Historical Cost	141,440,153	13,045,686	(310,378)	-	154,175,461
Less Accumulated Depreciation:					
Buildings and Improvements	(8,167,239)	(682,962)	-	-	(8,850,201)
Improvement Other Than Buildings	(30,788,692)	(2,583,457)	-	-	(33,372,149)
Transportation and Equipment	(11,040,580)	(1,804,394)	304,903	-	(12,540,071)
	(49,996,511)	(5,070,812)	304,903	-	(54,762,420)
Governmental Capital Assets, Net	$ 91,443,642	$ 7,974,874	$ (5,475)	$ -	$ 99,413,041

NOTE G -- CAPITAL ASSETS

Business-Type Activities	Balance 10/1/2017	Additions	Disposals	Transfers/ Adjustments	Balance 9/30/2018
Land	$ 727,026	$ -	$ -	$ -	$ 727,026
Construction in Progress	18,028,664	4,765,386	-	(11,285,229)	11,508,821
Total Assets Not Depreciated	18,755,690	4,765,386	-	(11,285,229)	12,235,847
Buildings and Improvements	35,938,858	-	-	709,937	36,648,795
Utility System	89,868,569	1,232,415	-	10,575,292	101,676,276
Transportation and Equipment	8,060,934	508,983	-	-	8,569,917
Totals at Historical Cost	152,624,051	6,506,784	-	-	159,130,835
Less Accumulated Depreciation:					
Buildings and Improvements	(18,835,708)	(689,271)	-	-	(19,524,979)
Improvement Other Than Buildings	(37,538,332)	(3,586,264)	-	-	(41,124,596)
Transportation and Equipment	(5,895,828)	(569,821)	-	-	(6,465,649)
	(62,269,868)	(4,845,356)	-	-	(67,115,224)
Business-Type Capital Assets, Net	$ 90,354,183	$ 1,661,428	$ -	$ -	$ 92,015,611
Discretely Presented Component Unit					
Land	$ 2,190,912	$ -	$ -	$ -	$ 2,190,912
Buildings and Improvements	89,547	-	-	-	89,547
Accumulated Depreciation	(11,194)	(1,719)	-	-	(12,913)
	$ 2,269,265	$ (1,719)	$ -	$ -	$ 2,267,546

Primary Government

Depreciation Expense was charged to functions as follows:

Governmental Activities:	
General Government	$ 33,145
Public Safety	1,172,834
Public Service	3,340,204
Nondepartmental	524,629
Total Governmental Activities	$ 5,070,812
Business-Type Activities:	
Administration	$ 5,056
Electric	1,360,892
Water Production	683,564
Water Distribution	1,933,240
Sewer Plant	480,220
Other	382,384
Total Business-Type Activities	$ 4,845,356

NOTE H -- CAPITAL LEASES

The City has entered into a lease agreement to finance the acquisition of public safety, public works and golf equipment. The City has also financed the acquisition of the Springs Hill Wastewater Collection System through its Utility Fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired though capital leases are as follows:

Assets:	Governmental Activities	Business-Type Activities
Public Safety Vehices & Equipment	$ 1,816,145	$ -
Golf Course Equipment	38,405	
Public Works Equipment	867,581	
Less: Accumulated Depreciation	(511,671)	-
Total	$ 2,210,460	$ -

Future minimum obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities
2019	$ 585,972	$ -
2020	377,510	-
2021	412,800	-
2022	181,928	-
Total Payments	1,558,210	-
Less: Amount Representing Interest	(102,986)	-
Present Value of Minimum Lease Payments	$ 1,455,224	$ -

NOTE I -- LONG-TERM DEBT

Bonded debt and obligations payable at September 30, 2018, comprise the following individual issues:

General Obligation Bonds:		
$2,884,816 2011 General Obligation Refunding Bonds due in annual installments of $265,000 to $550,000 through September 1, 2021; interest at 2.0% to 3.0%	$	863,666
$4,350,000 2013 General Obligation Refunding Bonds due in annual installments of $65,000 to $460,000 through February 1, 2024; interest at 1.51%		2,675,000
$19,785,000 2014 General Obligation Bonds due in annual installments of $200,000 to $4,130,000 through February 1, 2034; interest at 3.0 to 6.0%		18,775,000
$8,465,000 2014 General Obligation Refunding Bonds due in annual installments of $100,000 to $1,170,000 through September 1, 2026; interest at 2.0% - 4%		6,740,000
$9,370,000 2015 General Obligation Refunding Bonds due in annual installments of $100,000 to $1,945,000 through September 1, 2028; interest at 2.0% - 5.0%		8,575,000
Total General Obligation Bonds		37,628,666
Certificates of Obligation and Tax Anticipation Notes		
$10,760,000 2010 Certificates of Obligation due in annual installments of $70,000 to $2,650,000 through September 1, 2031; interest at 2.0% to 4.25%		10,010,000
$3,400,000 2011 Certificates of Obligation due in annual installments of $100,000 to $290,000 through September 1, 2031; interest at 2.0% to 3.5%		1,700,000
$2,500,000 2013 Certificates of Obligation due in annual installments of $100,000 to $200,000 through September 1, 2028; interest at 2.7%		1,640,000
$12,445,000 2016 Certificates of Obligation due in annual installments of $100,000 to $4,305,000 through September 1, 2036; interest at 3.0% to 5.0%		12,245,000
$8,800,000 2016A Certificates of Obligation due in annual installments of $100,000 to $4,200,000 through September 1, 2037; interest at 3.5% to 5.5%		8,700,000
$6,450,000 2018 Certificates of Obligation due in annual installments of $200,000 to $1,430,000 through September 1, 2038; interest at 3.5% to 5.5%		6,450,000
$775,000 Tax Notes, Series 2017 due in annual installments of $85,000 to $135,000 through February 2024; interest at 1.785%		650,000
$649,000 Tax Notes, Series 2018 due in annual installments of $159,000 to $166,000 through February 2021; interest at 2.25%		488,000
Total Certificates and Tax Notes		41,883,000
Total Governmental Bonded Debt	$	79,511,666

NOTE I -- LONG-TERM DEBT (Continued)

Utility Fund Revenue Bonds:		
$7,835,000 Utility System Revenue, Series 2010, due in annual installments of $65,000 to $1,065,000 through February 1, 2031; interest at 2.0% to 4.0%	$	7,325,000
$21,405,000 Utility System Revenue, Series 2014, due in annual installments of $190,000 to $2,335,000 through February 1, 2037; interest at 3.0% to 5.0%.		20,635,000
$4,430,000 Utility System Revenue, Series 2016, due in annual installments of $100,000 to $345,000 through February 1, 2037; interest at 3.0% to 5.0%.		4,230,000
$8,415,000 Utility System Revenue, Series 2017, due in annual installments of $190,000 to $620,000 through February 1, 2037; interest at 3.0% to 4.0%.		8,225,000
$9,900,000 Utility System Revenue, Series 2018, due in annual installments of $125,000 to $3,380,000 through February 1, 2038; interest at 3.25% to 5.0%.		9,900,000
Total Utility Revenue Bonds		50,315,000
General Obligation Bonds - Utility Portion		
$1,490,184 2011 General Obligation Refunding Bonds due in annual installments of $265,000 to $550,000 through September 1, 2021, Interest at 2.0% to 3.0%		176,333
$4,825,000 2013 General Obligation Refunding Bonds due in annual installments of $330,000 to $650,000 through February 1, 2023; interest at 1.51%		2,950,000
$5,385,000 2015 General Obligation Refunding Bonds due in annual installments of $25,000 to $1,025,000 through September 1, 2026; interest at 2.0% to 5.0%		4,385,000
Total GO Refunding Bonds		7,511,333
Total Business-Type Bonded Debt	$	57,826,333

The City is required by the revenue bond ordinances to establish certain accounts to maintain and operate the Utility System and to provide for the payment of bond principal and interest. A reserve fund is not required as long as the net revenues for each fiscal year are equal to at least 110% of the average annual debt service requirements of all bonds similarly secured (*Springing Reserve Fund Covenant).* The City is in compliance with the Covenant and, accordingly, a reserve fund is not maintained.

The annual requirements to amortize all bonded debt and obligations outstanding as of September 30, 2018, including interest payments, are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
September 30,	Principal	Interest	Principal	Interest
2019	$ 3,215,752	$ 2,914,583	$ 2,003,248	$ 2,103,019
2020	3,429,916	2,811,528	2,108,085	2,029,578
2021	3,361,000	2,707,058	2,240,000	1,961,467
2022	3,300,000	2,594,895	2,345,000	1,875,541
2023	3,455,000	2,465,857	2,470,000	1,785,276
2024-2028	18,830,000	10,487,400	12,995,000	7,363,706
2029-2033	22,515,000	6,668,906	15,615,000	4,614,146
2034-2038	21,404,998	2,064,425	18,050,000	1,601,698
	$ 79,511,666	$ 32,714,652	$ 57,826,333	$ 23,334,431

NOTE I -- LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Governmental Activities	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
General Obligation Bonds	$ 39,590,288	$ -	$ (1,961,622)	$ 37,628,666	$ 2,026,752
Bond Premiums	2,147,934	158,120	(196,279)	2,109,775	-
Certificates of Obligation	35,090,000	6,450,000	(795,000)	40,745,000	900,000
Tax Anticipation Notes	-	1,424,000	(286,000)	1,138,000	289,000
Capital Leases	1,517,298	361,403	(423,477)	1,455,224	544,199
Compensated Absences	1,295,948	807,198	(736,897)	1,366,249	755,107
Total Governmental Activities	79,641,468	9,200,721	(4,399,275)	84,442,914	4,515,058
Business-Type Activities					
Revenue Bonds	41,115,000	9,900,000	(700,000)	50,315,000	910,000
General Obligation Refunding Bonds	8,584,711	-	(1,073,378)	7,511,333	1,093,248
Bond Premiums	1,452,691	367,722	(115,319)	1,705,094	-
Capital Leases	36,120	-	(36,120)	-	-
Compensated Absences	420,044	236,079	(217,741)	438,382	244,826
Total Business-Type Activities	51,608,566	10,503,801	(2,142,558)	59,969,809	2,248,074
Total Primary Government	$ 131,250,034	$ 19,704,522	$ (6,541,833)	$ 144,412,723	$ 6,763,132

Compensated absences and other postemployment benefit obligation for governmental activities are generally liquidated by the general fund.

Utility System Revenue Bonds, Series 2018, were issued in June 2018 in the amount of $9,900,000, to fund the utility infrastructure for street improvements.

Certificates of Obligation, Series 2018, were issued April 2018 in the amount of $6,450,000 to fund various streets and drainage improvements.

Tax Anticipation Notes were issued to fund the purchase of a fire truck and various public works equipment.

NOTE I -- LONG-TERM DEBT (Continued)

Component Unit

The component unit received funds from First Commercial Bank N.A. to partially finance the purchase of land held for future economic incentive and development. The original principal amount of $863,128 carries interest at the rate of 2.54% for a 10-year fixed period, after which the interest rate will equal the Prime Rate less 1.00%. The loan calls for monthly payments of $5,786.78 (including principal and interest) and is secured by the real estate. Long-term debt activity for the component unit is summarized as follows:

	Balance Outstanding 10/1/2017	Increases	Decreases	Balance Outstanding 9/30/2018
Notes Payable	$ 803,260	$ -	$ (49,337)	$ 753,923

Annual requirements to amortize the notes payables as of September 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 50,623	$ 18,819	$ 69,442
2020	51,893	17,548	69,441
2021	53,294	16,147	69,441
2022	54,683	14,759	69,442
2023	56,108	13,334	69,442
Thereafter	487,322	50,797	538,119
	$ 753,923	$ 131,404	$ 885,327

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

Plan Description

The City participates as one of 883 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. The TMRS defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Texas Municipal Retirement System (Continued)

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.

At the December 31, 2017 valuation and measurement dates, the following employees were covered by the benefit terms:

	Plan Year 2016	Plan Year 2017
Inactive employees or beneficiaries currently receiving benefits	221	229
Inactive employees entitled to but not yet receiving benefits	161	171
Active employees	363	381
	745	781

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.

For the year ending September 30, 2018, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.04% and 15.61% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $4,287,815, and exceeded the required contributions by $1,000,480.

NOTE J -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.5% to 10.5%, including inflation
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, 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 males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

NOTE J -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding the 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
CoreFixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
	100.00%	

Discount Rate

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

NOTE J -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2017:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016:	$ 100,237,467	$ 66,643,848	$ 33,593,619
Changes for the year:			
Service Cost	3,528,748	-	3,528,748
Interest	6,745,276	-	6,745,276
Change of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	422,264	-	422,264
Changes of Assumptions	-	-	-
Contributions - Employer	-	4,008,013	(4,008,013)
Contributions - Employee	-	1,415,544	(1,415,544)
Net Investment Income	-	9,238,393	(9,238,393)
Benefit Payments, Including Refunds of Employee Contributions	(4,143,663)	(4,143,663)	-
Administrative Expense	-	(47,868)	47,868
Other Changes	-	(2,426)	2,426
Net Changes	6,552,625	10,467,993	(3,915,368)
Balance at December 31, 2017:	$ 106,790,092	$ 77,111,841	$ 29,678,251

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:

	Discount Rate		
	5.75%	6.75%	7.75%
Net Pension Liability (Asset)	$ 45,440,781	$ 29,678,251	$ 16,859,391

Pension Plan Fiduciary Net Position

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

NOTE J -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

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

For the year ended September 30, 2018, the City recognized pension expense of $4,670,485. Also as of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	$ 376,627	$ -
Changes in Actuarial Assumptions	96,993	-
Differences between Projected and Actual Investment Earnings		1,968,915
Contributions subsequent to the Measurement Date	3,333,580	
	$ 3,807,200	$ 1,968,915

Deferred outflows of resources in the amount of $3,333,580 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2018 (subsequent fiscal period). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future years as follows:

For the Plan Year ended December 31,	
2018	$ 227,146
2019	24,840
2020	(840,284)
2021	(906,997)
	$ (1,495,295)

NOTE K – OTHER POST-EMPLOYMENT BENEFITS

TMRS Supplemental Death Benefits Other Post-Employment Benefit

The City also participates in the cost sharing 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). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. 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.

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (Continued)

TMRS Supplemental Death Benefits Other Post-Employment Benefit (Continued)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2017, the valuation and measurement date, consisted of:

	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	175
Inactive Employees Entitled to but Not Yet Receiving Benefits	42
Active Employees	381
	598

The SDBF required contribution rates, based on these assumptions, are as follows:

	Total SDBF Contribution Rate	Retiree SDBF Contribution Rate
For the Plan Year Ended December 31,		
2017	0.18%	0.06%
2018	0.19%	0.06%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They are adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method. These assumptions are summarized below.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.31% (Based on Fidelity's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality Rates - Service Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB.
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (Continued)

TMRS Supplemental Death Benefits Other Post-Employment Benefit (Continued)

Total City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2017, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2016	$ 967,219
Changes for the year:	
Service Cost	36,400
Interest	37,020
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	84,413
Benefit Payments	(12,133)
Net Changes	145,700
Balance at December 31, 2017	$ 1,112,919

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 3.31% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) and 1-percentage point higher (4.31%) than the current rate:

	Discount Rate 2.31%	Discount Rate 3.31%	Discount Rate 4.31%
Total OPEB Liability	$ 1,328,558	$ 1,112,919	$ 944,526

For the year ended September 30, 2018, the City recognized OPEB expense of $81,342. Also as of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the TMRS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	$ 69,859	$ -
Contributions Subsequent to the Measurement Date	3,743	-
	$ 73,602	$ -

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (Continued)

TMRS Supplemental Death Benefits Other Post-Employment Benefit (Continued)

Deferred outflows of resources in the amount of $3,743 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total TMRS OPEB liability for the plan year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to the TMRS OPEB will be recognized in OPEB expense in future periods as follows:

For the Plan Year Ended December 31,		
2018	$	14,554
2019		14,554
2020		14,554
2021		14,554
2022		11,643
Thereafter		-
	$	69,859

City of Seguin Retiree Health Other Post-Employment Benefit Plan

In addition to the TMRS OPEB, The City administers a single-employer defined benefit healthcare plan for retirees, established under legal authority of the City Charter. The City is the only employer participating in the Plan. The Plan does not issue a publicly available financial report.

The City provides post-employment benefits for eligible participants enrolled in City-sponsored plans. The benefits are provided in the form of an implicit rate subsidy where the City contributes towards the retiree health premiums before achieving Medicare eligibility. While the Plan offers retiree only rates, a very small implicit liability still exists. Membership in the plan as of September 30, 2018, the measurement date, consisted of:

	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	17
Inactive Employees Entitled to but Not Yet Receiving Benefits	39
Active Employees	306
	362

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (Continued)

City of Seguin Retiree Health Other Post-Employment Benefit Plan (Continued)

Current active employees must be eligible for service retirement under the Texas Municipal Retirement System. To attain this eligibility active employees must be at least age 60 with 5 years of service or have at least 20 years of employment with the City. Furthermore, there is a subsidy offered only to employees hired prior to January 2008.

Minimum Years of Continuous Service	Minimum Age	City Contributions
15	57	0%
20	57	50% *
25	57	100% *

* The City Contribution toward retiree coverage is based on a percentage of the City Contribution made for active duty employees. Retiree rates are actuarially established and adopted annually by the City/Employee Benefit Trust. Qualification for 100% contribution entitles the retiree to 100% of the contribution made for an active employee but does not necessarily mean retiree insurance coverage will be at no cost.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50%
Discount Rate	3.89% (Bond Buyer 20-Bond GO Index)
Mortality Rates	RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis
Health Care Cost Trend Rates	7.0% for 2018, Decreasing 0.5% each year reaching ultimate rate of 4.5%

The City's Retiree Health OPEB Liability (TOL), based on the above actuarial factors, as of September 30, 2018, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at September 30, 2017	$ 938,534
Changes for the year:	
Service Cost	14,620
Interest	(1,162)
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	(13,195)
Benefit Payments	(88,773)
Net Changes	(88,510)
Balance at September 30, 2018	$ 850,024

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (Continued)

City of Seguin Retiree Health Other Post-Employment Benefit Plan (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued):

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement NO. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 3.89% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.89%) and 1-percentage point higher (4.89%) than the current rate:

	Discount Rate 2.89%	Discount Rate 3.89%	Discount Rate 4.89%
Total OPEB Liability	$ 903,000	$ 850,024	$ 802,000

The following presents what the total OPEB liability of the City would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6% decreasing to 3.5%) or 1-percentage point higher (8% decreasing to 5.5%) than the current healthcare cost trends:

	1% Decrease	Current Trend	1% Increase
Total OPEB Liability	$ 783,000	$ 850,024	$ 912,000

For the year ended September 30, 2018, the City recognized OPEB expense of $76,559. Also as of September 30, 2018, 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
Changes in Actuarial Assumptions	$ -	$ 11,951
Contributions Subsequent to the Measurement Date	-	-
	$ -	$ 11,951

Amounts reported as deferred outflows and inflows of resources related to the City's Retired Health OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended September 30,	
2019	$ (1,244)
2020	(1,244)
2021	(1,244)
2022	(1,244)
2033	(1,244)
Thereafter	(5,731)
	$ (11,951)

NOTE L -- INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2018, were as follows:

Receiving Fund/Activity	Transferring Fund/Activity	Amount	
Nonmajor Capital Projects	Utility Fund	$ 101,297	Contribution to Capital Project
Total Transfers		$ 101,297	

NOTE M -- COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Construction Commitments

The City has entered into construction and engineering contracts for the improvement of various streets and utility systems, as well as park improvements. Estimated future commitments associated with these contracts as of September 30, 2018 are as follows:

Primary Government	Total Commitments	Incurred Thru September 2018	Estimated Future Commitments
General Government			
Bldgs, Streets & Drainage	$ 12,542,436	$ 8,951,886	$ 3,590,550
Professional Services	1,599,161	843,833	755,328
	14,141,597	9,795,719	4,345,878
Utility System			
Utility System Improvements	12,216,514	3,718,813	8,497,701
Professional Services (Engineering)	3,080,316	1,746,296	1,334,020
	15,296,830	5,465,109	9,831,721
Total Primary Government Commitments	$ 29,438,427	$ 15,260,828	$ 14,177,599

NOTE M -- COMMITMENTS AND CONTINGENCIES (Continued)

Economic Development Agreements

WDW Development, LP Agreement

The City entered into a Chapter 380 Agreement with WBW Land Investments, LP (WBW) which provides that the City shall reimburse WBW for certain public infrastructure improvements out of 50% of the increased tax received from home sales in the residential development project known as the Meadows at Nolte Farms over a period of ten years, beginning one year immediately after the date of initial completion, at a cost not to exceed $500,000. The City estimates the increase in assessed value on the project over the base year to be $15,000,000. Reimbursements to WBW began March 2017. Reimbursement for the year ended September 30, 2018 was $43,306.

Perry Homes, LLC

The City entered into a Chapter 380 Agreement with Perry Homes, LLC ("developer") to reimburse the developer 75% of the 1% unrestricted sales taxes collected on materials that are purchased to construct homes in Seguin. The agreement period begins February 2018. No reimbursements were remitted for 2018.

Power Purchase Agreements

On December 17, 2015, the City entered into a fifteen (15) year agreement with the City of Garland to purchase energy produced by a solar-power facility, along with associated Environmental Attributes. The terms of the agreement began on the Commercial Operation Date (March 17, 2017) and ends on the day preceding the 15th anniversary of the agreement. In addition, the City entered into a separate twenty (20) year agreement with the City of Garland to purchase energy produced by a wind energy facility, along with associated Environmental Attributes. The terms of the agreement began on the Commercial Operation Date (November 13, 2016) and ends on the day preceding the 20th anniversary of the agreement. Both agreements carry performance guarantees for all parties, as well as mutual security provisions.

Commitments under Noncapitalized Leases

Commitments under noncapitalized (operating) leases for copiers provide for future rental payments as of September 30, 2018 as follows:

Year Ending September 30,		Rentals
2019	$	36,549
2020		31,551
2021		20,872
2022		10,340
2023		2,078
Total	$	101,390

NOTE M -- COMMITMENTS AND CONTINGENCIES (Continued)

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year. Therefore, there were no outstanding encumbrances as of September 30, 2018.

Guadalupe Regional Medical Center

The City of Seguin is contingently liable for 50% of operating deficits produced by Guadalupe Regional Medical Center (GRMC), if any, with Guadalupe County contingently responsible for the remainder. As of September 30, 2018, long-term debt of GRMC consisted of Revenue Bonds in the amount of $113,585,000, and capital lease obligations in the amount of $4,776,264. The bonds are secured by revenues of the Medical Center, mortgage insurance issued by FHA and funds held in trust.

Following is a summary of financial data as reported in the Guadalupe Regional Medical Center's most recent audited financial statements for the year ended September 30, 2018:

Assets:		
Current Assets	$	76,946,578
Other Assets		14,500,440
Capital Assets (Net)		104,646,655
Deferred Outflows of Resources		3,916,224
Total Assets and Deferred Outflows		200,009,897
Liabilities & Net Assets:		
Current Liabilities		27,131,962
Other Liabilities		118,717,017
Total Liabilities		145,848,979
Deferred Inflows of Resources		5,486,143
Net Position	$	48,674,775
Operating Revenues:		
Net Revenues from Patient Services	$	190,063,767
Other Operating Revenues		6,412,689
Total Operating Revenues		196,476,456
Operating Expenses:		186,314,260
Total Net Operating Income		10,162,196
Nonoperating Revenues and (Expenses)		(5,641,545)
Increase (Decrease) in Net Position	$	4,520,651

NOTE M -- COMMITMENTS AND CONTINGENCIES (Continued)

Schertz/Seguin Local Government Corporation

The City of Seguin is jointly liable, together with the City of Schertz, for operating deficits and long-term debt of the Schertz/Seguin Local Government Corporation (See Note A1). Following is a summary of financial data as reported in the Corporation's most recent audited financial statements dated September 30, 2017:

Assets:		
Current Assets	$	15,279,192
Restricted Cash and Cash Equivalents		73,947,779
Property, Plant & Equipment		95,008,923
Other Assets & Deferred Charges		2,412,138
Total Assets & Deferred Charges		186,648,032
Liabilities & Net Position:		
Current Liabilities		5,522,205
Revenue Bonds (Less Current Maturities and Unamortized Discounts)		164,983,651
Total Liabilities		170,505,856
Net Position:		
Net Investment in Capital Assets		(1,956,872)
Restricted		6,255,257
Unrestricted		11,872,444
Total Net Position	$	16,170,829

The Corporation had revenue bonds outstanding in the amount of $165,440,000 (as of September 30, 2017) to provide funds to build, improve, extend, enlarge and repair the Corporation's utility system, fund a reserve, and pay the costs of bond issuance. The bond resolution pledges intergovernmental contract revenues from the cities of Schertz and Seguin (the participating governments) to bond holders. Under the intergovernmental water supply contract, the participating governments are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service from the operation of their respective utility systems.

NOTE N – PLEDGED REVENUE

The Seguin Economic Development Corporation (SEDC) entered into an interlocal cooperative agreement with the City to transfer lawfully available surplus sales and use tax collected on behalf of SEDC to fund a portion of the debt service requirements of the 2011 *Combination Tax and Limited Pledge Revenue Certificates*. SEDC has pledged to transfer, on an annual basis, debt service requirements up to a total cumulative principal amount of $880,000. This agreement has been paid in full.

In addition, SEDC entered into an agreement, along with the City, to fund certain improvements to the IH-10 frontage road in an amount not to exceed $1,250,000. SEDC's portion of the commitment will be funded by a pledge of future sales tax revenue to reimburse the City ½ of the debt service requirements of bonded debt to fund the improvements. The remaining commitment on the agreement as of September 30, 2018 is $410,650 over a two-year period.

NOTE N – PLEDGED REVENUE (Continued)

Total contributions to the City in support of debt were $344,175 for the year ended September 30, 2018. Annual requirements to satisfy the commitment are estimated to be 15% to 28% of the underlying revenue source (sales tax) and are as follows:

	Pledged Revenue
2019	$ 203,650
2020	207,000
Total Pledged	$ 410,650

NOTE O -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2018 were $401,060 for property and casualty and $266,975 for workers' compensation coverage.

NOTE P – TAX ABATEMENT DISCLOSURES

The City of Seguin negotiates property tax abatement agreements on a cases-by-case basis. The agreements freeze property tax revenues received from the paying entity at current levels and deprives the City of a percentage of future increases in ad valorem property tax revenues that otherwise would have resulted from increases in assessed valuation in such areas until the tax abatement period terminates. The Texas Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code authorizes taxing jurisdictions to provide property tax abatement for a limited period of time as inducement for the development or redevelopment of property.

The City of Seguin Tax Abatement Guidelines (the "Guidelines"), adopted and effective on January 1, 2017, allow abatements to be granted only for the additional value of real or personal property improvements. No abatement will be approved that exceeds 100% of the new appraised value of capital improvements and/or personal property, or that will reduce current ad valorem revenue, and will be effective for no more than ten years. In the event that a facility that has been granted a tax abatement discontinues producing goods or services, fails to commence or complete the required capital investment, or fails to comply with any other provisions of the tax abatement agreement, the abatement agreement may be terminated by the City and all taxes previously abated will be recaptured and paid within 60 days of the termination. The Guidelines also include three abatement schedules that identify maximum allowable percentages based on the amount of real and personal property investment. These schedules serve as a guide for staff in determining a recommended abatement for a specific project.

NOTE P – TAX ABATEMENT DISCLOSURES (Continued)

As of September 30, 2018, the City has active tax abatement agreements with three entities. The gross amount of property tax abated during 2018 was $1,892,597.

Caterpillar, Inc.: Tax abatement is for a period of ten years beginning January 1, 2010 for the construction and operation of a diesel engine manufacturing facility with an estimated value of $161,000,000.

Temic Automotive of North America, Inc.: Tax abatement agreement for a ten year period beginning January 1, 2009 for the purchase and installation of specific personal property representing an investment in excess of $15,000,000.

Tractor Supply Co. of Texas, LP: Tax abatement agreement for a period of five years beginning January 1, 2016 for the construction and operation of a distribution facility with an estimated value of $8,000,000.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

(this page intentionally left blank)

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
300 Convent Street, Suite 2100
San Antonio, Texas 78205-3792
United States

Tel +1 210 224 5575
Fax +1 210 270 7205
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "City of Seguin, Texas General Obligation Refunding Bonds, Series 2019" (the *Bonds*), dated June 1, 2019, in the aggregate principal amount of $14,570,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Seguin, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of March 1 in each of the years 2020 through 2031, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer's obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the Bonds has been limited as described herein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance, the Escrow and Trust Agreement (the *Escrow Agreement*) between the Issuer and Zions Bancorporation, National Association, Houston, Texas (the *Escrow Agent*), and a special report (the *Report*) by Ritz & Associates PA, Bloomington, Minnesota (the *Accountants*) concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, 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 and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain 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 trust with the Escrow Agent, pursuant to the Escrow Agreement and the ordinances authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Report of the Accountants concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer.

IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the Report of the Accountants concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OTHER 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, 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 credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Norton Rose Fulbright US LLP

(this page intentionally left blank)

Financial Advisory Services
Provided By:

SAMCO Capital