NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "AA+"
(See: "OTHER PERTINENT INFORMATION-Rating")

OFFICIAL STATEMENT
July 23, 2019

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

The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

$7,495,000
CITY OF SCHERTZ, TEXAS
(A political subdivision of the State of Texas located in Guadalupe, Comal and Bexar Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: August 1, 2019 **Due: February 1, as shown on inside cover**

The $7,495,000 City of Schertz, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Schertz, Texas (the "City" or the "Issuer") on July 23, 2019, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Certificates will accrue from August 1, 2019 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2020, 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 Certificates 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 Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as Paying Agent Registrar to the securities depository, 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 Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system; (3) acquiring and equipping a new fire truck, (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and 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. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about August 21, 2019.

$7,495,000
CITY OF SCHERTZ, TEXAS
(A political subdivision of the State of Texas located in Guadalupe, Comal and Bexar Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

MATURITY SCHEDULE*
(Due February 1)

CUSIP Prefix No. 806645[(1)]

Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [(1)]	Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [(1)]
2020	$ 375,000	3.000%	1.200%	YS0	2030	$ 320,000	3.000%	2.050%[(2)]	ZC4
2021	385,000	3.000%	1.240%	YT8	2031	330,000	3.000%	2.120%[(2)]	ZD2
2022	395,000	3.000%	1.280%	YU5	2032	340,000	3.000%	2.150%[(2)]	ZE0
2023	410,000	3.000%	1.310%	YV3	2033	355,000	3.000%	2.200%[(2)]	ZF7
2024	420,000	5.000%	1.370%	YW1	2034	365,000	3.000%	2.250%[(2)]	ZG5
2025	435,000	4.000%	1.430%	YX9	2035	375,000	3.000%	2.300%[(2)]	ZH3
2026	460,000	4.000%	1.500%	YY7	2036	385,000	3.000%	2.350%[(2)]	ZJ9
2027	295,000	4.000%	1.600%	YZ4	2037	400,000	3.000%	2.400%[(2)]	ZK6
2028	305,000	4.000%	1.750%	ZA8	2038	410,000	3.000%	2.420%[(2)]	ZL4
2029	315,000	2.500%	2.000%[(2)]	ZB6	2039	420,000	3.000%	2.450%[(2)]	ZM2

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2029, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

[(1)] CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market 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 City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.
[(2)] Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 1, 2028, the first optional call date for the Certificates at a price of par plus accrued interest to the date of redemption.

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CITY OF SCHERTZ TEXAS

1400 Schertz Parkway
Schertz, Texas 78154
Telephone: (210) 619-1000

ELECTED OFFICIALS

Name	Years Served	Term Expires (November)	Occupation
Michael Carpenter Mayor	14	2019	Sales Manager
Allison Heyward Mayor Pro-Tem, Place 6	6 months	2021	Retired
Mark Davis Councilmember, Place 1	3	2019	Chief ID Integration Cell
Ralph Gutierrez Councilmember, Place 2	3	2019	Retired
Scott Larson Councilmember, Place 3	2	2020	Insurance Rater
Cedric Edwards Councilmember, Place 4	9	2020	Investment Advisor
David L. Scagliola Councilmember, Place 5	2	2020	Adjunct Professor
Tim Brown Councilmember, Place 7	6 months	2021	Real Estate Broker

ADMINISTRATION

Name	**Position**	**Length of Service (Years)**
Mark Browne	City Manager	<1*
Dudley Wait	Executive Director of Operations	19
James Walters	Finance Director	9
Brenda Dennis	City Secretary	12
Charlie Zech	City Attorney	6

*Mr. Browne has 14 years of prior experience as City Manager for other Texas cities.

CONSULTANTS AND ADVISORS

Bond Counsel .... Norton Rose Fulbright US LLP
San Antonio, Texas

Certified Public Accountants .... Armstrong, Vaughan & Associates, P.C.
San Antonio, Texas

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

For Additional Information Please Contact:

Mr. James Walters
Finance Director
City of Schertz
1400 Schertz Parkway
Schertz, Texas 78154
Telephone: (210) 619-1000
jwalters@schertz.com

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

THE CERTIFICATES 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 CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the City, the Financial Advisors or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System as such information is provided by DTC respectively.

The agreements of the City and others related to the Certificates 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 Certificates is to be construed as constituting an agreement with the Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Schertz, Texas (the "Issuer" or the "City"), is located between the cities of San Antonio, Texas and New Braunfels, Texas, on Interstate 35 and FM 78 and on Interstate 10 between the cities of San Antonio, Texas and Seguin, Texas and in the area between IH-35 and IH-10. The corporate limits extend into the counties of Bexar, Guadalupe and Comal, with the largest portion of the City being located within Guadalupe County. The City was incorporated in December 1958 and is a home rule municipality operating under its own Home Rule Charter since 1974. The Home-Rule Charter was most recently amended November 3, 2015. The City operates under the Council/Manager form of government pursuant to the Constitution and the general laws of the State of Texas. The City Manager, appointed by the Mayor and the seven-member elected City Council (the "City Council"), is the chief administrative officer of the City. (SEE "APPENDIX B –General Information Regarding the City of Schertz, Texas and Guadalupe, Comal, and Bexar Counties, Texas" herein)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on July 23, 2019 and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.
Security	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
Redemption Provisions of the Certificates	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2029, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and, "APPENDIX C - Form of Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)

Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system; (3) acquiring and equipping a new fire truck, (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Rating	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Certificates. (See "OTHER PERTINENT INFORMATION - Rating" herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Future Debt Issues	The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2019, except potentially issuing refunding bonds for debt service savings.
Delivery	When issued, anticipated on or about August 21, 2019.
Legality	Delivery of the Certificates is subject to the approval 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.

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OFFICIAL STATEMENT
relating to

$7,495,000
CITY OF SCHERTZ, TEXAS
(A political subdivision of the State of Texas located in Guadalupe, Comal and Bexar Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Schertz, Texas (the "City" or the "Issuer") of its $7,495,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and its Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

THE CERTIFICATES

General Description of the Certificates

The Certificates are dated August 1, 2019 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2020, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on July 23, 2019, and the City's Home Rule Charter.

Security for Payment

Limited Pledge of Ad Valorem Taxes. The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM TAX PROCEDURES" and "TAX RATE LIMITATIONS" herein.)

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2029, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates 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, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates 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 Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer 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 Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than $5,000 may be redeemed in part (in increments of $5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular

Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice or such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system; (3) acquiring and equipping a new fire truck, (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources		
Par Amount of the Certificates	$	7,495,000.00
Accrued Interest on the Certificates		13,701.40
Reoffering Premium		565,404.65
Total Sources of Funds	$	8,074,106.05
Uses		
Project Fund Deposit	$	7,925,000.00
Purchaser's Discount		39,736.50
Certificate Fund Deposit		13,701.40
Costs of Issuance		95,668.15
Total Uses	$	8,074,106.05

Payment Record

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Amendments

The Issuer 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 Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, 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 Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the redemption price or amounts, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any amendment, change, modification, or waiver.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("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 Certificates, registered owners of Certificates 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 Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

Default and Remedies

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

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

In Wasson Interests, Ltd., v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the 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 [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

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 Certificates. As noted above, the Ordinance provides that Certificate 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 Certificates 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 discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, 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 at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates 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. Interest 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 or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15^{th}) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

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 from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates 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 Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

Neither the Issuer 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 Certificate 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 Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate 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

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates 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 Purchaser 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 Certificates, 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 Certificates), 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 Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for the Certificates, in the aggregate principal amount of such issue, 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, 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. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Certificates 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 proceeds, 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, 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 Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates 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 Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or 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 representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

INVESTMENT POLICIES

The Issuer invests its investable funds in investments authorized by Texas law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the Board. Both State law and the Issuer's investment policies are subject to change.

Legal Investments

Under State law, the Issuer 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 Issuer deposits, or (ii) certificates of deposit where (a) the funds are invested by the Issuer 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 Issuer 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 Issuer; (b) the broker or the depository institution selected by the Issuer 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 Issuer, (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 Issuer 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 Issuer with respect to the certificates of deposit issued for the account of the Issuer; (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 Issuer or cash held by the Issuer to be pledged to the Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer, 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 Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or a third party designated by the Issuer, (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 Issuer 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 Issuer 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 Issuer and deposited with the Issuer or with a third party selected and approved by the Issuer.

The Issuer 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 Issuer retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Issuer must do so by order, ordinance, or resolution. The Issuer is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a final stated maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

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

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

Additional Provisions

Under State law, the Issuer is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an order 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 said order 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 Issuer; (4) require the qualified representative of firms offering to engage in an investment transaction with the Issuer to: (a) receive and review the Issuer's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Issuer and the business organization that are not authorized by the Issuer's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Issuer's entire portfolio, requires an interpretation of subjective investment standards or 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 Issuer and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Issuer's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other 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 repurchase agreement; (8) restrict the investment in no-load mutual funds to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to confirm 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 Issuer.

Current Investments [(1)] **TABLE 1**

As of March 31, 2019 the City held investments as follows:

Type of Security	Market Value	Percentage of Total
Cash and Investment Pool	$ 8,869,619.98	8.98
Logic	27,386,935.29	27.73
U.S. Agency Securities	3,175,647.02	3.22
Certificates of Deposit	4,235,557.33	4.30
Texas Class	24,290,095.25	24.60
First Public	30,778,626.36	31.17
	$ 98,736,481.23	100.00%

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

____
(1) Unaudited.

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property 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. Small portions of the City are also located in Bexar and Comal Counties, Texas. 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.

Valuation of Property for Taxation

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 the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Oil and gas reserves are assessed on the basis of pricing information contained in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. 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 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 appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board for the Appraisal District, the members of which are appointed by the Board of Directors of 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.

The Appraisal District is required to review the value of property within its jurisdiction at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Property Subject to Taxation by the Issuer

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes. Article VIII of the State Constitution (“Article VIII”) and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the City are subject to taxation by the Issuer. 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 Issuer 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.

Article VIII provides that eligible owners of both agricultural land (Section l-d) and open-space land (Section l-d-l), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

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.

Article VIII, Section 1-l, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

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. The City took official action before April 1, 1990 to tax freeport property. On October 23, 2007 the City adopted an ordinance that continued the taxation of all goods-in-transit for the tax year 2008 and beyond. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action after October 1 of the prior year but before January 1 of the first tax year in which the governing body proposes to tax goods-in-transit in the 2012 tax year and beyond. **On November 29, 2011, the City Council took official action to again tax goods-in-transit.**

Residential Homestead Exemptions

The State of Texas approved a constitutional amendment authorizing counties, cities, towns or junior college districts 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. **On November 2, 2004 the City approved an election granting the “tax freeze.”**

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 the spouse is (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was at least 55 years of age at the time of the death of the individual’s spouse, and (3) 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 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.

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:

1. 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 Issuer has elected to grant $10,000 for persons 65 years of age or older and $3,000 for the disabled.**

2. An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000. **The Issuer has not elected to grant this additional exemption.**

After the exemption described in (1) 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. An eligible disabled person who is 65 or older may not receive both a disabled and an elderly residence homestead exemption but may choose either.

The surviving spouse of an individual who qualifies for the exemption listed in (1) 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 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.

Also, the surviving spouse of a member of the armed forces who is killed in action in 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 service member's death and said property was the service member's residence homestead at the time of the 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.

Tax Abatement

The Issuer may designate areas within the City as a reinvestment zone. Thereafter, the Issuer 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 Issuer, 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 currently has three tax abatements: Capital Group will expire on December 31, 2019, Amazon.com will expire on December 31, 2019 and Caterpillar phase 1 will expire on December 31, 2019 and Caterpillar phase 2 will expire in December 31, 2020.

Tax Increment Reinvestment (Financing) Zones

The City, by action of the City Council, may create one or more tax increment reinvestment zones ("TIRZs" or "TIFs") within the City, and in doing so, other overlapping taxing entities may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value of taxable real property in the TIRZ is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion (as determined by the City) of the taxes levied by the City against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of the City. The City has created 2 TIRZ/TIF Zones. The City is a principal in the City of Schertz Tax Increment Reinvestment Zone #2 (the "Zone"), pursuant to Chapter 311 of the Texas Tax Code, as amended. Under the terms of the agreement, the City, Bexar County, and the San Antonio River Authority (the "Parties") are funding infrastructure improvements through tax increment financing to the Sedona Development Project. Project costs of the developer will be funded up to 100% of the tax increment generated by the Parties. The Zone has a statutory termination date of December 31, 2027.

Economic Development Programs of Grants and Loans

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("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. The City has entered into various 380 agreements with businesses in the City. These agreements involve rebates of future ad valorem taxes and/or sales taxes and should not have a significant impact on current tax in future years. Once the terms of the 380 agreements expire, the tax base of the City will be increased to include the new businesses of the City.

Issuer and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Issuer, 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 Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Issuer and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property 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 Issuer 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 Issuer can collect taxes on property owned by the FDIC, if any, in the City.

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the rate of taxation is set by the Issuer 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 Issuer. 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 Issuer does not allow split payments but does allow discounts for early payment.**

Issuer's Rights in the Event of Tax Delinquencies

Taxes levied by the Issuer 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 Issuer, having power to tax the property. The Issuer'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 Issuer 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 Issuer 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 Issuer 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.

TAX RATE LIMITATIONS

General

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population, limits the City's maximum ad valorem tax rate to $2.50 per $100 assessed valuation. The Issuer has adopted a Home Rule Charter which does not limit the City's maximum tax rate limit beyond the Constitutional limit of $2.50 per $100 of assessed valuation for all Issuer purposes. No direct funded debt limitation is imposed on the City under current Texas law. 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 Certificates does not violate this constitutional provision or the Texas Attorney General's administrative policy.

The Property Tax Code

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

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

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

"effective tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

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

"rollback tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.08, plus the debt service tax rate.

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

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

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

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

For the 2019 tax year, the procedures in this paragraph apply. After the assessor submits the appraisal roll, a designated officer or employee of the City is required to calculate its "rollback tax rate" and "effective tax rate". A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, and may not adopt a tax rate that exceeds the lower of its "rollback tax rate" or "effective tax rate" (as such terms are defined below) until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. The Property Tax Code provides that if the adopted tax rate exceeds the rollback tax rate, qualified voters of the city, by petition, may require that an election be held to determine whether or not to reduce the adopted tax rate to the rollback tax rate. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-effective tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

Effective January 1, 2020, the terms rollback tax rate and effective tax rate will be replaced, respectively, with the terms "voter-approval tax rate" and "no-new-revenue tax rate". Beginning with the 2020 tax year, the procedures in this paragraph and the following paragraphs apply. A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Certificates 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 is reproduced as APPENDIX C.

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

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 Certificates. 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 Issuer 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 Certificates is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Certificates 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 Certificates, the Issuer may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Certificate holders of the exclusion of interest on the Certificates 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 Certificates. Prospective purchasers of the Certificates 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 Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), 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 Certificates

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Certificates"). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates 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 Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate 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 Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate 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 interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and with respect to the state and local tax consequences of owning Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Certificates 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 Certificates

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the "Premium Certificates"). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates 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 Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable Certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Certificate premium with respect to the Premium Certificates. 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 Certificate. 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 Certificates should consult with their own tax advisors with respect to the determination of amortizable Certificate premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity Certificates that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City has designated the Certificates as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information".

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer 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 each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer'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 Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in Table 1 of the Official Statement and in Tables 1-20 of APPENDIX A to this Official Statement and APPENDIX D. The Issuer will update and provide this information within six months after the end of each fiscal year in or after 2019. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances;(10) release, substitution, or sale of property securing repayment of the Certificates, 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 of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material (15) incurrence of a 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. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) 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, and (b) the County intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. Neither the Certificates nor the Ordinance make any provision for debt service reserve funds, credit enhancement or liquidity enhancement. 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.

Availability of Information

Effective July 1, 2009, the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule. All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates 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.

With respect to debt of the City issued prior to the EMMA Effective Date, the City remains obligated to make annual required filings, as well as notices of specified events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the City receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the City has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates 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 agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Certificates 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 the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Certificates. 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. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

On May 28, 2014, S&P Global Ratings ("S&P") upgraded the City's existing general obligation debt from "AA" to "AA+". The notice was filed in a timely matter; however, the notice was posted to the City's Utility CUSIP instead of to the City's General Obligation CUSIP. The notice was refiled on November 16, 2015 to the correct CUSIP.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX RATE LIMITATIONS -General", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Certificates 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 various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

At the time of the initial delivery of the Certificates, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, 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. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Rating" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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 in such forward-looking statements.

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

Rating

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Certificates. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and Ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of Raymond James & Associates, Inc. (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of $565,404.65, less a Purchaser's discount of $39,736.50, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, 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 the circumstances under which they were made, not misleading; (c) insofar as the descriptions 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 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 last financial statements of the City appearing in the Official Statement.

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.

Concluding 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 does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

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

The Ordinance authorizing the issuance of the Certificates has approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement was approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF SCHERTZ, TEXAS

/s/ Michael Carpenter

Mayor

City of Schertz, Texas

ATTEST:

/s/ Brenda Dennis

City Secretary

City of Schertz, Texas

APPENDIX A

FINANCIAL INFORMATION RELATING TO THE CITY OF SCHERTZ, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2019 Certified Market Value of Taxable Property (100% of Market Value)	$	5,045,178,627
Less Exemptions:		
Optional Over-65 or Disabled	$	26,916,139
Veterans' Exemptions		383,648,542
Freeport Exemptions		138,010,983
Open-Space Land and Timberland		159,998,692
Prorations/Partial Required Exemptions		-
Pollution Control		789,819
Tax Abatement Act		-
Solar/Wind Exemption		677,387
Loss to 10% HO Cap		13,257,044
TOTAL EXEMPTIONS		723,298,606
2019 Assessed Value of Taxable Property (1)	$	4,321,880,021

(1) Includes a Freeze Taxable Value of $475,924,142.

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

GENERAL OBLIGATION BONDED DEBT

(as of July 31, 2019)

General Obligation Debt (Principal Outstanding)

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	$	355,000
General Obligation Bonds, Series 2007		2,905,000
General Obligation Bonds, Series 2011		6,580,000
General Obligation Refunding Bonds, Series 2011		705,000
General Obligation Refunding Bonds, Series 2011A		2,965,000
General Obligation Bonds, Series 2012		5,440,000
General Obligation Refunding Bonds, Series 2013		1,230,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013		3,095,000
General Obligation Refunding Bonds, Series 2014		8,000,000
Tax Notes, Series 2015		875,000
Tax Notes, Series 2015A		605,000
General Obligation Refunding Bonds, Series 2015		2,505,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016A		1,865,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016B		1,310,000
General Obligation Bonds, Series 2016		5,055,000
General Obligation Bonds, Series 2017		3,650,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017		4,745,000
General Obligation Refunding Bonds, Series 2018		5,485,000
General Obligation and Refunding Bonds, Series 2018		8,475,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018		10,055,000
The Certificates		7,495,000
Total Gross General Obligation Debt	$	83,395,000

Less: Self Supporting Debt

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 (100.00% Water & Sewer)	$	355,000
General Obligation Refunding Bonds, Series 2011 (100.00% Water & Sewer)		705,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (100.00% Water & Sewer)		3,095,000
General Obligation Refunding Bonds, Series 2013 (100.00% Water and Sewer)		1,230,000
Tax Notes, Series 2015 (8.44% Water and Sewer, 37.66% Drainage, 42.21% EMS)		460,000
General Obligation and Refunding Bonds, Series 2018 (29.14% Water and Sewer)		2,470,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (53.90% Water and Sewer)		5,825,000
The Certificates (46.43% Water and Sewer)		3,480,000
Total Self-Supporting Debt	$	17,620,000
Total Net General Obligation Debt Outstanding	$	65,775,000

2019Certified Net Assessed Valuation	$	4,321,880,021
Ratio of Gross General Obligation Debt Principal to CertifiedNet Taxable Assessed Valuation		1.93%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		1.52%

Population: 1990 - 10,555; 2000 - 18,695; 2010 - 31,465; est. 2019 - 40,092
Per Capita Certified Net Taxable Assessed Valuation - $107,799.06
Per Capita Gross General Obligation Debt Principal - $2,080.09
Per Capita Net General Obligation Debt Principal - $1,640.60

(As of September 30, 2018)

Operating Leases

The City has agreements with several telecommunication companies to place cellular towers on City water towers. The following schedule represents the future minimum lease payments.

FYE	Total
2019	$ 260,569
2020	273,597
2021	287,277
2022	301,641
2023	316,756
2024-2028	1,827,598
	$ 3,267,438

Capital Lease

In 2014, the City entered into two lease agreements qualifying as capital leases for accounting purposes based on a bargain purchase option. Therefore, capital assets and a related capital lease obligation has been recorded at the present value of the future minimum lease payments at the inception date. The assets acquired through capital lease are reported in capital assets with the following accumulated depreciation at September 30, 2018.

Assets:	Governmental Activities	Business-Type Activities
Equipment	$ 42,825	$ 680,671
Less: Accumulated Depreciation	-	(364,637)
Total	$ 42,825	$ 316,034

Future minimum lease payments are as follows:

Year Ending September 30,	Governmental Activities	Business Activities
2018	$ 8,565	$ 89,671 (1)
2019	$ 8,565	$ 67,313
2020	$ 8,565	$ 67,313
2021	8,569	66,875
Total Payments	$ 34,264	$ 291,172
Less: Amount Representing Interest	-	(1,619)
Payments	$ 34,264	$ 289,553

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2018.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt[(a)]	The Certificates			Combined Debt Service[(a)]	Less: Self-Supporting Debt	Total Net Debt Service
		Principal	Interest	Total			
2019	$ 8,990,830				$ 8,990,830	$ 2,194,922	$ 6,795,908
2020	8,917,111	$ 375,000	$ 241,000	$ 616,000	9,533,111	2,392,708	7,140,403
2021	8,659,309	385,000	229,600	614,600	9,273,909	2,229,052	7,044,857
2022	7,701,862	395,000	217,900	612,900	8,314,762	1,558,553	6,756,210
2023	7,431,828	410,000	205,825	615,825	8,047,653	1,555,064	6,492,590
2024	7,290,762	420,000	189,175	609,175	7,899,937	1,557,833	6,342,104
2025	6,454,702	435,000	169,975	604,975	7,059,677	1,552,399	5,507,278
2026	6,116,863	460,000	152,075	612,075	6,728,938	1,333,338	5,395,600
2027	5,649,118	295,000	136,975	431,975	6,081,093	871,275	5,209,818
2028	5,515,502	305,000	124,975	429,975	5,945,477	868,900	5,076,577
2029	4,743,497	315,000	114,938	429,938	5,173,434	871,550	4,301,884
2030	4,748,944	320,000	106,200	426,200	5,175,144	865,450	4,309,694
2031	4,852,154	330,000	96,450	426,450	5,278,604	866,075	4,412,529
2032	3,702,279	340,000	86,400	426,400	4,128,679	867,350	3,261,329
2033	3,187,806	355,000	75,975	430,975	3,618,781	867,594	2,751,188
2034	2,364,644	365,000	65,175	430,175	2,794,819	631,388	2,163,431
2035	2,376,600	375,000	54,075	429,075	2,805,675	634,019	2,171,656
2036	2,374,944	385,000	42,675	427,675	2,802,619	630,866	2,171,753
2037	1,228,469	400,000	30,900	430,900	1,659,369	631,928	1,027,441
2038	691,900	410,000	18,750	428,750	1,120,650	632,100	488,550
2039	-	420,000	6,300	426,300	426,300	233,450	192,850
Total	$ 102,999,122	$ 7,495,000	$ 2,365,338	$ 9,860,338	$112,859,460	$23,845,811	$89,013,649

[(a)] *Includes self-supporting debt.*

TAX ADEQUACY (Includes Self-Supporting Debt)

2019 Freeze Adjusted Net Taxable Assessed Valuation	$ 3,845,955,879	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2020)	9,533,111	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.2529	*

* *Includes the Certificates.*

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt)

2019 Freeze Adjusted Net Taxable Assessed Valuation	$ 3,845,955,879	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2020)	7,140,403	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.18945	*

* *Includes the Certificates.*

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

INTEREST AND SINKING FUND MANAGEMENT INDEX

Audited Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2018	$ 1,099,858
2018 Interest and Sinking Fund Tax Levy at 98% Collections Produce	7,039,305
Plus: Other City Funds	2,194,922
Total Available for General Obligation Debt	$ 10,334,085
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/19 [(1)]	8,990,830
Estimated Surplus at Fiscal Year Ending 9/30/19 [(2)]	$ 1,343,256

[(1)] *Includes self-supporting general obligation debt.*

[(2)] *Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.*

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of July 31, 2019)

	Principal Repayment Schedule			Principal	Percent of
Fiscal Year Ending 9-30	Currently Outstanding[(a)]	The Certificates	Total	Unpaid at End of Year	Principal Retired (%)
2019	$ 1,075,000		$ 1,075,000	$ 82,320,000	1.29%
2020	6,405,000	$ 375,000	6,780,000	75,540,000	9.42%
2021	6,360,000	385,000	6,745,000	68,795,000	17.51%
2022	5,610,000	395,000	6,005,000	62,790,000	24.71%
2023	5,530,000	410,000	5,940,000	56,850,000	31.83%
2024	5,580,000	420,000	6,000,000	50,850,000	39.03%
2025	4,930,000	435,000	5,365,000	45,485,000	45.46%
2026	4,770,000	460,000	5,230,000	40,255,000	51.73%
2027	4,470,000	295,000	4,765,000	35,490,000	57.44%
2028	4,495,000	305,000	4,800,000	30,690,000	63.20%
2029	3,875,000	315,000	4,190,000	26,500,000	68.22%
2030	4,025,000	320,000	4,345,000	22,155,000	73.43%
2031	4,270,000	330,000	4,600,000	17,555,000	78.95%
2032	3,245,000	340,000	3,585,000	13,970,000	83.25%
2033	2,835,000	355,000	3,190,000	10,780,000	87.07%
2034	2,100,000	365,000	2,465,000	8,315,000	90.03%
2035	2,190,000	375,000	2,565,000	5,750,000	93.11%
2036	2,270,000	385,000	2,655,000	3,095,000	96.29%
2037	1,185,000	400,000	1,585,000	1,510,000	98.19%
2038	680,000	410,000	1,090,000	420,000	99.50%
2039	-	420,000	420,000	-	100.00%
Total	$ 75,900,000	$ 7,495,000	$ 83,395,000		

[(a)] *Includes self-supporting debt.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2009-2018 **TABLE 3**

	Net Taxable	Change From Preceding Year	
Year	Assessed Valuation	Amount ($)	Percent
2010-11	$ 2,362,900,159	---	---
2011-12	2,390,893,877	27,993,718	1.18%
2012-13	2,589,622,413	198,728,536	8.31%
2013-14	2,769,188,746	179,566,333	6.93%
2014-15	3,068,012,356	298,823,610	10.79%
2015-16	3,400,613,988	332,601,632	10.84%
2016-17	3,683,394,908	282,780,920	8.32%
2017-18	3,813,920,281	130,525,373	3.54%
2018-19	4,055,582,301	241,662,020	6.34%
2019-20	4,321,880,021	266,297,720	6.57%

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

PRINCIPAL TAXPAYERS 2019-2020 **TABLE 4**

Name	Type of Business/Property	2019 Net Taxable Assessed Valuation	% of Total 2019 Assessed Valuation
Caterpillar	Heavy Equipment Manufacturer	$ 120,824,839	2.80%
Sysco Central Texas	Food Distribution	107,425,724	2.49%
Amazon	Distribution Center	74,629,384	1.73%
US Real Estate	Commercial Real Estate	59,963,917	1.39%
Republic Beverage Company	Alcohol Distributor	58,711,000	1.36%
Colfin 2018-3 Industrial Owner LLC	Industrial Park	57,353,060	1.33%
Shell US Gas and Power LLC	Oil & Gas	37,942,000	0.88%
SA WFR Partners LLC	Commercial Real Estate	25,352,359	0.59%
EM Limited Partnership	Commercial Real Estate	22,655,200	0.52%
GE Oil and Gas	Oil & Gas	19,515,060	0.45%
		$ 584,372,543	13.52%

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 5**

	2019	% of Total	2018	% of Total	2017	% of Total
Real, Residential, Single-Family	$ 2,938,385,573	58.24%	$ 2,728,951,408	57.15%	$ 2,506,858,481	56.24%
Real, Residential, Multi-Family	78,298,986	1.55%	68,879,326	1.44%	62,165,120	1.39%
Real, Vacant Lots/Tracts	55,611,079	1.10%	55,195,912	1.16%	53,822,108	1.21%
Real, Acreage (Land Only)	162,024,347	3.21%	151,267,564	3.17%	146,765,602	3.29%
Real, Farm and Ranch Improvements	53,359,154	1.06%	50,527,759	1.06%	45,931,621	1.03%
Real, Commercial and Industrial	896,801,600	17.78%	797,337,649	16.70%	751,226,159	16.85%
Real & Tangible, Personal Utilities	18,026,206	0.36%	18,060,090	0.38%	19,711,046	0.44%
Tangible Personal, Commercial & Industrial	784,062,992	15.54%	839,287,989	17.58%	818,875,523	18.37%
Tangible Personal, Mobile Homes	12,846,611	0.25%	12,178,556	0.26%	12,246,697	0.27%
Residential Inventory	40,575,244	0.80%	49,904,362	1.05%	37,079,181	0.83%
Real Property, Inventory	5,186,835	0.10%	3,579,400	0.07%	2,681,370	0.06%
Total Appraised Value	$ 5,045,178,627	100.00%	$ 4,775,170,015	100.00%	$ 4,457,362,908	100.00%
Less:						
Optional Over-65 or Disabled	$ 26,916,139		$ 26,023,251		$ 24,640,004	
Veterans' Exemptions	383,648,542		311,480,342		257,067,999	
Freeport Exemptions	138,010,983		210,790,808		199,674,287	
Open-Space Land and Timberland	159,998,692		149,042,269		144,926,194	
Prorations/Partial Required Exemptions	-		-		883,881	
Pollution Control	789,819		655,122		527,190	
Tax Abatement Act	-		902,273		300,000	
Solar/Wind Exemption	677,387		612,722		404,051	
Loss to 10% HO Cap	13,257,044		20,080,927		15,019,021	
Net Taxable Assessed Valuation	$ 4,321,880,021		$ 4,055,582,301		$ 3,813,920,281	
Freeze Taxable	475,924,142		433,584,141		351,325,525	
Freeze Adjusted Taxable	$ 3,845,955,879		$ 3,621,998,160		$ 3,462,594,756	

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

TAX DATA **TABLE 6**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2009	$ 2,317,194,810	$ 0.434200	$10,061,260	99.17	100.16	9/30/2010
2010	2,362,900,159	0.449300	10,616,510	96.01	96.46	9/30/2011
2011	2,390,893,877	0.484300	11,579,099	96.64	97.39	9/30/2012
2012	2,589,622,413	0.499900	12,945,522	96.70	97.08	9/30/2013
2013	2,769,188,746	0.497400	13,773,945	96.43	99.35	9/30/2014
2014	3,068,012,356	0.499900	15,336,994	96.08	99.61	9/30/2015
2015	3,400,613,988	0.491100	16,700,415	96.92	99.92	9/30/2016
2016	3,683,394,908	0.491100	18,089,152	99.01	101.00	9/30/2017
2017	3,813,920,281	0.491000	18,726,349	98.90	99.95	9/30/2018
2018	4,055,582,301	0.514600	20,870,027	(In process of collection)		9/30/2019
2019	4,321,880,021					9/30/2020

TAX RATE DISTRIBUTION **TABLE 7**

	2018	2017	2016	2015	2014
General Fund	$ 0.349700	$ 0.324800	$ 0.316800	$ 0.315900	$ 0.299300
I & S Fund	0.164900	0.166200	0.174300	0.175200	0.200600
Total Tax Rate	$ 0.514600	$ 0.491000	$ 0.491100	$ 0.491100	$ 0.499900

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

MUNICIPAL SALES TAX COLLECTIONS TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code, which authorizes the City to levy a 1% sales and use tax and use the revenues from such tax for general municipal purposes. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. At an election held on August 9, 1997, an additional ½ cent sales tax was authorized by the voters for economic development. The City began collecting this increase on January 1, 1998. Revenues received from the ½ cent sales tax for economic development are transferred to the Schertz Economic Development Corporation (a nonprofit economic development corporation created by the City) to be used to promote economic development in the City and are not available to be used for general municipal purposes. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy [(1)]	Equivalent of Ad Valorem Tax Rate
2010	$ 6,297,600	39.08%	$ 0.38
2011	7,002,410	40.32%	0.34
2012	8,130,275	41.94%	0.32
2013	9,716,196	47.03%	0.29
2014	10,445,078	45.40%	0.29
2015	10,303,430	41.13%	0.33
2016	10,992,746	40.51%	0.34
2017	10,849,278	38.62%	0.35
2018	12,631,750	40.35%	0.32
2019	4,938,669	(as of May 2019)	

(1) *Calculated to reflect only the sales tax revenues collected by the City from its 1.00% sales tax.*
Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

(as of July 31, 2019)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements 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 Issuer, the Issuer 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.

Taxing Body	Gross Debt (As of 5/1/19)	% Overlapping	Amount Overlapping
Alamo Community College District	$ 470,915,000	0.29%	$ 1,365,654
Bexar County	1,898,620,000	0.29%	5,505,998
Bexar County Hospital District	840,300,000	0.29%	2,436,870
Comal County	155,015,000	4.84%	7,502,726
Comal ISD	747,720,504	4.92%	36,787,849
Guadalupe County	11,570,000	20.26%	2,344,082
Schertz-Cibolo-Universal City ISD	408,181,092	48.79%	199,151,555
Total Gross Overlapping Debt			$ 255,094,733
Schertz, City of			$ 83,395,000
Total Gross Direct and Overlapping Debt			$ 338,489,733
Ratio of Gross Direct Debt and Overlapping Debt			7.83%
Per Capita Gross Direct Debt and Overlapping Debt			$8,442.82

Note: The above figures show Gross General Obligation Debt for the City of Schertz, Texas. The Issuer's Net General Obligation Debt is $65,775,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	$ 320,869,733
Ratio of Net Direct and Overlapping Debt to 2018 Net Assessed Valuation	7.42%
Per Capita Net Direct and Overlapping Debt	$8,003.34

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2018 Assessed Valuation	% of Actual	2018 Tax Rate
Alamo Community College District	$ 164,661,746,655	100%	$ 0.149000
Bexar County	161,131,453,490	100%	0.301000
Bexar County Hospital District	165,977,500,982	100%	0.276000
Comal County	17,295,201,077	100%	0.295000
Comal ISD	14,130,188,344	100%	1.390000
Guadalupe County	13,262,245,367	100%	0.331000
Schertz-Cibolo-Universal City ISD	5,581,652,456	100%	1.490000

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Alamo Community College District	5/6/2017	College Facilities	$ 450,000,000	$ 173,000,000	$277,000,000
Bexar County	None				
Bexar County Hospital District	None				
Comal County	None				
Comal ISD	None				
Guadalupe County	None				
San Antonio River Authority	None				
Schertz-Cibolo-Universal City ISD	None				
Schertz, City of	11/03/2015	Streets and Bridges	$ 7,000,000	$ 2,605,000	$ 4,395,000

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES — TABLE 9

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

	Fiscal Year Ended				
	9/30/2018 [1]	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fund Balance - Beginning of Year	$ 12,969,618	$ 11,428,778	$ 9,616,487	$ 7,722,034	$ 6,017,206
Revenues					
Taxes	$ 21,741,184	$ 19,450,338	$ 18,850,031	$ 17,926,685	$ 16,652,245
Licenses and Permits	2,317,534	2,367,929	1,234,048	1,447,814	1,365,624
Charges for Services	2,139,574	2,107,844	1,610,940	1,609,917	1,592,851
Fines and Forfeitures	868,875	1,021,965	1,343,236	1,498,887	1,712,562
Intergovernmental	530,122	307,809	293,727	233,959	218,081
Investment Earnings	252,397	128,158	58,724	24,369	13,657
Grants	-	603,477	599,791	-	-
Other Sources	690,810	-	-	571,416	547,515
Total Revenues	$ 28,540,496	$ 25,987,520	$ 23,990,497	$ 23,313,047	$ 22,102,535
Expenditures					
General Government	$ 5,544,155	$ 5,171,635	$ 5,187,489	$ 5,187,335	$ 5,232,687
Public Safety	12,718,070	11,846,184	11,010,802	10,037,830	9,398,845
Streets and Parks	1,136,052	1,128,979	1,007,326	952,663	1,012,607
Health	628,054	1,682,955	1,173,070	404,008	394,918
Recreation	1,672,789	901,992	843,643	1,182,906	1,100,971
Cultural	939,095	672,934	480,175	795,436	794,434
Capital Outlay	1,083,044	2,395,926	1,692,977	637,800	383,264
Administration	2,478,964	644,773	498,251	1,638,429	1,604,825
Bond Issue Costs	-	33,174	-	-	-
Principal	24,116	36,513	33,175	31,875	32,764
Interest and Fiscal Charges	3,056	-	38,214	8,341	579
Total Expenses	$ 26,227,395	$ 24,515,065	$ 21,965,122	$ 20,876,623	$ 19,955,894
Excess (Deficit) of Revenues Over Expenditures	$ 2,313,101	$ 1,472,455	$ 2,025,375	$ 2,436,424	$ 2,146,641
Other Financing Sources (Uses):					
Issuance of Bonds	$ -	$ -	$ -	$ -	$ -
Capital Lease	42,829	-	-	-	133,715
Operating Transfers In	351,219	68,385	3,019	-	89,416
Operating Transfers Out	(46,314)	-	(216,103)	(541,971)	(664,944)
Total Other Financing Sources (Uses):	$ 347,734	$ 68,385	$ (213,084)	$ (541,971)	$ (441,813)
Prior Year End Adjustment	-	-	-	-	-
Fund Balance - End of Year	$ 15,630,453	$ 12,969,618	$ 11,428,778	$ 9,616,487	$ 7,722,034

Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.

(1) *The City anticipates an unaudited general fund balance of $14,764,809 for the fiscal year ending 2019.*

The City participates as one of 872 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 agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

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

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 over 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 date, the following employees were covered by the

	2016	2017
Inactive employees or beneficiaries currently receiving benefits	84	98
Inactive employees entitles to but not yet receiving benefits	155	166
Active employees	317	322
	556	586

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.94% and 158.87% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were $2,971,592.

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
Overall payroll growth	3.0% per year
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 Healthy 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 Disabled Retiree Mortality Table with Blue Collar adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and female. 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 the 2009 through 2011, and the 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolio, GRS focused on the area between (1) arithmetic mean (aggressive).

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2018 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%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. 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 period of projected benefit payments to determine the Total Pension Liability.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS - CONT'D

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016	$ 60,296,483	$ 43,270,388	$ 17,026,095
Changes for the year:			
Service Cost	3,073,538	-	3,073,538
Interest	4,111,517	-	4,111,517
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	416,585	-	416,585
Changes of Assumptions	-	-	-
Contributions - Employer	-	2,793,644	(2,793,644)
Contributions - Employee	-	1,232,232	(1,232,232)
Net Investment Income	-	5,999,805	(5,999,805)
Benefit Payments, Including Refunds of Employee Contributions	(1,843,774)	(1,843,774)	-
Administrative Expense	-	(31,080)	31,080
Other Changes	-	(1,575)	1,575
Net Changes	5,757,866	8,149,252	(2,391,386)
Balance at December 31, 2017	$ 66,054,349	$ 51,419,640	$ 14,634,709

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%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	$ 26,020,200	$ 14,634,709	$ 5,500,868

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.

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

For the year ended September 30, 2018, the City recognized pension expense of $3,133,938. 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	$ 454,423	$ -
Changes in Actuarial Assumptions	29,936	-
Differences Between Projected and Actual Investment Earnings	-	1,385,283
Contributions Subsequent to the Measurement Date	2,158,660	-
	$ 2,643,019	$ 1,385,283

Deferred outflows of resources in the amount of $2,158,660 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 September 30, 2018. The City liquidates their Net Pension Liability through payments from the general fund. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	
2018	$ 69,211
2019	(12,983)
2020	(499,204)
2021	(519,473)
2022	61,525
Thereafter	-
	$ (900,924)

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as 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.
The death benefit for active employees provides 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 postemployment 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	78
Inactive Employees Entitled to but Not Yet Receiving Benefits	49
Active Employees	322
	449

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

	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
For the Plan Year Ended December 31,		
2017	0.12%	0.01%
2018	0.12%	0.02%

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 were 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:

Valuation Date:
Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 10.5% 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 generational basis with scale BB.
Mortality Rates - disabled Retirees	RP 2000 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 improvement's subject to the 3% floor.
Other Information	No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No 75 to pay related benefits.

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	$ 519,156
Changes for the year:	
Service Cost	29,926
Interest on Total OPEB Liability	20,123
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or other inputs	57,257
Benefit Payments, Including refunds of Employee Contributions	(3,521)
Other Changes	-
Balance at December 31, 2017	$ 622,941

There is no separate trust maintained to fund this TOL. No assets have 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 this 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 SDB OPEB Liability	$ 774,205	$ 622,941	$ 509,511

For the year ended September 30, 2018, the City recognized OPEB expense of $54,149. 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
Differences between Expected and Actual Economic Experience		$ -
Changes in Actuarial Assumptions	49,435	-
Differences between Projected and Actual Investment Earnings		-
Contributions subsequent to the		-
Measurement Date	2,697	-
	$ 52,132	

Outflows of resources in the amount of $2,697 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 year ended September 30, 2018

2019	$ 7,822
2020	7,822
2021	7,822
2022	7,822
2023	7,822
Thereafter	10,325
	$ 49,435

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. He City is the only employer participating in the Plan. The Plan does not issue a publicly available financial report.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS - CONT'D

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 Medicate eligibility. While the Plan offers retiree only rats, a very small implicit liability still exists. Membership in the e Plan as of September 30, 2018, the

	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	6
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	313
	319

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 a t least 20 years of employment with the City. When a regular, full-time employee retires, they are eligible to maintain their coverage in the City's group health coverage. The City does not provide an explicit subsidy for retiree medical insurance. The liability for the City is due to the implicit rate.

*The City made no direct contributions for monthly premiums. The retirees pay 102% of the monthly premiums which range based on the type of plan form $491.72 for retiree only to $1,737.24 for a retiree and their family.

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date: December 31, 2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.31% as of December 31, 2017
Inflation	2.50%
Salary Increases	3.50% to 10.5% Including Inflation
Demographic Assumptions:	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Systems (TMRS)
Morality	For healthy retirees, the gender distinct RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.75% to an ultimate rate of 4.25% after 15 years
Participation Rates	30% on non-Medicare retirees
Other Information:	The discount rate changed form 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017

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 December 31, 2016	$ 1,789,769
Changes for the year:	
Service Cost	107,517
Interest on Total OPEB Liability	69,435
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	96,092
Benefit Payments, Including Refunds of Employee Contributions	(42,189)
Other Changes	-
Balance at December 31, 2017	$ 2,020,624

Methods and Assumptions Used to Determine Contribution Rates:

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%	Current Discount Rate Assumption 3.31%	Discount Rate 4.31%
Total OPEB Retiree Health Insurance Liability	$ 2,227,086	$ 2,020,624	$ 1,832,775

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 5.5%) than the current healthcare cost trends:

	Discount Rate 2.31%	Current Healthcare Cost Trend Assumption 3.31%	Discount Rate 4.31%
Total OPEB Retiree Health Insurance Liability	$ 1,771,544	$ 2,020,624	$ 2,317,552

For the year ended September 30, 2018, the City recognized OPEB expense of $186,440. Also as of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	$ -	$ -
Changes in Actuarial Assumptions	86,604	-
Contributions Subsequent to the Measurement Date	32,275	-
	$ 118,879	$ -

Methods and Assumptions Used to Determine Contribution Rates:

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 year ended September 30,

2019	$ 9,488
2020	9,488
2021	9,488
2022	9,488
2023	9,488
Thereafter	39,164
	$ 86,604

UTILITY SYSTEM OUTSTANDING DEBT SERVICE

[as of July 1, 2019]

In addition to the Certificates, the City of Schertz' Utility System supports seven series of City general obligation bonds with revenues of the City's Utility System. The City has no currently outstanding revenue bonds. Set forth below are the debt service requirements for Schertz's currently outstanding general obligation debt that is self-supporting:

City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2007	$	355,000
City's General Obligation Refunding Bonds, Series 2011		705,000
City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2013		3,095,000
City's General Obligation Refunding Bonds, Series 2013		1,230,000
City's Tax Notes, Series 2015		460,000
City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2018		2,470,000
City's General Obligation and Refunding Bonds, Series 2018		5,825,000
City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2019		3,480,000
Total	$	17,620,000

FYE (9/30)		City's Self-Supporting General Obligation Debt
2019	$	2,194,922
2020		2,392,708
2021		2,229,052
2022		1,558,553
2023		1,555,064
2024		1,557,833
2025		1,552,399
2026		1,333,338
2027		871,275
2028		868,900
2029		871,550
2030		865,450
2031		866,075
2032		867,350
2033		867,594
2034		631,388
2035		634,019
2036		630,866
2037		631,928
2038		632,100
2039		233,450
Total	$	23,845,811

CITY WATERWORKS AND SEWER SYSTEM PLANT IN OPERATION

(As of September 30, 2018)

Land	$ 1,357,539
Water Rights	70,245
Buildings and Improvements	4,695,503
Machinery, Equipment and Vehicles	5,441,459
Infrastructure	97,225,671
Construction in Progress	3,391,127
Total	$ 112,181,544
Less: Accumulated Depreciation	(33,513,085)
Net Waterworks and Sewer System in Service	$ 78,668,459

CITY WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Revenues	$ 28,016,064	$ 25,831,284	$ 22,105,622	$ 21,007,823	$ 19,680,313
Expenditures	20,802,263	18,697,162	19,740,518	16,376,259	15,822,737
Schertz/Seguin LGC Payment	2,906,068	2,242,314	2,160,309	1,378,081	1,432,074
Net Revenues Available Available for Debt Service	$ 4,307,733	$ 4,891,808	$ 204,795	$ 3,253,483	$ 2,425,502
Connections:					
Water	14,678	14,124	13,877	13,570	13,324
Sewer	12,866	12,398	12,282	11,413	11,578

Source: The City's Comprehensive Annual Financial Reports for Fiscal Year Ending September 30, 2018.

PRINCIPAL SEWER CUSTOMERS

	Name of Customer	Consumption (gallons)	Amount ($)
1	Sycamore Creek Apartments	8,126,700	$ 78,484
2	Pecan Grove TX LLC	8,083,100	81,851
3	Big Time Management Properties	7,372,600	75,397
4	Sebastian Apartments	6,740,000	62,241
5	Clemens Athletic Field	5,835,300	54,162
6	IPT San Antonio Logistics CTR	5,704,100	56,225
7	Legacy at Forest Ridge	5,694,200	49,126
8	City of Schertz	5,594,300	54,406
9	Caterpillar, Inc.	5,592,500	55,884
10	Legacy Oaks Apartments	5,200,700	53,332
	Total	63,943,500	$ 621,108

CITY WATER SUPPLY

The City's primary water source is from the Carrizo Aquifer which is pumped and treated by the Schertz/Seguin Local Government Corporation ("SSLGC" or the "Corporation). SSLGC has water leases totaling 19,363 acre feet and leases 840 acre feet to Springs Hill and of the remainder 50% are dedicated to the City of Schertz. The City's water system has 9 water storage tanks which can hold 15,500,000 gallons. The city maintains 225 miles of water lines. Schertz's total water usage for fiscal year September 30, 2017 was 1,582,450,300 gallons.

Schertz's secondary source of water is a lease from the Edwards Aquifer Authority for 1,768 acre-feet (or 576,104,568 gallons) per year. Of this amount, 700 acre feet is leased for additional revenue. This water source is used only during emergency situations or when the City Utility System demand is at peak levels. Schertz has 2 wells which can produce up to 4,180,000 gallons per day from the Edwards Aquifer. Although the City still maintains its permits (and ownership) to draw water from the Edwards Aquifer, for fiscal year ending September 30, 2017 the City obtained 99% of its water from the Schertz/Seguin Local Government Corporation. The City leased its excess Edwards Aquifer water to other entities that did not have water capacity. The revenue from leases is included in the City's Utility System Revenues.

To develop an additional source of water outside of the Edwards Aquifer, the City of Schertz, along with the City of Seguin, created the Schertz/Seguin Local Government Corporation. The Corporation was charged with financing a new water resource for these cities.

Schertz/Seguin Local Government Corporation. Pursuant to the regional water supply contract dated November 15, 1999, the Corporation issued Contract Revenue Bonds to finance the development of a well field and collection system and transmission and treatment facilities, including the acquisition of related water rights and rights-of-way (the “SSLGC Project”). The SSLGC Project transports groundwater from the Carrizo Aquifer in southwestern Gonzales County to the Schertz Live Oak Tank and the Seguin Water Treatment Plant. The SSLGC Project provides the necessary water, coupled with water from the Edwards Aquifer, to address the City’s needs. The payments by the cities of Schertz and Seguin constitute an operating expense of their respective utility systems. The City of Schertz is obligated to pay 50% of the debt service, operation and maintenance and overhead payments. SSLGC Bonds outstanding as of September 30, 2018 are $139,900,000. Water began to flow from the SSLGC Project to the City of Schertz on February 20, 2003.

HISTORICAL WATER CONSUMPTION

FYE	Estimated	Number of	Water Usage (in Gallons)				Water
(9/30)	Population	Customers	Daily Average	Peak Day	Peak Month	Total Usage	Sales
2008	32,057	10,872	3,854,205	7,996,000	182,463,000	1,392,387,500	$ 6,091,802
2009	31,465	11,471	4,157,619	7,520,000	178,309,000	1,505,068,700	6,886,443
2010	32,523	10,134	3,560,416	7,040,000	180,345,000	1,182,179,600	6,361,401
2011	33,544	12,234	4,667,789	11,000,000	227,186,000	1,612,610,500	7,816,710
2012	34,499	12,557	5,224,301	9,290,000	224,192,000	1,613,141,500	7,657,695
2013	35,201	12,757	4,935,155	9,483,000	204,492,000	1,550,045,200	7,660,165
2014	35,929	13,324	4,245,772	10,089,000	213,349,000	1,549,707,100	7,960,763
2015	36,477	13,570	4,043,050	8,385,000	218,644,000	1,475,713,400	7,943,694
2016	37,865	13,877	4,113,553	8,587,000	214,546,000	1,501,446,900	8,543,050
2017	37,938	14,124	4,335,480	9,478,000	218,181,000	1,582,450,300	9,741,286
2018	39,453	14,678	4,532,352	9,083,000	230,144,000	1,519,008,100	10,271,113

PRINCIPAL WATER CUSTOMERS

	Name of Customer	Average Monthly Consumption (In Gallons)	% of Total Water Sales
1	Caterpillar, Inc.	18,837,200	1.17%
2	Beck Readymix Concrete	15,195,000	0.94%
3	Sycamore Creek Apartments	12,896,100	0.80%
4	IPT San Antonio Logistics Center	12,586,700	0.78%
5	SA WFR Partners, LLC	10,546,200	0.66%
6	Crossvine Master Community	8,132,300	0.51%
7	Catapillar, Inc.	7,871,300	0.49%
8	Sysco Cooling Tower	7,372,600	0.46%
9	Sebastian Apartments	6,740,000	0.42%
10	Pecan Grove TX LLC	5,928,400	0.37%
	Total	106,105,800	6.59%

WATER RATES

New Rates for 2018-2019 GALLONS SOLD BY METER SIZE (RESIDENTIAL AND SMALL COMMERCIAL)

		Inside City		Outside City	
Meter	Block Gallons	Block Rate	Rate 1000	Block Rate	Rate 1000
5/8 IN	0	23.89	2.95	28.94	5.91
CODE 1	6,000	41.59	3.00	64.4	5.98
	9,000	50.59	3.24	82.34	6.50
	12,000	60.31	3.50	101.84	6.98
	15,000	70.81	3.72	122.78	7.38
	18,000	81.94	4.67	144.92	9.24
	30,000	137.98	5.30	255.81	10.49
	45,000	217.48	5.64	413.16	11.15
	60,000	302.08	5.85	580.42	11.53
	75,000+	389.83	5.97	753.37	11.78
3/4 IN	0	35.82	2.95	46.76	5.91
CODE 2	6,000	53.52	3.00	82.22	5.98
	9,000	62.52	3.24	100.16	6.50
	12,000	72.24	3.50	119.66	6.98
	15,000	82.74	3.71	140.6	7.38
	18,000	93.87	4.67	162.74	9.24
	30,000	149.91	5.30	273.63	10.49
	45,000	229.41	5.64	430.98	11.15
	60,000	314.01	2.85	598.24	11.53
	75,000+	401.76	5.97	771.19	11.78
1.0 IN	0	59.7	2.95	77.93	5.91
CODE 3	6,000	77.4	3.00	113.39	5.98
	9,000	86.4	3.24	131.33	6.50
	12,000	96.12	3.50	150.83	6.98
	15,000	106.62	3.71	171.78	7.38
	18,000	117.75	4.67	193.92	9.24
	30,000	173.79	5.30	304.8	10.49
	45,000	253.29	5.64	462.15	11.15
	60,000	337.89	2.85	629.41	11.53
	75,000+	425.64	5.97	802.36	11.78

WATER RATES

Meter	Block Gallons	Inside City		Outside City	
		Block Rate	Rate 1000	Block Rate	Rate 1000
1 1/2 IN	0	142.84	2.95	155.85	5.91
CODE 4	15,000	187.09	3.00	244.5	5.98
	30,000	232.09	3.24	334.21	6.50
	45,000	280.69	3.50	431.71	6.98
	60,000	333.19	3.71	536.42	7.38
	75,000	388.84	4.67	647.12	9.24
	100,000	505.59	5.30	878.13	10.49
	125,000	638.09	5.64	1140.39	11.15
	150,000	779.09	5.85	1,419.15	11.53
	175,000+	925.34	5.97	1,707.40	11.78
2 IN	0	228.53	2.95	249.36	5.91
SIMPLE	24,000	299.33	3.00	291.21	5.98
COMPOUND	48,000	371.33	3.24	534.74	6.50
CODE 5	72,000	449.09	3.50	690.75	6.98
	96,000	533.09	3.71	858.27	7.38
	120,000	622.13	4.67	1035.4	9.24
	160,000	808.93	5.30	4,105.02	10.49
	200,000	1020.93	5.64	1,824.63	11.15
	240,000	1246.53	5.85	2,270.64	11.53
	280,000+	1,480.53	5.97	2,731.85	11.78
2 IN	0	285.66	2.95	311.71	5.91
CODE 6	30,000	374.16	3.00	489.02	5.98
	60,000	464.16	3.24	668.43	6.50
	90,000	561.36	3.50	863.44	6.98
	120,000	666.36	3.71	1072.85	7.38
	150,000	777.66	4.67	1,294.26	9.24
	200,000	1011.16	5.30	1,756.27	10.49
	250,000	1,276.16	5.64	2,280.79	11.15
	300,000	1,558.16	5.85	2,838.30	11.53
	350,000+	1,850.66	5.97	3,414.82	11.78

WATER RATES

Meter	Block Gallons	Inside City Block Rate	Inside City Rate 1000	Outside City Block Rate	Outside City Rate 1000
3 IN	0	457.06	2.95	498.73	5.91
COMPOUND	48,000	598.66	3.00	782.42	5.98
CODE 7	96,000	742.66	3.24	1069.48	6.5
	144,000	898.18	3.50	1,381.49	6.98
	192,000	1066.18	3.71	1,716.55	7.38
	240,000	1244.26	4.67	2,070.80	9.24
	320,000	1,617.86	5.30	2,810.03	10.49
	400,000	2,041.86	5.64	3,649.26	11.15
	480,000	2,493.06	5.85	4,541.28	11.53
	560,000+	2,961.06	5.97	5,463.71	11.78
3 IN	0	685.59	2.95	748.09	5.91
TURBINE	72,000	987.99	3.00	1173.64	5.98
CODE 8	144,000	113.99	3.24	1,604.22	6.5
	2,160,000	1,347.27	3.50	2,072.24	6.98
	288,000	1,599.27	3.71	2,574.82	7.38
	408,000	2,044.47	4.67	346.46	9.24
	528,000	2,604.87	5.30	4,569.30	10.49
	648,000	3,240.87	5.64	5,828.14	11.15
	768,000	3,917.67	5.85	7,166.18	11.53
	888,000+	4,619.67	5.97	8,549.81	11.78
4 IN	0	714.16	2.95	779.27	5.91
COMPOUND	75,000	935.41	3.00	1222.54	5.98
CODE 9	150,000	116.41	3.24	1,671.06	6.5
	225,000	1,403.41	3.50	2,158.59	6.98
	300,000	1,665.91	3.71	2,682.11	7.38
	425,000	2,129.66	4.67	3,604.65	9.24
	550,000	2,713.41	5.30	4,759.69	10.49
	675,000	3,375.91	5.64	6,070.98	11.15
	800,000	4,080.91	5.85	7,464.77	11.53
	925,000+	4,812.16	5.97	8,906.06	11.78

WATER RATES

		Inside City		Outside City	
Meter	Block Gallons	Block Rate	Rate 1000	Block Rate	Rate 1000
4 IN	0	1,199.80	2.95	1,309.16	5.91
TURBINE	126,000	1,571.50	3.00	2,053.86	5.98
CODE 10	252,000	1,949.50	3.24	2,807.37	6.50
	378,000	2,357.74	3.50	3,626.41	6.98
	504,000	2,798.74	3.71	4,505.93	7.38
	630,000	3,266.20	4.67	5,435.85	9.24
	840,000	4,246.90	5.30	7,376.32	10.49
	1,050,000	5,359.90	5.64	9,579.29	11.15
	1,260,000	6,544.30	5.85	11,920.85	11.53
	1,470,000+	7,772.80	5.97	14,342.22	11.78
6 IN	0	1,428.33	2.95	1,558.53	5.91
COMPOUND	150,000	1,870.83	3.00	2,445.08	5.98
CODE 11	300,000	2,320.83	3.24	3,342.13	6.50
	450,000	2,806.83	3.50	4,317.17	6.98
	600,000	3,331.83	3.71	5,364.22	7.38
	750,000	3,888.33	4.67	6,471.27	9.24
	1,000,000	5,055.83	5.30	8,781.35	10.49
	1,250,000	6,380.83	5.64	11,403.93	11.15
	1,500,000	7,790.83	5.85	14,191.50	11.53
	1,750,000+	9,253.33	5.97	17,074.08	11.78
6 IN	0	2,628.11	2.95	2,583.51	5.91
TURBINE	276,000	3,442.31	3.00	4,214.76	5.98
CODE 12	552,000	4,270.31	3.24	5,865.32	6.50
	828,000	5,164.55	3.50	7,659.41	6.98
	1,104,000	6,130.55	3.71	9,585.98	7.38
	1,380,000	7,154.51	4.67	11,622.94	9.24
	1,840,000	9,302.71	5.30	15,873.49	10.49
	2,300,000	11,740.71	5.64	20,699.03	11.15
	2,760,000	14,335.11	5.85	25,828.18	11.53
	3,220,000+	17,026.11	5.97	31,132.12	11.78

WATER RATES

		Inside City		Outside City	
Meter	Block Gallons	Block Rate	Rate 1000	Block Rate	Rate 1000
8 IN	0	2,308.51	2.95	2,269.09	5.91
COMPOUND	240,000	3,016.51	3.00	3,687.57	5.98
CODE 13	480,000	3,736.51	3.24	5,122.84	6.50
	720,000	4,514.11	3.50	6,682.92	6.98
	960,000	5,354.11	3.71	8,358.19	7.38
	1,200,000	6,244.51	4.67	10,129.47	9.24
	1,600,000	8,112.51	5.30	13,825.59	10.49
	2,000,000	10,232.51	5.64	18,021.72	11.15
	240,000	12,488.51	5.85	22,481.85	11.53
	2,800,000+	14,828.51	5.97	27,093.97	11.78
8 IN	0	4,617.01	2.95	5,037.30	5.91
TURBINE	480,000	6,033.01	3.00	7,874.32	5.98
CODE 14	960,000	7,473.01	3.24	10,744.87	6.50
	1,440,000	9,028.21	3.50	13,865.02	6.98
	1,920,000	10,708.21	3.71	17,215.57	7.38
	2,400,000	12,489.01	4.67	20,758.12	9.24
	3,200,000	16,225.01	5.30	28,150.37	10.49
	4,000,000	20,465.01	5.64	36,542.63	11.15
	4,800,000	24,977.01	5.85	45,462.88	11.53
	5,600,000+	31,997.01	5.97	59,299.26	11.78
10 IN	0	3,318.47	2.95	3,620.61	5.91
COMPOUND	345,000	4,336.22	3.00	5,659.67	5.98
CODE 15	690,000	5,371.22	3.24	7,722.88	6.50
	1,035,000	6,489.02	3.50	9,965.49	6.98
	1,380,000	7,696.52	3.71	12,373.70	7.38
	1,725,000	8,776.47	4.67	14,919.90	9.24
	2,300,000	11,661.72	5.30	20,233.09	10.49
	2,875,000	14,709.22	5.64	26,265.02	11.15
	3,450,000	17,985.22	5.85	32,676.45	11.53
	4,025,000+	21,315.97	5.97	39,306.38	11.78

Details of the City of Schertz's water rate history can be found on the City's website: www.schertz.com under 'FINANCIAL TRANSPARENCY', 'Traditional Finances' and a link to "Fee Schedules"

WASTEWATER SYSTEM

Schertz's Wastewater System consists of a 110 mile wastewater collection system. The collection system is owned and operated by the City. Schertz contracts with the Cibolo Creek Municipal Authority, created in 1971 as a conservation and reclamation district, for the purpose of providing a regional sewer system for an area which includes Schertz, the City of Selma, the City of Cibolo, and parts of the cities of Live Oak, Universal City and San Antonio, and the Randolph Air Force Base (the "Member Cities") for the treatment of effluent. In 2016, Schertz began developing in areas that are serviced by San Antonio River Authority who are currently servicing 53 resident accounts.

Schertz' Wastewater System is responsible for maintaining the collection system and billing its citizens that are on the wastewater system. The rates, which are shown below, produce revenues that are sufficient to pay the sanitation costs, maintain the collection system, pay debt service, if any, and overhead.

SEWER RATES

(New rates effective October 1, 2018)	**2017-18**	**2018-19**
Residential Rates (Single Family)		
Base Rate-per month	$ 11.72	$ 11.72
Per 1,000 gal Charge, Per Month		
City line Maintenance fee plus Franchise fee	$ 0.46	$ 0.46
User Charge based on 100% of avg consumption mo.	$ 3.58	$ 3.58
User avg. based on Nov, Dec, and Jan, min. 500 gals.		
Per 1,000 gal charge Total- 12,000 gallons or less	$ 4.04	$ 4.04
greater than 12,000 gallons	$ 8.76	$ 8.76
Business and Multi-family Dwelling Units:		
Base Rate per month	$ 14.73	$ 14.73
Per 1,000 gal Charge, Per Month		
Line Maintenance-Commercial/Industrial users plus Franchise fee	$ 0.55	$ 0.55
User Charge-based on 100% of water consumed	$ 3.58	$ 3.58
Per 1,000 gal charge Total- 12,000 gallons or less	$ 4.14	$ 4.14
greater than 12,000 gallons	$ 8.84	$ 8.84
Public Schools		
Base Rate per month		
Base Rate-each public school shall be assessed a base rate per connection equivalent determined as in Business and Multi-family dwelling units above. (per month)	$ 14.73	$ 14.73
Per 1,000 gal Charge, Per Month		
Line Maintenance-Commercial/Industrial users	$ 0.55	$ 0.55
User Charge-based on 100% of all water consumed	$ 3.58	$ 3.58
Per 1,000 gal charge Total- 12,000 gallons or less	$ 4.14	$ 4.14
greater than 12,000 gallons	$ 8.84	$ 8.84
For Information Purposes Only:		
Cibolo Creek Municipal Authority (CCMA), Per 1,000 gallons includes 5% franchise fee	$ 3.58	$ 3.58

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF SCHERTZ AND GUADALUPE, COMAL AND BEXAR COUNTIES, TEXAS

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GENERAL INFORMATION REGARDING THE CITY OF SCHERTZ, TEXAS
BEXAR, COMAL, AND GUADALUPE COUNTIES, TEXAS

The City of Schertz

The City of Schertz, Texas (the "City") is located between the Cities of Austin and San Antonio, Texas, on Interstate 35, and on Interstate 10 between the Cities of San Antonio and Seguin, Texas and in the area between the two Interstates. The corporate limits extend into the Counties of Bexar, Guadalupe, and Comal, Texas. The largest portion of the City is within Guadalupe County, Texas. In addition to the two Interstates, FM 3009, FM 78 and Schertz Parkway provide major thoroughfares into and through the City. Southern Pacific, Missouri Pacific, Missouri Kansas, and Texas Railroad provide rail services into the Schertz and San Antonio areas.

The City was incorporated in December 1958 and is a home rule municipality operating under its own Charter since April, 1974, as amended April 1979, May 1989, May 1997, 2006, and 2008. The Charter provides that the City will operate under the council/manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the six-member elected Council, is the chief administrative officer of the City.

The City provides a full range of services including: police, emergency medical services, and fire protection; water and sewer services; waste collection; code enforcement; comprehensive planning; street maintenance and recreational activities as swell as economic development efforts. The City has 2 fire stations and 1 training facility with 32 full time employees. The Fire Department covers more than 40 square miles, including unincorporated areas of Bexar, Comal and Guadalupe Counties. The fire Department has 13 vehicles including one 100' aerial platform, two class A engines, one reserve engine, two brush trucks, one hazmat truck, and one rescue trailer. The City also has 7 parks, 20 playgrounds, 12 baseball/softball fields and 2 pavilions (one large – 10,000 square feet; one small – 600 square feet.)

Economy

In the last few years, four Fortune 100 companies have made major investments in Schertz. These four companies include General Electric, Caterpillar, Amazon.com and SYSCO. General Electric purchased Salof Companies which designs and manufactures small scale liquefied natural gas technologies and occupies a 390,935 square foot facility in Schertz. Amazon.com completed construction of their $166 million fulfillment center on 96 acres. The Fulfillment center has 1.26 million square feet and is the largest facility in Schertz and in Guadalupe County. SYSCO completed their 630,000 square foot distribution facility in January 2012 and employs 807 full-time staff. This is a regional distribution center for SYSCO.

In 2017, the City completed three major construction projects. These projects were built as speculative projects to help absorb increased demand for industrial space within the San Antonio market.

Baptist Emerus Hospital completed construction on its new $11 million facility in 2013. Businesses with headquarters or divisions located within the city or in close proximity include Vision Works, Brandt Engineering, Cal-Tex Protective Coatings, Inc., CST Distribution which was formerly Valero, FedEx Freight, Marshall Shredding Company, Kraft Nabisco, Republic National Distributing Company, Caterpillar, Wal-Mart, and H.E.B.

PRINCIPAL 2018 EMPLOYERS

Employer	Employees	% of Total City Employment
Schertz/Cibolo/UC ISD	1,083	9.92%
Amazon.com	900	4.86%
Sysco Central Texas	807	4.36%
Baker Hughes, a GE Company	500	2.70%
The Brandt Companies, LLC	476	2.57%
FedEx Ground	462	2.49%
Visionworks	396	2.14%
Republic Beverage Company	372	2.01%
HEB Grocery Co	350	1.89%
City of Schertz	316	1.71%

Medical

The Methodist Healthcare has the largest medical facilities in San Antonio and its surrounding areas. With a total of 9 hospitals; 5 main healthcare Hospitals (including one in Boerne), 1 Children's Hospital, 2 Heart Hospitals, 1 Specialty and Transplant Hospital and 3 outpatient clinics. Located in the City of Live Oak on IH-35 and Judson Road, the Northeast Methodist Hospital is the largest medical center for the northeast quadrant of San Antonio. The Northeast Methodist Hospital offers a wide variety of services which includes: 24-hour emergency, surgical, cardiovascular (three cardiac cath labs with electrophysiology capabilities) units, a spacious intensive care unit and inpatient rehabilitation services. An orthopedic service has been implemented – The Joint Replacement Academy – offering the latest treatment options for knee and hip pain. Northeast Methodist Hospital is accredited by the Joint Commission in stroke care and is designated as an accredited Chest Pain Center.

Education

Schertz-Cibolo-Universal City Independent School District serves most of the City. Higher education facilities are located within a few minutes driving time and include 15 universities and colleges. Some of the numerous facilities available in nearby San Antonio, Texas include University of Texas at San Antonio, University of Texas Health Science Center, St. Mary's University, Trinity University, Incarnate Word University, Our lady of the Lake University, Texas A&M and Alamo Community Colleges. Texas State University is located nearby in San Marcos, Texas and Texas Lutheran University is located nearby in Seguin, Texas.

Guadalupe County, Texas

Guadalupe County, Texas (the "County") located in south central Texas, is bounded by Comal, Hays, Caldwell, Gonzales, Wilson, and Bexar counties. The County seat is the City of Seguin, Texas. Guadalupe County was created from Gonzales and Bexar counties and was organized on July 13, 1846. The County takes its name from the Guadalupe River, which Alonso de Leon named in 1689 in honor of the Lady of Guadalupe depicted on his standard.

The County is a component of the "San Antonio Area Metropolitan Statistical Area" (MSA) and covers an area of 715 square miles. The County is traversed by Interstate Highway 35 and Highway 10 (east to west). US Highway 90 and US Highway 90A both branch off Interstate Highway 10 in Seguin and continue eastward to the county line toward Luling and Gonzales. Additionally, the County has two major state highways, State Highway 46 and State Highway 123 that both bisect the County (north to south). Recently completed is State Highway 130, a toll road, which is meant to divert traffic on Interstate Highway 35 around Austin. State Highway 130 begins in Georgetown and travels east of Austin, coming into Guadalupe County on the northeast boundary and connecting to Interstate Highway 10 east of Seguin.

Major commercial construction projects, such as a new Caterpillar plant, a major expansion project by Guadalupe Regional Medical Center, and a new warehouse distribution center by Amazon, significantly contributed to the lower unemployment rate.

The recent increase in employment and sales tax is also attributed to the residual activity from the Eagle Ford Shale oil development in areas south of Guadalupe County. The Eagle Ford Shale gas formation was discovered in 2008 and is unlike many other shale formations because it has both oil and natural gas resources. Located in Southwest Texas from the Mexican border to areas in east Texas, all south of Guadalupe County, the Eagle Ford Shale is estimated to have 20.81 trillion cubic feet of natural gas and 3.351 billion barrels of oil. The formation ranges in depth from 4,000 to 14,000 feet and covers over 3,000 square miles.

Labor Force Statistics (1)

	2019 (2)	2018 (3)	2017 (3)	2016 (3)
Civilian Labor Force	80,787	79,824	78,527	76,000
Total Employed	78,799	77,327	75,907	73,276
Total Unemployed	1,988	2,497	2,620	2,724
% Unemployment	2.5%	3.1%	3.3%	3.6%
Texas Unemployment	3.0%	3.9%	4.3%	4.6%

(1) Source: Texas Workforce Commission.
(2) As of April 2019
(3) Average Annual Statistics.

Comal County, Texas

General Information

Comal County, Texas (the "County"), a pioneer German settlement, was created in 1846 from Bexar, Gonzales and Travis Counties, Texas. This scenic south central Texas county was named after the Comal Springs and the Comal River that flow through New Braunfels, Texas, the County seat.

The County has an area of 567 square miles. There are seven cities within Comal County, the City of Garden Ridge, the City of Schertz, the City of Selma, the City of Fair Oaks Ranch, the City of Bulverde and the City of New Braunfels.

Commercial

The County's location between San Antonio and Austin provides opportunities for commuters to live in the county and work in one of the major cities. During 2013, 366 new home sites became available in subdivisions in the unincorporated areas of Comal County.

The County has continued to enjoy a prosperous economy. The major sectors of Comal County's economy, manufacturing, tourism, distribution and real estate continue to grow.

Major Employers

Employer	Number of Employees
Comal ISD	2,800
Schlitterbahn Water Park	1,689
Wal-Mart Distribution Center	1,269
New Braunfels ISD	1,159
Sysco	808
Hunter Industries/Colorado Materials, Inc	730
Comal County	659
City of New Braunfels	624
HD Supply Call Center	588
IBEX Corporation	559

Labor Force Statistics (1)

	2019 (2)	2018 (3)	2017 (3)	2016(3)
Civilian Labor Force	70,853	70,132	68,868	65,525
Total Employed	69,073	67,878	66,551	63,157
Total Unemployed	1,780	2,254	2,317	2,368
% Unemployment	2.5%	3.2%	3.4%	3.6%
Texas Unemployment	3.0%	3.9%	4.3%	4.6%

(1) Source: Texas Workforce Commission.
(2) As of April 2019.
(3) Average Annual Statistics.

Bexar County

Bexar County (the "County") was created in 1836 from Spanish municipality named for Duke de Bexar, a colonial capital of Texas. The County is located in south central Texas and is a component of the Metropolitan Statistical Area ("MSA") of San Antonio. The San Antonio MSA is one of the nation's largest MSAs and the third largest MSA in Texas. The principal city within the County is San Antonio, the county seat. The City was founded in the early eighteenth century and was incorporated by the Republic of Texas in 1837.

Economic Factors

The County has a diversified economic base which is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. Support for these economic activities is demonstrated by the County's ongoing commitment to economic development projects along with ongoing infrastructure improvements to support the County's growing population. As Bexar County has continued to add jobs it has also fared better than the nation with the current unemployment issues.

Education

The County encompasses 19 independent school districts which include over 400 schools. Enrollment ranges anywhere from nearly 900 in Lackland ISD to over 91,000 in Northside ISD, the fourth largest independent school district in Texas. Students attend school districts in which they reside with no busing in effect. In addition, San Antonio has over 150 private and parochial schools at all education levels. San Antonio has 20 institutions of higher learning offering degrees in all major fields of study, many at the graduate level. Among universities, the University of Texas at San Antonio (UTSA) has over 30,000 students enrolled and has represented many first-time college students within their family. In May of 2009, the Texas A&M University San Antonio became the newest four-year college in San Antonio. Among junior colleges, Alamo Colleges includes five colleges, San Antonio, Palo Alto, St. Philips, Northeast Lakeview, and Northwest Vista.

Electric and Gas Services

Electric and gas services to the Bexar County area are provided by CPS Energy ("CPS"), an electric and gas utility owned by the City of San Antonio (the "City") that maintains and operates certain utilities infrastructure. This infrastructure includes a 16 generating unit electric system and the gas system that serves the Bexar County area. CPS also owns a 40% interest in the South Texas Project ("STP"), two existing nuclear generating units which generate 1,888 megawatts of power for CPS Energy customers. CPS Energy has invested in a 7.625 percent share of two additional units at STP, once loan guarantees are approved by the federal government the additional units should be online by 2017 and will provide an additional 200 megawatts of power for customers. These nuclear units supplied 34.6% of the electric system native load for the fiscal year ending January 31, 2010.

Water Supply

Historically and currently, the City obtains all of its water through wells drilled into a geologic formation known as the Edwards Limestone Formation. The portion of the formation supplying water in the City's area has been the "Edward Underground Water Reservoir" (the "Edwards Aquifer") and since 1978 has been designated by the Environmental Protection Agency as a sole-source aquifer under the Safe Drinking Water Act. The Edwards Aquifer lies beneath an area approximately 3,600 square miles in size, and including its recharge zone, it underlies all or part of 13 counties varying from 5 to 30 miles in width and stretching over 175 miles in length, beginning in Brackettville, Kinney County Texas, in the west and stretching to Kyle, Hays, County, Texas in the east. The Edwards Aquifer receives most of its water from rainfall runoff, rivers, and streams flowing across the 4,400 square miles of drainage basins located above it. Much of the Edward Aquifer region consists of agricultural land, but areas of population ranging from communities with only a few hundred residents to urban areas with well over one million citizens exist as well. The Edward Aquifer supplies nearly all the water for the municipal, domestic, industrial, commercial, and agricultural needs in its region.

Employers	Total Number of Employees
Joint Base San Antonio (1)	89,661
H.E.B. Grocery Company	23,418
USAA	18,305
Northside Independent School District	13,977
City of San Antonio	11,462
Methodist Healthcare System	9,620
Northeast Independent School District	9,292
University Health System	8,570
San Antonio Independent School District	7,375
Baptist Health System	6,383

(1) Under the BRAC Joint Basing Recommendation for San Antonio, installation support functions at the Army's Fort Sam Houston were combined with those at Randolph and Lackland Air Force Bases under a single organization (Joint Base San Antonio). Includes military personnel and civilian personnel.

Labor Force Statistics [1]

	2019 (2)	2018 (3)	2017 (3)	2016 (3)
Civilian Labor Force	951,342	940,900	925,234	905,907
Total Employed	926,587	909,581	892,466	872,008
Total Unemployed	24,755	31,319	32,768	33,899
% Unemployment	2.6%	3.3%	3.5%	3.7%
Texas Unemployment	3.0%	3.9%	4.3%	4.6%

(1) Source: Texas Workforce Commission.
(2) As of April 2019.
(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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FINAL

IN REGARD to the authorization and issuance of the "City of Schertz, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019" (the *Certificates*), dated August 1, 2019 in the aggregate principal amount of $7,495,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Schertz, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2020 through 2039, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. 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 Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates 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 or the Issuer's combined utility system and 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 Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

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 Certificates, including the Ordinance; (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 Certificates 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 Certificate 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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "CITY OF SCHERTZ, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019"

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 Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates 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 Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, 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 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 Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates 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 Certificates 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 Certificates. Ownership of tax-exempt obligations such as the Certificates 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.

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "CITY OF SCHERTZ, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019"

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

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APPENDIX D

FINANCIAL SATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements – not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

City of Schertz's 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.

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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Schertz, 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 1T to the financial statements in 2018 the City adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 75 related to accounting for 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, schedule of changes in net pension liabilities and related ratios and the schedule of contributions, and other post employment 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. The budgetary comparison information is the responsibility of management and was 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. We have applied certain limited procedures to 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 schedule of changes in net pension liabilities and related ratios and the schedule of contributions, and the other postemployment benefits 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 City of Schertz's basic financial statements. The comparative financial statements, combining and individual nonmajor fund financial statements, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative financial statements and combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative, combining and individual nonmajor fund financial statements 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 March 19, 2019 on our consideration of City of Schertz's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Schertz's internal control over financial reporting and compliance.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

March 19, 2019

MANAGEMENTS DISCUSSION AND ANALYSIS

As management of the City of Schertz, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Schertz 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.

Financial Highlights

The assets of the City of Schertz exceeded its liabilities at the close of the most recent fiscal year by $213.4 million (net position). Of this amount, $35.8 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by $17.2 million. A significant portion of this increase, 45.9%, is attributable to capital contributions from developers.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $53.7 million, an increase of $4.7 million in comparison with the prior year.

At the end of the fiscal year, the combined total of the General Fund assigned and unassigned fund balances was $13.4 million which is 53% of the general fund expenditures not including capital outlay. The fund balance policy is to reserve at lease a 26% balance.

During the fiscal year, the City issued $16.475 million in general obligation bonds and certificates of obligation of which $5.95 million is allocated to the proprietary fund.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Schertz 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 to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Schertz that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Schertz include general government, public safety, streets and parks, health, and culture and recreation. The business-type activities of the City of Schertz include a water and sewer department and an emergency medical services department.

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 Schertz, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City of Schertz can be divided into two categories: governmental and proprietary.

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 on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Schertz maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the economic development corporation and the capital projects fund, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City of Schertz maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Schertz uses enterprise funds to account for its water and sewer department and for its emergency medical services department.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer department and for the emergency medical services department, both of which are considered to be major funds of the City of Schertz.

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.

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 Schertz 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. The economic development corporation also adopts an annual budget, and a comparison schedule for it also is provided in the required supplementary information.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Schertz, assets exceeded liabilities by $213 million at the close of the most recent fiscal year.

The largest portion of the City's total net position (71%) reflects 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, plus bond proceeds that have not yet been signed. The City of Schertz uses these capital assets to provide services to citizens; consequently, these assets are not available for operational type of 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.

An additional portion of the City's total net position (10.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $35.8 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Schertz is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

TABLE A-1
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	$ 58,907,201	$ 53,489,898	$ 43,350,389	$ 34,305,074	$ 102,257,590	$ 87,794,972
Capital Assets	139,558,325	133,989,421	78,668,459	75,578,798	218,226,784	209,568,219
Total Assets	198,465,526	187,479,319	122,018,848	109,883,872	320,484,374	297,363,191
Deferred Outflows	2,896,350	3,637,434	732,459	997,659	3,628,809	4,635,093
Current Liabilities	7,846,103	7,331,101	5,190,642	5,029,905	13,036,745	12,361,006
Long-Term Liabilities	77,074,678	76,793,511	18,905,255	14,709,300	95,979,933	91,502,811
Total Liabilities	84,920,781	84,124,612	24,095,897	19,739,205	109,016,678	103,863,817
Deferred Inflows	1,431,927	344,220	286,584	-	1,718,511	344,220
Net Investment in Capital Assets	89,266,885	84,537,238	64,871,629	70,361,035	154,138,514	154,898,273
Restricted	23,391,047	20,437,116	-	-	23,391,047	20,437,116
Unrestricted	2,351,236	1,673,567	33,497,197	20,781,291	35,848,433	22,454,858
Total Net Position	$ 115,009,168	$ 106,647,921	$ 98,368,826	$ 91,142,326	$ 213,377,994	$ 197,790,247

Note: Comparative information for 2017 has not been restated for the effects of the adoption of GASB Statement No. 75 as the information is not available. See Note 1T for more detail.

The government's net position increased by $17.2 million during the current fiscal year. Forty six percent of this increase represents capital contributions from developers. The following table indicates changes in net position for governmental and business-type activities followed by graphs displaying total revenues and expenses by type:

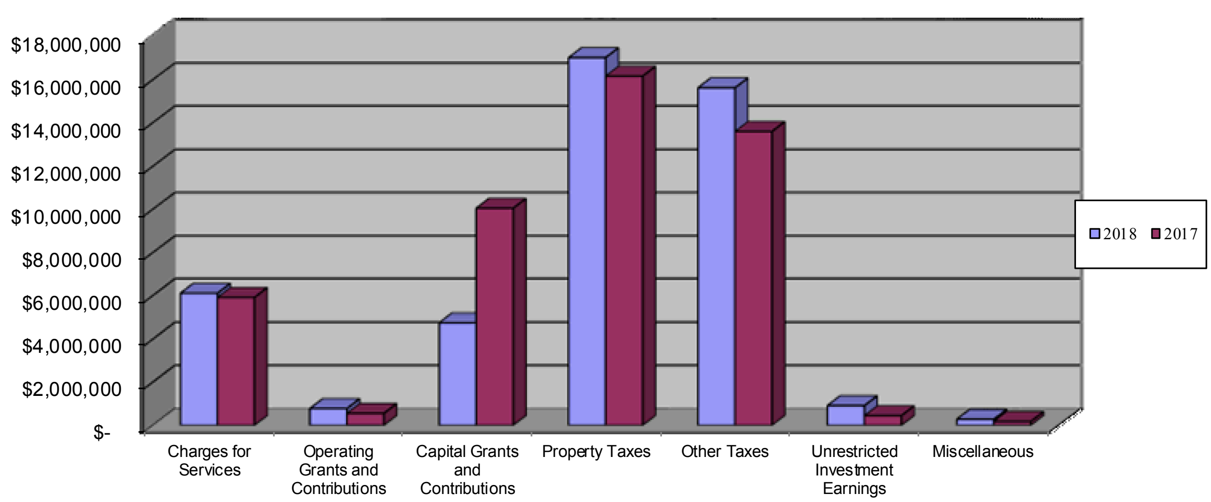
TABLE A-2

CHANGES IN NET POSITION FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

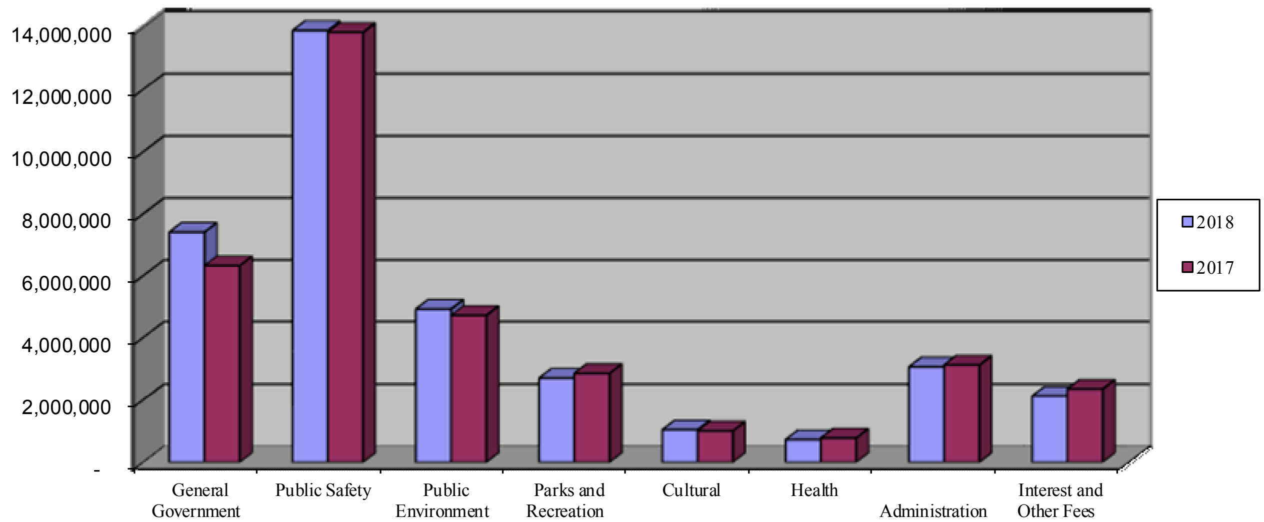
	Governmental Activities		Business-Type Activities		Total	
Revenues:	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	$ 6,100,438	$ 5,910,899	$ 33,191,796	$ 31,757,607	$ 39,292,234	$ 37,668,506
Operating Contributions	776,942	552,878	-		776,942	552,878
Capital Contributions	4,744,489	10,043,483	3,132,348	6,111,474	7,876,837	16,154,957
General Revenues						
Property Taxes	17,018,950	16,166,006	-	-	17,018,950	16,166,006
Other Taxes	15,625,556	13,595,041	-	-	15,625,556	13,595,041
Investment Earnings	909,985	448,408	532,367	211,466	1,442,352	659,874
Miscellaneous	283,496	182,754	453,374	475,733	736,870	658,487
Total Revenues	45,459,856	46,899,469	37,309,885	38,556,280	82,769,741	85,455,749
Expenses:						
General Government	7,421,918	6,328,926	-	-	7,421,918	6,328,926
Public Safety	13,899,278	13,840,802	-	-	13,899,278	13,840,802
Public Environment	4,930,723	4,728,907	-	-	4,930,723	4,728,907
Parks and Recreation	2,707,292	2,859,974	-	-	2,707,292	2,859,974
Cultural	1,042,085	1,004,747	-	-	1,042,085	1,004,747
Health	724,780	776,494	-	-	724,780	776,494
Administration	3,067,983	3,127,102	-	-	3,067,983	3,127,102
Interest and Other Fees	2,125,687	2,355,714	-	-	2,125,687	2,355,714
Water and Sewer	-	-	23,579,854	21,370,009	23,579,854	21,370,009
EMS	-	-	6,110,407	6,356,185	6,110,407	6,356,185
Total Expenses	35,919,746	35,022,666	29,690,261	27,726,194	65,610,007	62,748,860
INCREASE IN NET POSITION BEFORE TRANSFERS	9,540,110	11,876,803	7,619,624	10,830,086	17,159,734	22,706,889
Transfers	19,186	9,399	(19,186)	(9,399)	-	-
CHANGE IN NET POSITION	9,559,296	11,886,202	7,600,438	10,820,687	17,159,734	22,706,889
BEGINNING NET POSITION	105,449,872	93,563,670	90,768,388	79,947,701	196,218,260	173,511,371
ENDING NET POSITION	$ 115,009,168	$ 105,449,872	$ 98,368,826	$ 90,768,388	$ 213,377,994	$ 196,218,260

Note: Comparative information for 2017 has been restated for the effects of the adoption of GASB Statement No. 75. See Note 1T for more detail.

TOTAL REVENUES-GOVERNMENT-WIDE

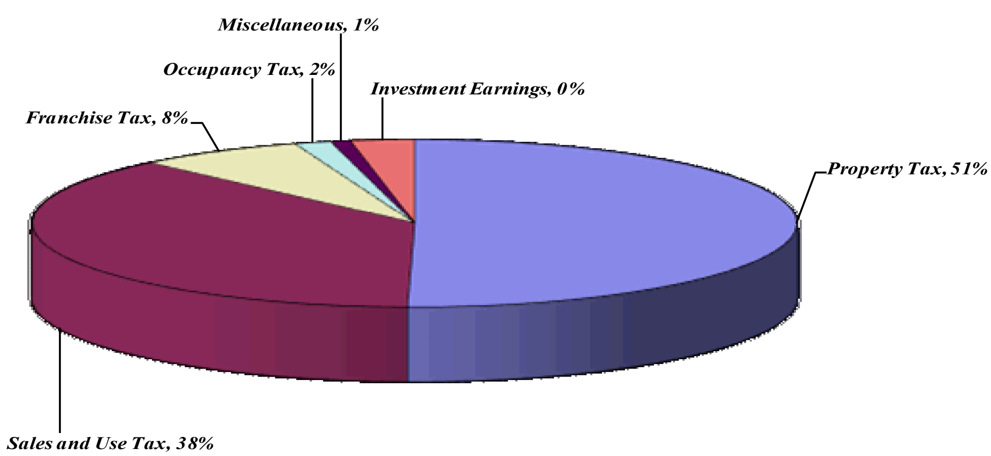


TOTAL EXPENSES-GOVERNMENT-WIDE



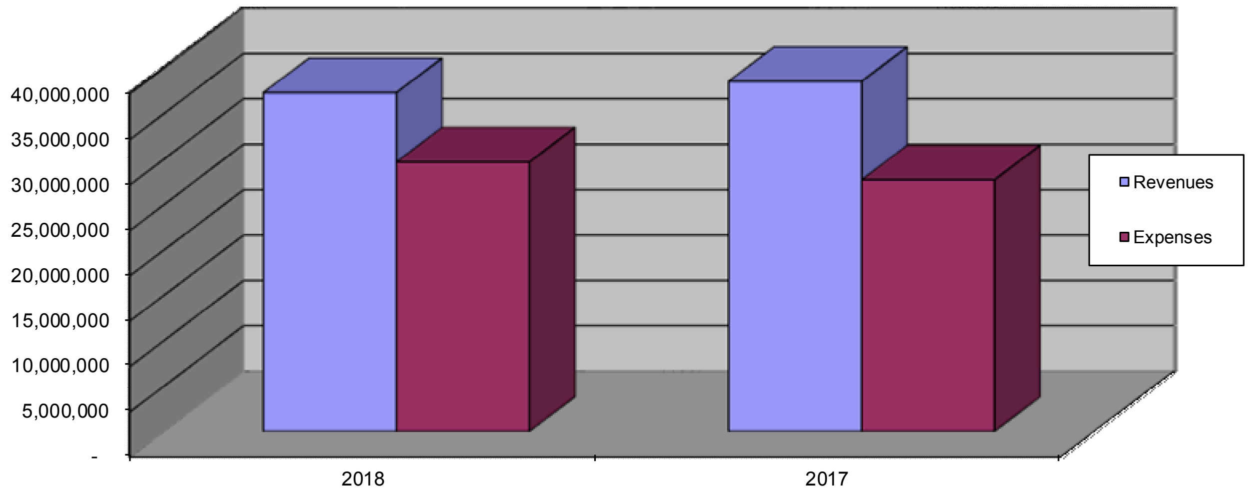
Revenues-Governmental Activities (Continued)

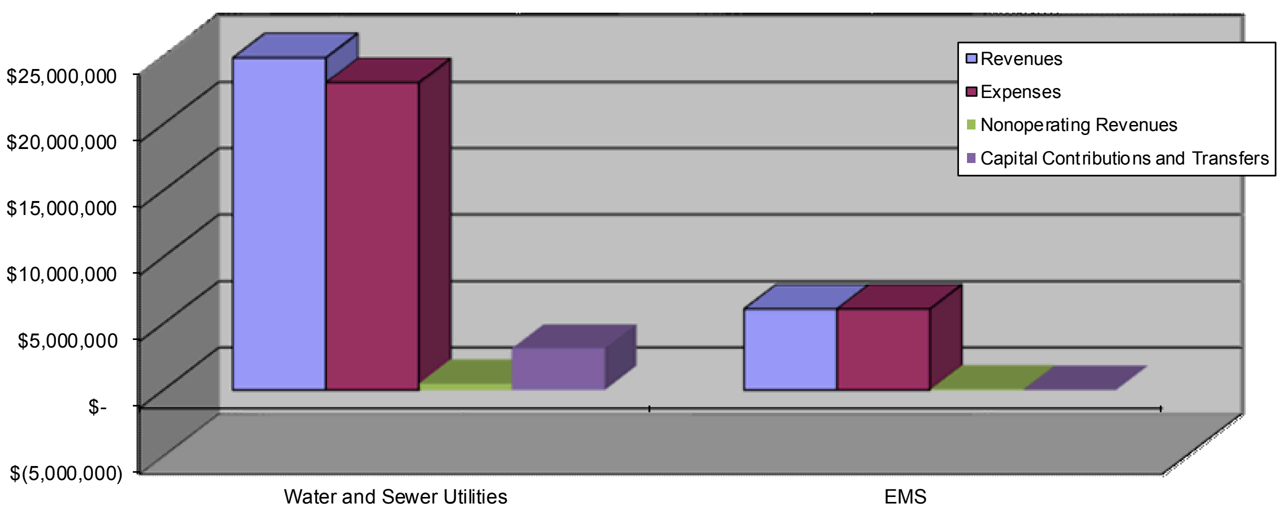
General Revenue by Source - Governmental Activities



Business-Type Activities

Business-Type activities accounted for 45.9% of the growth in the net position of the City of Schertz. Of this increase, 54.6% is the result of capital contributions from developers. For the most part, increases in expenses closely paralleled inflation and the change in revenues was primarily related to fluctuations in capital contributions from developers.





Financial Analysis of the Government's Funds

As noted earlier, the City of Schertz 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'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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $53.7 million. Of this total amount, $12.6 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, or assigned to indicate that it is not available for new spending because it has already been committed to pay debt service, for capital improvement projects, and other assigned purposes.

The general fund is the chief operating fund of the City of Schertz. At the end of the current fiscal year, unassigned fund balance of the general fund was $12.6 million, while total fund balance was $15.6 million, an increase of $2.7 million from the prior year. 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. Unassigned fund balance represents 53% of total general fund expenditures, not including capital.

The debt service fund has a total fund balance of $1.1 million all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was $0.4 million. The refunding resulted in a Net Present Value Saving of $566,500 and a current loss of $89,237.

The capital projects fund has a total fund balance of $16.1 million, a decrease of $.9 million. The City issued $4.845 million in new governmental bonds to supplement capital project activity during the year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer fund at the end of the year amounted to $33.0 million and those for the Schertz EMS fund amounted to $.5 million. The proprietary fund issued $5.595 million in new certificate of obligation to supplement capital project activity during the year.

General Fund Budgetary Highlights

The General Fund expenditures were $2.7 million less than the $25.5 million budget. This was the result of cost savings across most of the General Fund. Revenues were higher by $2.3 than budgeted. Overall, the fund balance increased by $3.3 million higher than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to $218.2 million (net of accumulated depreciation). Developers contributed $7.9 million in infrastructure during the year. The City also has several projects in progress from voter approved bonds. Additional information on the City's capital assets can be found in the note 6 to the basic financial statements.

TABLE A-3
CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 8,069,499	$ 7,499,108	$ 1,357,539	$ 1,354,138	$ 9,427,038	$ 8,853,246
Water Rights	-	-	70,245	70,245	70,245	70,245
Buildings and Improvements	44,494,208	43,677,947	4,695,503	4,660,001	49,189,711	48,337,948
Machinery, Equipment, and Vehicles	12,299,312	10,347,015	5,441,459	5,013,077	17,740,771	15,360,092
Infrastructure	114,194,414	109,303,478	97,225,671	92,807,350	211,420,085	202,110,828
Construction in Progress	16,640,216	13,632,514	3,391,127	2,907,404	20,031,343	16,539,918
Accumulated Depreciation	(56,139,324)	(50,470,641)	(33,513,085)	(31,233,417)	(89,652,409)	(81,704,058)
TOTALS	$ 139,558,325	$ 133,989,421	$ 78,668,459	$ 75,578,798	$ 218,226,784	$ 209,568,219

Long-Term Debt. At the end of the current fiscal year, the City of Schertz had total bonded debt outstanding of $80.9 million. The related principal and interest payment for the bonds are backed by an annual ad valorem tax levied against all taxable property within the City. The City of Schertz maintains a "AA+" rating from Standard and Poors. Additional information on the City's long-term debt can be found in note 9 to the basic financial statements.

TABLE A-4

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$ 51,485,000	$ 55,225,000	$ 2,125,000	$ 2,530,000	$ 53,610,000	$ 57,755,000
Certificates of Obligation	12,940,000	8,560,000	12,815,000	8,050,000	25,755,000	16,610,000
Tax Notes and Leases	715,000	1,230,000	765,000	1,065,000	1,480,000	2,295,000
TOTALS	$ 65,140,000	$ 65,015,000	$ 15,705,000	$ 11,645,000	$ 80,845,000	$ 76,660,000

Economic Factors and Next Year's Budgets and Rates

At the end of the last fiscal year, the assigned and unassigned fund balance in the general fund increased to $13.3 million. The City of Schertz has appropriated $1.6 million of this amount for spending in the 2019 fiscal year budget in accordance to the City’s fund balance policy. The approved tax rate increased to $0.5146 per $100 of valuation. Each year the City updates its five-year budgeting forecast and has implemented a long-term debt model to assist management in making informed financial decisions that will impact the community now and in the future.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Schertz, 1400 Schertz Parkway, Schertz, Texas 78154.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 2,671,069	$ 1,640,418	$ 4,311,487
Investments	50,043,465	19,224,541	69,268,006
Receivables (net of allowances)			
Taxes	3,001,107	-	3,001,107
Accounts and Other	1,682,500	5,792,017	7,474,517
Current Service Concession Arrangement Receivable	90,909	-	90,909
Accrued Interest Income	7,949	6,324	14,273
Inventories	94,876	177,099	271,975
Internal Balances	(132,179)	132,179	-
Total Current Assets	57,459,696	26,972,578	84,432,274
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	701,922	3,962,917	4,664,839
Investments	-	12,414,894	12,414,894
Service Concession Arrangement Receivable	745,583	-	745,583
Capital Assets:			
Land	8,069,499	1,357,539	9,427,038
Water Rights	-	70,245	70,245
Buildings and Improvements	44,494,208	4,695,503	49,189,711
Equipment and Vehicles	12,299,312	5,441,459	17,740,771
Infrastructure	114,194,414	97,225,671	211,420,085
Construction in Progress	16,640,216	3,391,127	20,031,343
Accumulated Depreciation	(56,139,324)	(33,513,085)	(89,652,409)
Total Noncurrent Assets	141,005,830	95,046,270	236,052,100
TOTAL ASSETS	198,465,526	122,018,848	320,484,374
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Debt Refunding	743,718	71,061	814,779
Deferred OPEB Related Outflows	131,029	39,982	171,011
Deferred Pension Related Outflows	2,021,603	621,416	2,643,019
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 2,896,350	$ 732,459	$ 3,628,809

See Accompanying notes to basic financial statements.

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 1,673,922	$ 1,891,230	$ 3,565,152
Accrued Liabilities	633,179	187,520	820,699
Due to Other Governments	143,448	-	143,448
Unearned Revenue	35,720	431,098	466,818
Accrued Interest Payable	375,365	105,055	480,420
Compensated Absences	245,465	60,983	306,448
Customer Deposits	52,456	641,394	693,850
Current Service Concession Arrangement (Liability)	54,694	-	54,694
Current Portion of Long-Term Debt	4,631,854	1,873,362	6,505,216
Total Current Liabilities	7,846,103	5,190,642	13,036,745
Noncurrent Liabilities:			
Compensated Absences	981,859	243,931	1,225,790
Total Other Post-Employment Benefit Liabiliy	2,023,758	619,807	2,643,565
Net Pension Liability	11,113,219	3,521,490	14,634,709
Service Concession Arrangement (Liability)	448,570	-	448,570
Long-Term Debt	62,507,272	14,520,027	77,027,299
Total Noncurrent Liabilities	77,074,678	18,905,255	95,979,933
TOTAL LIABILITIES	84,920,781	24,095,897	109,016,678
DEFERRED INFLOWS OF RESOURCES			
Deferred Service Concession Arrangement	333,228	-	333,228
Deferred Inflows - Pension Related	1,098,699	286,584	1,385,283
TOTAL DEFERRED INFLOWS OF RESOURCES	1,431,927	286,584	1,718,511
NET POSITION			
Net Investment In Capital Assets	89,266,885	64,871,629	154,138,514
Restricted For:			
Police and Municipal Court	1,183,123	-	1,183,123
PEG Capital Fees	723,353	-	723,353
Tourism Development	1,846,947	-	1,846,947
Economic Development	17,811,968	-	17,811,968
Parks and Tree Mitigation	805,966	-	805,966
Debt Service	809,427	-	809,427
Scholarships and Other Purposes	210,263	-	210,263
Unrestricted	2,351,236	33,497,197	35,848,433
TOTAL NET POSITION	$ 115,009,168	$ 98,368,826	$ 213,377,994

See Accompanying notes to basic financial statements.

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

		Program Revenues		
Functions and Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 7,421,918	$ 1,013,698	$ 100,000	$ 4,744,489
Public Safety	13,899,278	4,104,911	524,015	-
Public Environment	4,930,723	-	-	-
Parks and Recreation	2,707,292	640,231	132,332	-
Cultural	1,042,085	313,668	6,854	-
Health	724,780	27,930	13,741	-
Administration	3,067,983	-	-	-
Interest	2,125,687	-	-	-
Total Governmental Activities	35,919,746	6,100,438	776,942	4,744,489
Business-Type Activities				
Water and Sewer	23,579,854	27,099,237	-	3,132,348
EMS	6,110,407	6,092,559	-	-
Total Business-Type Activities	29,690,261	33,191,796	-	3,132,348
Total Primary Government	$ 65,610,007	$ 39,292,234	$ 776,942	$ 7,876,837
General Revenues:				
Taxes:				
Ad Valorem				
Sales				
Franchise Fees				
Hotel/Motel				
Mixed Drink				
Investment Earnings				
Miscellaneous				
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		
Governmental Activities	Business-Type Activities	Total
$ (1,563,731)		$ (1,563,731)
(9,270,352)		(9,270,352)
(4,930,723)		(4,930,723)
(1,934,729)		(1,934,729)
(721,563)		(721,563)
(683,109)		(683,109)
(3,067,983)		(3,067,983)
(2,125,687)		(2,125,687)
(24,297,877)		(24,297,877)
	$ 6,651,731	6,651,731
	(17,848)	(17,848)
	6,633,883	6,633,883
(24,297,877)	6,633,883	(17,663,994)
17,018,950	-	17,018,950
12,668,555	-	12,668,555
2,393,182	-	2,393,182
520,424	-	520,424
43,395	-	43,395
909,985	532,367	1,442,352
283,496	453,374	736,870
33,837,987	985,741	34,823,728
19,186	(19,186)	-
9,559,296	7,600,438	17,159,734
106,647,921	91,142,326	197,790,247
(1,198,049)	(373,938)	(1,571,987)
$ 115,009,168	$ 98,368,826	$ 213,377,994

CITY OF SCHERTZ, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Capital Projects	Debt Service
ASSETS			
Cash and Cash Equivalents	$ 1,391,876	$ 361,260	$ 27,896
Investments	13,202,101	16,469,940	1,071,962
Receivables (net of allowances)			
Taxes	2,136,274	-	84,934
Accounts and Other	1,682,001	-	-
Inventory	94,876	-	-
Restricted Assets:			
Cash and Cash Equivalents	701,922	-	-
TOTAL ASSETS	$ 19,209,050	$ 16,831,200	$ 1,184,792
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 892,564	$ 658,395	$ -
Accrued Salaries and Benefits	742,046	-	-
Customer Deposits	52,456	-	-
Due to Other Governments	143,448	-	-
Due to Other Funds	16,139	116,040	-
Unearned Revenues	35,720	-	-
Total Liabilities	1,882,373	774,435	-
Deferred Inflows of Resources:			
Unavailable Revenues	1,696,224	-	84,934
Fund Balances:			
Nonspendable:			
Inventory	94,876	-	-
Restricted for:			
Police and Public Safety/Muncipal Court	101,842	-	-
Municipal Court	728,350	-	-
PEG Capital Fees	723,353	-	-
Capital Improvement	-	16,056,765	-
Debt Service	-	-	1,099,858
Tourism Development	-	-	-
Parks and Tree Mitigation	-	-	-
Historical Committee and Library	-	-	-
Economic Development	-	-	-
Animal Control	35,660	-	-
Veterans	4,796	-	-
Scholarships	84,989	-	-
Committed for Civic Center/CIED	454,376	-	-
Assigned for:			
Property Replacement	854,198	-	-
Unassigned	12,548,013	-	-
Total Fund Balances	15,630,453	16,056,765	1,099,858
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 19,209,050	$ 16,831,200	$ 1,184,792

See Accompanying notes to basic financial statements.

Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
$ 397,726	$ 492,315	$ 2,671,073
16,664,835	2,634,626	50,043,464
746,350	33,548	3,001,106
8,448	-	1,690,449
-	-	94,876
-	-	701,922
$ 17,817,359	$ 3,160,489	$ 58,202,890
$ 5,391	$ 8,705	$ 1,565,055
-	-	742,046
-	-	52,456
-	-	143,448
-	-	132,179
-	-	35,720
5,391	8,705	2,670,904
-	-	1,781,158
-	-	94,876
-	352,931	454,773
-	-	728,350
-	-	723,353
-	61,122	16,117,887
-	-	1,099,858
-	1,846,947	1,846,947
-	805,966	805,966
-	84,818	84,818
17,811,968	-	17,811,968
-	-	35,660
-	-	4,796
-	-	84,989
-	-	454,376
-	-	854,198
-	-	12,548,013
17,811,968	3,151,784	53,750,828
$ 17,817,359	$ 3,160,489	$ 58,202,890

SEAL OF THE CITY OF SCHERTZ

★ INCORPORATED 1958 ★

CITY OF SCHERTZ, TEXAS
RECONCILIATION OF BALANCE SHEET
SEPTEMBER 30, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 53,750,828
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.		139,558,325
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds.		1,781,158
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:		
Bonds Payable	(65,140,000)	
Unamortized Premiums, Discounts, Losses on Refundings	(1,221,146)	
Capital Lease Payable	(34,264)	
Accrued Interest Payable	(375,365)	
Compensated Absences	(1,227,324)	(67,998,099)
Service Concession Arrangements (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds:		
Service Concession Arrangement (Liability)	(503,264)	
Service Concession Arrangement Receivable	836,492	
Deferred Service Concessions	(333,228)	-
Net OPEB Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
OPEB Related Deferred Outflows	131,029	
net OPEB Liability	(2,023,758)	(1,892,729)
Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
Net Pension Liability	(11,113,219)	
Pension Related Deferred Inflows	(1,098,699)	
Pension Related Deferred Outflows	2,021,603	(10,190,315)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 115,009,168

See accompanying notes to basic financial statements.

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

	General Fund	Capital Projects	Debt Service Fund
REVENUES			
Taxes	$ 21,741,184	$ -	$ 6,148,041
Permits and Fees	2,317,534	-	-
Service Fees	2,139,574	-	-
Fines and Fees	868,875	-	-
Intergovernmental	530,122	79,009	-
Investment Earnings	252,397	282,213	61,928
Miscellaneous	690,810	-	100,000
TOTAL REVENUES	28,540,496	361,222	6,309,969
EXPENDITURES			
Current:			
General Government	5,544,155	-	-
Public Safety	12,718,070	-	-
Public Environment	1,136,052	-	-
Parks and Recreation	1,672,789	-	-
Cultural	939,095	-	-
Health	628,054	-	-
Administration	2,478,964	-	-
Capital Outlay	1,083,044	6,346,147	-
Debt Service:			
Principal	24,116	-	4,720,000
Interest and Fiscal Charges	3,056	-	2,096,134
Bond Issue Costs	-	49,212	80,205
TOTAL EXPENDITURES	26,227,395	6,395,359	6,896,339
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,313,101	(6,034,137)	(586,370)
OTHER FINANCING SOURCES (USES)			
Issuance of Debt	-	4,845,000	-
Issuance of Refunding Debt	-	-	6,035,000
Premiums from Issuance of Debt	-	269,212	-
Proceeds from Capital Lease	42,829	-	-
Payments to Refunding Escrow Agent	-	-	(6,159,623)
Transfers In	351,219	60,693	360,769
Transfers Out	(46,314)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	347,734	5,174,905	236,146
Net Change in Fund Balance	2,660,835	(859,232)	(350,224)
Fund Balances at Beginning of Year	12,969,618	16,915,997	1,450,082
Fund Balances at End of Year	$ 15,630,453	$ 16,056,765	$ 1,099,858

See accompanying notes to basic financial statements.

Economic Development Corporation	Other Nonmajor Governmental Funds	Total Governmental Funds
$ 4,223,053	$ 520,424	$ 32,632,702
-	239,522	2,557,056
-	19,619	2,159,193
-	181,114	1,049,989
-	-	609,131
264,686	48,454	909,678
-	60,797	851,607
4,487,739	1,069,930	40,769,356
650,753	132,225	6,327,133
-	10,152	12,728,222
-	-	1,136,052
-	25,083	1,697,872
-	16,058	955,153
-	-	628,054
468,670	67,605	3,015,239
-	279,434	7,708,625
-	-	4,744,116
-	-	2,099,190
-	-	129,417
1,119,423	530,557	41,169,073
3,368,316	539,373	(399,717)
-	-	4,845,000
-	-	6,035,000
-	-	269,212
-	-	42,829
-	-	(6,159,623)
-	4,806	777,487
(625,769)	(86,219)	(758,302)
(625,769)	(81,413)	5,051,603
2,742,547	457,960	4,651,886
15,069,421	2,693,824	49,098,942
$ 17,811,968	$ 3,151,784	$ 53,750,828

SEAL OF THE CITY OF SCHERTZ

INCORPORATED 1958

CITY OF SCHERTZ, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 4,651,886
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. In addition, capital assets contributed to governmental activities are not recorded on the fund statements.		
Capital Outlay	7,476,978	
Capital Contributions	4,744,489	
Depreciation Expense	(6,279,969)	5,941,498
Proceeds from capital asset dispositions produce current financial resources in the fund statements, while the net gain (loss) is recognized in the Statement of Activities. This is net book value of capital assets disposed.		(372,594)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(11,446)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from the Issuance of Debt	(10,880,000)	
Premiums Received from the Issuance of Debt	(269,212)	
Payment to Refunding Escrow Agent	6,159,623	
Principal Repayments	4,629,089	
Amortization of Premiums, Discounts, Losses	29,856	(248,850)
Governmental funds report required contributions to employee pensions and OPEB's as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that actuarially determined pension and OPEB's expense exceeded contributions.		(313,730)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated Absences	(157,475)	
Accrued Interest	70,007	(87,468)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 9,559,296

See accompanying notes to basic financial statements.

CITY OF SCHERTZ, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 1,448,185	$ 192,233	$ 1,640,418	$ -
Investments	19,167,541	57,000	19,224,541	-
Accounts Receivable, Net of Allowance:				
Customer Accounts	2,907,299	2,884,718	5,792,017	-
Due from Other Funds	116,040	16,139	132,179	-
Accrued Interest	6,324	-	6,324	-
Inventory	89,871	87,228	177,099	-
Total Current Assets	23,735,260	3,237,318	26,972,578	-
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	3,962,917	-	3,962,917	-
Investments	12,414,754	140	12,414,894	-
Capital Assets:				
Land	1,357,539	-	1,357,539	-
Water Rights	70,245	-	70,245	-
Buildings and Improvements	4,689,003	6,500	4,695,503	-
Machinery, Equipment, and Vehicles	2,579,173	2,862,286	5,441,459	-
Infrastructure	97,225,671	-	97,225,671	-
Construction in Progress	3,391,127	-	3,391,127	-
Less: Accumulated Depreciation	(31,934,511)	(1,578,574)	(33,513,085)	-
Total Noncurrent Assets	93,755,918	1,290,352	95,046,270	-
TOTAL ASSETS	117,491,178	4,527,670	122,018,848	-
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refunding	71,061	-	71,061	-
Deferred OPEB Related Outflows	13,430	26,552	39,982	
Deferred Pension Related Outflows	236,543	384,873	621,416	
TOTAL DEFERRED OUTFLOWS	$ 321,034	$ 411,425	$ 732,459	$ -

See accompanying notes to basic financial statements.

CITY OF SCHERTZ, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 1,777,190	$ 114,040	$ 1,891,230	$ -
Accrued Liabilities	55,669	131,851	187,520	-
Customer Deposits	641,394	-	641,394	-
Accrued Interest Payable	95,729	9,326	105,055	-
Unearned Revenue	431,088	10	431,098	-
Current Portion of Compensated Absences	22,699	38,284	60,983	-
Current Portion of Long-Term Debt	1,509,710	363,652	1,873,362	-
Total Current Liabilities	4,533,479	657,163	5,190,642	-
Noncurrent Liabilities:				
Compensated Absences	90,795	153,136	243,931	-
Total Other Post-Employment Benefit Liability	208,194	411,613	619,807	-
Net Pension Liability	1,423,125	2,098,365	3,521,490	-
Long-Term Debt (Net of Current Portion)	13,808,605	711,422	14,520,027	-
Total Noncurrent Liabilities	15,530,719	3,374,536	18,905,255	-
TOTAL LIABILITIES	20,064,198	4,031,699	24,095,897	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Related Inflows	69,675	216,909	286,584	
TOTAL DEFERRED INFLOWS				
NET POSITION				
Net Investment in Capital Assets	64,656,352	215,277	64,871,629	-
Unrestricted	33,021,987	475,210	33,497,197	-
TOTAL NET POSITION	$ 97,678,339	$ 690,487	$ 98,368,826	$ -

See accompanying notes to basic financial statements.

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

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
OPERATING REVENUES				
Fees Charged to Users	$ 26,906,716	$ 6,092,559	$ 32,999,275	$ -
Charges for Premiums	-	-	-	2,441,307
Other Charges	192,521	-	192,521	-
TOTAL OPERATING REVENUES	27,099,237	6,092,559	33,191,796	2,441,307
OPERATING EXPENSES				
Personnel Services	2,052,660	4,043,032	6,095,692	2,441,307
Contribution to Joint Ventures	3,206,068	-	3,206,068	-
Water Purchase	3,217,917	-	3,217,917	-
Garbage Contractor	4,687,548	-	4,687,548	-
Sewage Treatment	4,066,299	-	4,066,299	-
General and Administrative	2,770,165	533,268	3,303,433	-
Contractual Services	405,756	699,858	1,105,614	-
Supplies and Maintenance	395,850	449,999	845,849	-
Depreciation	2,333,982	371,827	2,705,809	-
TOTAL OPERATING EXPENSES	23,136,245	6,097,984	29,234,229	2,441,307
OPERATING INCOME (LOSS)	3,962,992	(5,425)	3,957,567	-
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	521,727	10,640	532,367	-
Lease Income	263,469	-	263,469	-
Miscellaneous	131,631	58,274	189,905	-
Interest Expense	(391,609)	(12,423)	(404,032)	-
Amortization	(52,000)	-	(52,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	473,218	56,491	529,709	-
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	4,436,210	51,066	4,487,276	-
Transfers In (Out)	(15,546)	(3,640)	(19,186)	-
Capital Contributions	3,132,348	-	3,132,348	-
CHANGE IN NET POSITION	7,553,012	47,426	7,600,438	-
NET POSITION AT BEGINNING OF YEAR	90,252,474	889,852	91,142,326	-
PRIOR PERIOD ADJUSTMENT	(127,147)	(246,791)	(373,938)	
NET POSITION AT END OF YEAR	$ 97,678,339	$ 690,487	$ 98,368,826	$ -

See accompanying notes to basic financial statements.

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

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
Cash Flows From Operating Activities:				
Cash Received From Customers and Users	$ 27,080,410	$ 6,332,268	$ 33,412,678	$ -
Cash Received from Interfund Services	-	-	-	2,441,307
Cash Paid to Employees for Services	(1,980,148)	(3,976,477)	(5,956,625)	(2,441,307)
Cash Paid to Supplier for Goods & Services	(19,047,974)	(1,631,429)	(20,679,403)	-
Net Cash Provided (Used) by Operating Activities	6,052,288	724,362	6,776,650	-
Cash Flows From Noncapital Financing Activities:				
Cash Advances From/(To) Other Funds	15,546	(187,583)	(172,037)	-
Net Cash Provided (Used) by Noncapital Financing Activities	15,546	(187,583)	(172,037)	-
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(1,808,605)	(854,517)	(2,663,122)	-
Proceeds from Issuance of Debt/Capital Leases	5,595,000	332,967	5,927,967	-
Interest Paid on Long-Term Debt	(423,338)	(13,828)	(437,166)	-
Principal Paid on Long-Term Debt	(1,275,000)	(396,134)	(1,671,134)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	2,088,057	(931,512)	1,156,545	-
Cash Flows From Investing Activities:				
Sale (Purchase) of Investments	(7,609,944)	576,326	(7,033,618)	-
Premium from Issuance of Debt	282,000	-	282,000	-
Payments from Leases	263,469	-	263,469	-
Interest and Investment Earnings	521,727	10,640	532,367	-
Net Cash Provided (Used) by Investing Activities	(6,542,748)	586,966	(5,955,782)	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,613,143	192,233	1,805,376	-
Cash and Cash Equivalents at Beginning of Year:				
Cash and Cash Equivalents	2,353,733	-	2,353,733	-
Restricted Cash and Cash Equivalents	1,444,226	-	1,444,226	-
	3,797,959	-	3,797,959	-
Cash and Cash Equivalents at End of Year:				
Cash and Cash Equivalents	1,448,185	192,233	1,640,418	-
Restricted Cash and Cash Equivalents	3,962,917	-	3,962,917	-
	$ 5,411,102	$ 192,233	$ 5,603,335	$ -

See accompanying notes to basic financial statements.

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

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income	$ 3,962,992	$ (5,425)	$ 3,957,567	$ -
Revenues from Other Sources	131,631	58,274	189,905	-
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	2,333,982	371,827	2,705,809	-
Decrease (Increase) in Assets:				
Accounts Receivable (net)	(187,804)	207,987	20,183	-
Prepaid Expenses	-	-	-	-
Inventory	(38,081)	(5,588)	(43,669)	-
Deferred Pension Outflows	122,706	163,539	286,245	
Deferred OPEB Related Outflows	(13,430)	(26,552)	(39,982)	
Increase (Decrease) in Liabilities:				
Accounts Payable	(260,290)	57,284	(203,006)	-
Accrued Liabilities	10,299	1,062	11,361	-
Customer Deposits	50,776	-	50,776	-
Unearned Revenue	-	-	-	-
Compensated Absences	17,435	(23,146)	(5,711)	-
Net Pension Liability	(180,199)	(356,261)	(536,460)	
Deferred Pension Inflows	69,675	216,909	286,584	-
Net Other Post-employment Benefit Payable	32,596	64,452	97,048	-
Net Cash Provided (Used) by Operating Activities	$ 6,052,288	$ 724,362	$ 6,776,650	$ -
Noncash Capital and Related Financing Transactions:				
Developer Contributions of Capital Assets	$ 3,132,348	$ -	$ -	$ -

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Schertz is a municipal corporation governed by an elected mayor and five-member council. 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:

A. 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 are be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. The City reports the following component unit:

1. Schertz Economic Development Corporation - The Corporation was organized for the purpose of promoting economic development in order to eliminate unemployment and underemployment and to promote and encourage employment and public welfare of, for, and on behalf of the City. The board of directors consists of seven (7) members appointed by the city council. The City is financially accountable for the Corporation because the city council approves the Corporation's budget. For financial reporting purposes, the SEDC is reported as if it were part of the City's operations because its purpose is to benefit the citizens of the City. Complete financial statements for the Schertz Economic Development Corporation may be obtained from 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. Separate financial statements for these entities may be obtained at City Hall.

1. 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.

2. Cibolo Valley Local Government Corporation – is a public, nonprofit corporation organized July 28, 2011 to aid, assist, and act on behalf of the cities of Cibolo, Converse and Schertz 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Cibolo Creek Municipal Authority (CCMA) – was created in 1971 and provides regional wastewater services to the area northeast of San Antonio. The City and CCMC entered into a joint project to develop a new treatment facility that will currently only serve the City. The project will have excess capacity to serve other users in the future. The City is solely responsible for funding the project until other users need capacity.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges of customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment 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 among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Nonexchange revenues that are measurable but not available are recorded as unavailable revenue (a deferred inflow of resources). These revenues are generally property taxes and warrants outstanding. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Exchange revenues (payments for services) received in advance of the service being provided are recorded as unearned revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities and is principally financed by the sale of bonds or certificates of obligation and grants.

Economic Development Corporation collects sales taxes to support business development and expansion within the City.

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

The government reports the following major proprietary funds:

The Water and Sewer System Fund accounts for the water and sewer services provided to the citizens through user charges.

The EMS Fund accounts for the emergency medical services provided to the citizens of the City and other participating governments through user charges.

Internal Service Fund accounts for the City’s group medical insurance program.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the City's general government function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes and investment earnings.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund and the EMS enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash is reported as restricted when it has restrictions on its use narrower than the purpose of the fund in which it is reported. This can result in differences in presentation between fund statements and government-wide statements.

E. Investments

The City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas of the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated of not less than "AA" or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date. In addition, the City is authorized to invest in local government investment pools. The investment pools operate in accordance with appropriate state laws and regulations and have regulatory oversight from the Texas Public Funds Investment Act Sec. 2256.0016. The fair value of the City's position in each pool is the same as the net asset value value of the pool shares.

The city reports investments at fair value based on 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 quotes 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.

F. Receivables and Payables

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

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based upon experience and historical trends.

Property taxes for the City are levied each October 1 on the taxable value as of the preceding January 1, the date a lien attaches, for all taxable real and personal property located in the City. Taxes are due by

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables and Payables (Continued)

January 31 following the October 1 assessment date and become delinquent on February 1, at which time they begin accruing penalty and interest. The enforceable legal claim date for property taxes is the assessment date; therefore, the City did not record a receivable for accrual of future taxes at year end. Accordingly, no current taxes receivable are reported. Delinquent taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Tax revenues are recognized as they become available. Accordingly, an amount equal to taxes not yet available has been reported as unavailable revenue (a deferred inflow of resources) at the government fund level.

G. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

H. Restricted Assets

Certain proceeds from bonds, resources set aside for their repayment, and other restrictive agreements are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants and/or contractual arrangements.

I. Capital Assets

Capital assets, which include land, buildings and improvements, machinery, equipment, vehicles, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Donated capital assets, donated works of art and similar items received as part of a service concession arrangement are reported at acquisition value. All other donated capital assets are valued at their estimated fair market value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction will not be capitalized in the governmental activities on the government-wide financial statements; however capitalization of interest is required for business-type activities. There was no capitalized interest during the current fiscal year.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

Assets	Useful Lives (Years)
Buildings and Improvements	10 - 50
Machinery, Equipment, and Vehicles	2 - 20
Infrastructure	15 - 30

J. Deferred Inflows/Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation and compensatory time pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund, water and sewer fund and the EMS fund are used to liquidate compensated absences.

L. Pensions

The net pension liability, deferred inflows, and outflows of resources 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's 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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Other Post-Employment Benefits

The 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 the purposes of measuring 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 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.

N. Long-Term Obligations

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

O. Fund Equity

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed – Represents amounts that can only be used for a specific purpose because of a formal action by the government's highest level of decision making authority: an ordinance adopted by City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned – Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council may make assignments through formal documentation in the minutes. The City Council authorized (by way of policy) the City Manager to also make assignments. The City Manager's assignments do not require formal action; however, the City Manager has not assigned any funds at this time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Equity (Cont.)

Unassigned – Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second, and assigned third.

P. Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. 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 assets are reported as restricted when there are limitations imposed by creditors, grantors, or laws or regulations of other governments.

Q. Estimates

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

R. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the library grant special revenue fund, police department forfeiture special revenue fund and the capital projects fund, which adopts project-length budgets.

S. Reclassifications

Certain reclassifications have been made in the presentation of the September 30, 2018 financial statements. All comparative information for prior periods has been reclassified to match the new presentation. The changes in presentation had no impact on the changes in net position or fund balance.

T. Adoption of 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. The OPEB liability was allocated between the general and proprietary 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 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's operating deposits are held at one institution. The institution provides a combination of pledged collateral and FDIC insurance to completely collateralize the City's deposits.

As of September 30, 2018, the City had the following pooled investment funds:

Investment Type	Value	Input Level	Weighted Average Maturity in Days	Value Method
LOGIC	$ 19,740,226	1	34	NAV
Lone Star Investment Pool	33,252,622	1	42	NAV
Texas CLASS	22,367,413	1	79	NAV
Schertz Bank & Trust - Certificates of Deposit	3,182,350	1	82	Amortized Cost
Capital One - U.S. Agency Securities	3,140,289	1	429	Amortized Cost
Total	$ 81,682,900		67	

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to highly liquid investments to meet unanticipated cash requirements, and/or to redeploy cash into other investments expected to outperform current holdings.

Credit Risk. State law limits investments in certificates of deposit to guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or the National Credit Union Share Insurance Fund, or its successor and investment pools continuously rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The City's investment policy does not further limit its investment choices. As of September 30, 2018, the City's investments in the pooled investment funds were rated AAAm by Standard & Poor's. The City has also invested in debt securities provided by the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Banks, and U.S Treasury Notes. As of September 30, 2018, the City's investments in debt securities were rated BBB+ by Standard & Poor's.

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. As of September 30, 2018, the City's cash and cash equivalents (including certificates of deposit, and component unit holdings) were fully collateralized by the City's depository by a combination of pledged collateral and FDIC insurance. All collateral is held in the City's name.

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 investment or collateral securities that are in the possession of an outside party. All of the government securities owned by the City are held by its agent in the City's name.

Restricted Cash – Cash is restricted in the Proprietary fund for construction projects, impact fees and customer deposits.

NOTE 3 - PROPERTY TAX

Taxes are levied on and payable as of October 1. The City has contracted with the Guadalupe County Tax Assessor-Collector to collect taxes on its behalf. Current taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action. The total taxable value as of October 1, 2017, upon which the fiscal 2018 levy was based, was $3,431,208,548 (i.e., market value less exemptions). The estimated market value was $4,546,451,734 making the taxable value 75.5% 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 $0.4910 per $100 of assessed value, which means that the City has a tax margin of $2.009 for each $100 value and could increase its annual tax levy by approximately $68,932,979 based upon the present assessed valuation 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 the 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 4 - RECEIVABLES

Receivables as September 30, 2018 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Proprietary Funds	
	General	Economic Development	Debt Service	Nonmajor Funds	Water and Sewer Fund	Schertz EMS
Receivables:						
Property Taxes	$ 168,137	$ -	$ 90,355	$ -	$ -	$ -
Sales Taxes	1,492,700	746,350	-	-	-	-
Occupancy Taxes	-	-	-	33,548	-	-
Franchise Taxes	485,525	-	-	-	-	-
Customers	143,826	-	-	-	3,011,818	18,450,194
Court Fines	3,779,300	-	-	-	-	-
Grants	-	-	-	-	-	-
Other	-	8,448	-	-	-	41,932
Gross Receivables	6,069,488	754,798	90,355	33,548	3,011,818	18,492,126
Less: Allowance for Uncollectibles	2,251,213	-	5,421	-	104,519	15,607,408
Net Total Receivables	$ 3,818,275	$ 754,798	$ 84,934	$ 33,548	$ 2,907,299	$ 2,884,718

Governmental funds report *unavailable revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned/ unavailable revenue* and *unavailable revenue* reported in the governmental funds were as follows:

	Unavailable
General Fund	
Delinquent Property Taxes Receivable	$ 158,049
Court Fines	1,538,175
Total General Fund	1,696,224
Debt Service Fund	
Delinquent Property Taxes Receivable	84,934
Total Debt Service Fund	84,934
Total Governmental Funds	$ 1,781,158

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2018 is as follows:

Due From	Due To	Amount	Purpose
Capital Projects Fund	Water & Sewer	$ 116,040	Structured funding for Waterline Project
EMS	General	16,139	Short-term pooled cash loan

The following schedule briefly summarizes the City's transfer activity for the year ending September 30, 2018:

Transfer From	Transfer To	Amount	Purpose
Nonmajor Governmental	General	$ 86,219	Supplement DEA expenditures
EMS	Capital Projects	3,640	Supplement capital purchases
Economic Development	Debt Service	360,769	Pledge in support of debt service
Economic Development	General	265,000	Pledge support of General Fund
General	Nonmajor Governmental	4,806	Supplement expenses
Water & Sewer	Capital Projects	15,546	Supplement capital purchases
General	Capital Projects	41,508	Supplement capital purchases

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	$ 7,499,108	$ 570,391	$ -	$ -	$ 8,069,499
Construction in Progress	13,632,514	5,871,553	(2,863,851)	-	16,640,216
Total Capital Assets Not Being Depreciated	21,131,622	6,441,944	(2,863,851)	-	24,709,715
Capital Assets, Being Depreciated:					
Buildings and Improvements	43,677,947	977,816	(161,555)	-	44,494,208
Machinery, Equipment, and Vehicles	10,347,015	2,774,622	(822,325)	-	12,299,312
Streets and Infrastructure	109,303,478	4,890,936	-		114,194,414
Total Capital Assets Being Depreciated	163,328,440	8,643,374	(983,880)	-	170,987,934
Accumulated Depreciation:					
Buildings and Improvements	(12,280,121)	(1,577,757)	12,117	-	(13,845,761)
Machinery, Equipment, and Vehicles	(5,813,559)	(981,491)	599,169	-	(6,195,881)
Streets and Infrastructure	(32,376,961)	(3,720,721)	-	-	(36,097,682)
Total Accumulated Depreciation	(50,470,641)	(6,279,969)	611,286	-	(56,139,324)
Total Capital Assets Being Depreciated, Net	112,857,799	2,363,405	(372,594)	-	114,848,610
Governmental Activities Capital Assets, Net	$ 133,989,421	$ 8,805,349	$ (3,236,445)	$ -	$ 139,558,325

NOTE 6 - CAPITAL ASSETS (Continued)

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

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	$ 1,354,138	$ 3,401	$ -	$ -	$ 1,357,539
Water Rights	70,245	-	-	-	70,245
Construction in Progress	2,907,404	1,805,198	(1,321,475)	-	3,391,127
Total Assets Not Being Depreciated	4,331,787	1,808,599	(1,321,475)	-	4,818,911
Capital Assets, Being Depreciated:					
Buildings and Improvements	4,660,001	35,502	-	-	4,695,503
Machinery, Equipment, and Vehicles	5,013,077	854,523	(426,141)	-	5,441,459
Infrastructure	92,807,350	4,418,321	-	-	97,225,671
Total Capital Assets Being Depreciated	102,480,428	5,308,346	(426,141)	-	107,362,633
Accumulated Depreciation:					
Buildings and Improvements	(2,474,006)	(156,004)	-	-	(2,630,010)
Machinery, Equipment, and Vehicles	(2,995,600)	(1,932,717)	-	-	(4,928,317)
Infrastructure	(25,763,811)	(617,088)	426,141	-	(25,954,758)
Total Accumulated Depreciation	(31,233,417)	(2,705,809)	426,141	-	(33,513,085)
Total Capital Assets Being Depreciated, Net	71,247,011	2,602,537	-	-	73,849,548
Business-Type Activities Capital Assets, Net	$ 75,578,798	$ 4,411,136	$ (1,321,475)	$ -	$ 78,668,459

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

Governmental Activities:	
General Government	$ 659,064
Public Safety	803,019
Public Environment	3,747,059
Parks and Recreation	886,559
Cultural	58,617
Health	90,164
Administration	35,487
Total Depreciation Expense - Governmental Activities	$ 6,279,969
Business-Type Activities:	
Water and Sewer System	$ 2,333,982
EMS	371,827
Total Depreciation Expense - Business Type Activities	$ 2,705,809

NOTE 7 - OPERATING LEASE

The City has agreements with several telecommunication companies to place cellular towers on City water towers. The following schedule represents the future minimum lease payments.

Fiscal Year Ending September 30,	Total
2019	$ 260,569
2020	273,597
2021	287,277
2022	301,641
2023	316,756
2024-2028	1,827,598
	$ 3,267,438

NOTE 8 - CAPITAL LEASE

In 2014, the City entered into two lease agreements qualifying as capital leases for accounting purposes based on a bargain purchase option. Therefore, capital assets and a related capital lease obligation have been recorded at the present value of the future minimum lease payments at the inception date. The assets acquired through capital lease are reported in capital assets with the following accumulated depreciation at September 30, 2018:

Assets:	Governmental Activities	Business-type Activities
Equipment	$ 42,825	$ 680,671
Less Accumulated Depreciation	-	(364,637)
Total	$ 42,825	$ 316,034

Future minimum lease payments are as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2018	$ 8,565	$ 89,671
2019	$ 8,565	$ 67,313
2020	$ 8,565	$ 67,313
2021	8,569	66,875
Total Payments	34,264	291,172
Less: Amount Representing Interest	-	(1,619)
Present Value of Minimum Lease Payments	$ 34,264	$ 289,553

NOTE 9 - LONG TERM DEBT

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental activities. These instruments include general obligation bonds, certificates of obligation, and capital leases. These debt obligations are secured by primarily future property tax revenues. In some cases, these bonds are also secured by a pledge of net revenues from the utility system, emergency medical services and economic development sales taxes. However, the amount of the formal pledge is generally limited to $1,000.

In August 2018, the City issued $10,440,000 in Certificates of Obligations Series 2018 pursuant to the constitution and general laws of the State of Texas, particularly, Subchapter C of Chapter 271 of the Texas Local Government Code, as amended, and in ordinance adopted by the City Council. The certificates constitute direct and general obligations of the City payable from ad valorem taxes levied against all payable property within the City, as well as pledged revenue of up to $1,000 of the surplus revenues from proprietary funds. The bonds and certificates were issued for the purpose of paying contractual obligations of the City for street improvements, designing, constructing , acquiring, purchasing renovating, equipping and enlarging the utility system, upgrading the security locks in city buildings, designing and constructing a new fleet building, parks and recreational facilities for pool and bathrooms and various other item.

In January of 2018, the City issued $6,035,000 in General Obligation Refunding Bonds, Series 2018. The proceeds were to be used within 90 days of issuance to pay off the outstanding balance of the General Obligation Bond, Series 2008 remaining balance of $6,035,000. The refunding resulted in a Net Present Value Saving of $566,500 and a current loss of $89,237.

A summary of the terms of general obligation bonds and combination of tax and revenue certificates of obligation outstanding at September 30, 2018, follows:

	Issue Amount	Maturity	Rate	Balance
Primary Government				
General Obligation Bonds				
2007 Series	$ 6,000,000	2027	4.07%	$ 3,205,000
2008 Series	9,900,000	2028	4.13%	-
2009 Series	9,500,000	2033	2.0% - 5.50%	4,915,000
2010 Series, Refunding	2,865,000	2021	2.0% - 4.0%	930,000
2011 Series	8,250,000	2036	3.0% - 6.0%	6,830,000
2011A Series, Refunding	6,745,000	2024	2.33%	3,450,000
2012 Series	7,625,000	2032	2.00%	5,785,000
2014 Series, Refunding	8,450,000	2030	2.0%-4.0%	8,100,000
2015 Series, Refunding	4,185,000	2031	2.0%-3.25%	3,165,000
2016 Series	5,880,000	2036	2.0%-4.0%	5,270,000
2017 Series	3,935,000	2037	2.0%-4.0%	3,800,000
2018 Series, Refunding	6,035,000	2028	2.12%	6,035,000
Tax Notes				
2015 Notes	245,000	2021	1.75%	110,000
2015A Notes	1,020,000	2023	1.54%	605,000
Certificates of Obligation				
2016 Series A	2,375,000	2036	2.0% - 4.0%	2,040,000
2016 Series B	1,475,000	2036	3.0%-3.75%	1,365,000
2017 Series	4,935,000	2037	3.0%-3.75%	4,690,000
2018 Series	4,845,000	2038	3.0%-5.0%	4,845,000
Total Governmental Long-Term Obligations				$ 65,140,000

	Issue Amount	Maturity	Rate	Balance
Primary Government (Continued)				
General Obligation Bonds				
2011 Series, Refunding	$ 2,675,000	2021	2.0% - 3.0%	$ 705,000
2013 Series, Refunding	2,130,000	2025	2.58%	1,420,000
Certificates of Obligation				
2007 Series CIB 1	6,600,000	2026	4.01%	3,290,000
2013 Series	4,965,000	2033	2.0%-4.0%	3,490,000
2017 Series	540,000	2022	3.0%-3.75%	440,000
2018 Series	5,595,000	2028	3.0%-5.0%	5,595,000
Tax Notes				
2015 Notes	1,880,000	2021	1.75%	765,000
Total Business-Type Long-Term Obligations				$ 15,705,000

NOTE 9 - LONG-TERM DEBT (Continued)

Changes in long-term debt for the year ending September 30, 2018 are as follows:

	Balance 9/30/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 38,070,000	$ -	$ (8,265,000)	$ 29,805,000	$ 1,470,000
Unamortized Premium	751,168	-	(49,489)	701,679	49,403
General Obligation Refunding Bonds	17,155,000	6,035,000	(1,510,000)	21,680,000	2,095,000
Unamortized Premium	637,446	-	(71,229)	566,217	66,659
Certificates of Obligation	8,560,000	4,845,000	(465,000)	12,940,000	720,000
Unamortized Premium	451,415	269,212	(23,661)	696,966	37,227
Tax Notes	1,230,000	-	(515,000)	715,000	185,000
Capital Lease	25,147	42,829	(33,712)	34,264	8,565
Compensated Absences	1,069,849	361,984	(204,509)	1,227,324	245,465
Total Governmental Activities	$ 67,950,025	$ 11,554,025	$ (11,137,600)	$ 68,366,450	$ 4,877,319
Business-Type Activities:					
General Obligation Refunding Bonds	$ 2,530,000	$ -	$ (405,000)	$ 2,125,000	$ 420,000
Unamortized Premium	3,626	-	(969)	2,657	969
Certificates of Obligation	8,050,000	5,595,000	(830,000)	12,815,000	1,030,000
Unamortized Premium	124,779	282,000	(10,601)	396,178	27,620
Tax Notes	1,065,000	-	(300,000)	765,000	305,000
Capital Lease	92,721	332,966	(136,134)	289,553	89,773
Compensated Absences	310,625	55,652	(61,363)	304,914	60,983
Total Business-Type Activities	$ 12,176,751	$ 6,265,618	$ (1,744,067)	$ 16,698,302	$ 1,934,345

NOTE 9 - LONG-TERM DEBT (Continued)

Annual debt service requirements of bonded debt as of September 30, 2018, are as follows:

	Governmental Activities		
September 30,	Principal	Interest	Total
2019	4,470,000	2,299,780	6,769,780
2020	4,615,000	2,118,038	6,733,038
2021	4,680,000	1,938,866	6,618,866
2022	4,535,000	1,774,650	6,309,650
2023	4,530,000	1,628,247	6,158,247
2024-2028	20,200,000	6,062,986	26,262,986
2029-2033	15,510,000	2,668,949	18,178,949
2034-2038	6,600,000	425,131	7,025,131
Total	$ 65,140,000	$ 18,916,647	$ 84,056,647

	Business-Type Activities		
September 30,	Principal	Interest	Total
2019	$ 1,755,000	$ 565,402	$ 2,320,402
2020	1,805,000	494,452	2,299,452
2021	1,695,000	438,609	2,133,609
2022	1,080,000	386,196	1,466,196
2023	1,000,000	347,917	1,347,917
2024-2028	3,920,000	1,170,295	5,090,295
2029-2033	2,625,000	545,269	3,170,269
2034-2038	1,825,000	159,350	1,984,350
Total	$ 15,705,000	$ 4,107,490	$ 19,812,490

NOTE 10 - RETIREMENT PLAN

Plan Description

The City of Schertz participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Service 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.

NOTE 10 - RETIREMENT PLAN (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 date, the following employees were covered by the benefit terms:

	2016	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	84	98
Inactive Employees Entitled to but Not Yet Receiving Benefits	155	166
Active employees	317	322
	556	586

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.94% and 15.87% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $2,971,592 and were equal to the required contributions.

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.

NOTE 10 - RETIREMENT PLAN (Continued)

Texas Municipal Retirement System (Continued)

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
Overall Payroll Growth	3.0% per year
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 Disabled Retiree 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

NOTE 10 - RETIREMENT PLAN (Continued)

Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2018 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%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	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 10 - RETIREMENT PLAN (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	$ 60,296,483	$ 43,270,388	$ 17,026,095
Changes for the year:			
Service Cost	3,073,538	-	3,073,538
Interest	4,111,517	-	4,111,517
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	416,585	-	416,585
Changes of Assumptions	-	-	-
Contributions - Employer	-	2,793,644	(2,793,644)
Contributions - Employee	-	1,232,232	(1,232,232)
Net Investment Income	-	5,999,805	(5,999,805)
Benefit Payments, Including Refunds of Employee Contributions	(1,843,774)	(1,843,774)	-
Administrative Expense	-	(31,080)	31,080
Other Changes	-	(1,575)	1,575
Net Changes	5,757,866	8,149,252	(2,391,386)
Balance at December 31, 2017	$ 66,054,349	$ 51,419,640	$ 14,634,709

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%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	$ 26,020,200	$ 14,634,709	$ 5,500,868

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 10 - RETIREMENT PLAN (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 $3,133,938. 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	$ 454,423	$ -
Changes in Actuarial Assumptions	29,936	-
Differences Between Projected and Actual Investment Earnings	-	1,385,283
Contributions Subsequent to the Measurement Date	2,158,660	-
	$ 2,643,019	$ 1,385,283

Deferred outflows of resources in the amount of $2,158,660 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 September 30, 2018.. The City liquidates their Net Pension Liability through payments from the general fund. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	
2018	$ 69,211
2019	(12,983)
2020	(499,204)
2021	(519,473)
2022	61,525
Thereafter	-
	$ (900,924)

NOTE 12 – 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.

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	78
Inactive Employees Entitled to but Not Yet Receiving Benefits	49
Active employees	322
	449

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

	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
For the Plan Year Ended December 31,		
2017	0.12%	0.01%
2018	0.12%	0.02%

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.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date:
Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 10.5% Including Inflation
Discount Rate	3.31% (Based on Fidelity's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid though 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 generational 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. .
Other Information:	No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement NO. 75 to pay related benefits.

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	$ 519,156
Changes for the year:	-
Service Cost	29,926
Interest on Total OPEB Liability	20,123
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	57,257
Benefit Payments, Including Refunds of Employee Contributions	(3,521)
Other Changes	-
Balance at December 31, 2017	$ 622,941

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

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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 SDB OPEB Liability	$ 774,205	$ 622,941	$ 509,511

For the year ended September 30, 2018, the City recognized OPEB expense of $54,149. 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
Differences between Expected and Actual Economic Experience	$ -	$ -
Changes in Actuarial Assumptions	49,435	-
Differences Between Projected and Actual Investment Earnings	-	-
Contributions Subsequent to the Measurement Date	2,697	-
	$ 52,132	$ -

outflows of resources in the amount of $2,697 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 Year ended September 30, 2018	
2019	$ 7,822
2020	7,822
2021	7,822
2022	7,822
2023	7,822
Thereafter	10,325
	$ 49,435

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

City of Schertz 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	6
Inactive Employees Entitled to but Not Yet Receiving Benefits	0
Active employees	313
	319

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. When a regular, full-time employee retires, they are eligible to maintain their coverage in the City's group health coverage. The City does not provide an explicit subsidy for retiree medical insurance. The liability for the city is due to the implicit rate.

* The City made no direct contributions for monthly premiums. The retirees pay 102% of the monthly premiums which range based on the type of plan from $491.72 for retiree only to $1737.24 for a retiree and their family.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date:	December 31, 2017
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Individual Entry- Age
Discount Rate	3.31% as of December 31, 2017
Inflation	2.50%
Salary Increases	3.50% to 10.5% Including Inflation
Demographic Assumptions:	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal System(TMRS)
Mortality	For healthy retirees, the gender distinct RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.5% to an ultimate rate of 4.25% after 15 years.
Participation Rates	30% on non-Medicare retirees
Other Information:	The discount rate changed form 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017

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 December 31, 2016	$ 1,789,769
Changes for the year:	
Service Cost	107,517
Interest on Total OPEB Liability	69,435
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	96,092
Benefit Payments, Including Refunds of Employee Contributions	(42,189)
Other Changes	-
Balance at December 31, 2017	$ 2,020,624

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

City of Schertz 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 3.31% 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%	Current Discount Rate Assumption 3.31%	Discount Rate 4.31%
Total OPEB Retiree Health Insurance Liability	$ 2,227,086	$ 2,020,624	$ 1,832,775

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:

	Discount Rate 2.31%	Current Healthcare Cost Trend Rate Assumption 3.31%	Discount Rate 4.31%
Total OPEB Retiree Health Insurance Liability	$ 1,771,544	$ 2,020,624	$ 2,317,552

For the year ended September 30, 2018, the City recognized OPEB expense of $186,440. 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
Differences between Expected and Actual Economic Experience	$ -	$ -
Changes in Actuarial Assumptions	86,604	-
Contributions Subsequent to the Measurement Date	32,275	-
	$ 118,879	$ -

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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 Year ended September 30,		
2019	$	9,488
2020		9,488
2021		9,488
2022		9,488
2023		9,488
Thereafter		39,164
	$	86,604

NOTE 13 - JOINT VENTURES

Schertz/Seguin Local Government Corporation

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. Contributions to the corporation are reflected as "operating expenses" in the water and sewer fund and totaled $2,906,068 for the year ended September 30, 2018. Separate financial statements for the Schertz/Seguin Local Government Corporation may be obtained from the City of Seguin, 210 East Gonzales Street, Seguin, Texas 78156.

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

ASSETS:	
Current Assets	$ 15,779,192
Restricted Cash and Cash Equivalents	73,447,779
Property, Plant & Equipment (net)	95,008,923
Other Assets	28,653
TOTAL ASSETS	184,264,547
Deferred Charges on Refunding	2,412,138
LIABILITIES:	
Current Liabilities	5,522,205
Revenue Bonds (Less Current Maturities)	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

NOTE 13 - JOINT VENTURES (Continued)

Schertz/Seguin Local Government Corporation (Continued)

The Corporation had net revenue bonds outstanding in the amount of $103,281,449 (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.

Cibolo Valley Local Government Corporation

The Cibolo Valley Local Government Corporation (CVLGC) is a public nonprofit corporation incorporated in March 2012 to assist and act on behalf of the cities of Schertz, and Cibolo to obtain additional water sources. 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. Contributions to the corporation are reflected as "operating expenses" in the water and sewer fund. Separate financial statements for the CVLGC may be obtained from the City of Seguin, 210 East Gonzales Street, Seguin, Texas 78156.

The City of Schertz is jointly liable, together with the City of Cibolo, for operating deficits and long-term debt of CVLGC. Following is a summary of financial data as reported in the Corporation's audited financial statements dated September 30, 2017:

ASSETS:	
Current Assets	$ 443,091
Noncurrent Assets	1,503,917
TOTAL ASSETS	1,947,008
LIABILITIES:	
Current Liabilities	90,238
TOTAL LIABILITIES	90,238
NET POSITION:	
Net Investment in Capital Assets	1,503,917
Unrestricted	352,853
TOTAL NET POSITION	$ 1,856,770

Cibolo Creek Municipal Authority

Cibolo Creek Municipal Authority (CCMA) provides sewage treatment for the area in and around the City. CCMA has agreed to construct a sewage treatment facility in the southern portion of the City to primarily serve citizens of the City but also neighboring Cities and future development. Because the City would be the primary customer at this time, the City agreed to enter into a regional wastewater treatment contract in September 2014. CCMA will issue bonds to finance the project and the City has agreed to make payments to CCMA to cover operation expenses, maintenance expenses, and debt service. The City is the sole member at this time, so it is responsible for 100% of the project costs. Should other members join, the City's share of the costs would be reduced.

NOTE 13 - JOINT VENTURES (Continued)

Cibolo Creek Municipal Authority (Continued)

In September 2014, CCMA issued bonds for the project in the amount of $6,950,000 with debt service requirements as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2019	155,000	257,250	412,250
2020	160,000	254,150	414,150
2021	165,000	250,950	410,950
2022	170,000	247,750	410,950
2023	175,000	242,800	410,950
2024-2028	965,000	1,123,300	2,088,300
2029-2033	1,105,000	922,850	2,027,850
2034-2038	1,340,000	659,950	1,999,950
2039-2043	1,800,000	298,600	2,098,600
2044	395,000	15,800	410,800
	$ 6,430,000	$ 4,273,400	$ 10,684,750

NOTE 13 – PRIOR PERIOD ADJUSTMENT

	Government-Wide Governmental Activities
Beginning Net Position	$ 106,647,921
Understated OPEB Liability in Prior Year	(1,198,049)
Restated Beginning Net Position	$ 105,449,872

	Business - Type Activities		
	Water and Sewer System	Schertz EMS	Total
Beginning Fund Balances	$ 90,252,474	$ 889,852	$ 91,142,326
Understated OPEB Liability in Prior Year	(127,147)	(246,791)	(373,938)
Restated Beginning Fund Balances	$ 90,125,327	$ 643,061	$ 90,768,388

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Tax Increment Financing (the "Zone")

The City is a principal in the City of Schertz Tax Increment Reinvestment Zone #2, pursuant to Chapter 311 of the Texas Tax Code. Under the terms of the Zone agreement, the City of Schertz, Bexar County, and San Antonio River Authority are funding infrastructure improvements through tax increment financing to the Sedona Development Project.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

Tax Increment Financing (the "Zone") (Continued)

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to property tax base are being used to finance Zone improvements. The total projected cost is a combined figure of $45,000,000. Project costs of the developer will be funded up to 100% of the tax increment generated by the City of Schertz, Bexar County, and San Antonio River Authority (SARA). The City of Schertz (combined with SARA) have committed up to $32,877,000 of the total $45,000,000. The Zone has a statutory termination date of December 31, 2027. The TIRZ has collected $1,651,413 from taxing entities (net of administrative reimbursements) and remitted $1,077,316 to the developer as of September 30, 2018.

380 Agreements

The Chapter 380 Incentive program, authorized by Chapter 380 of the Texas Local Government Code, enables the City of Schertz to provide grants or reimbursements from the City's general fund. To become eligible for Chapter 380 Incentives, projects must: create at least of $100 million in new real and personal property; or generate at least $35 million in gross sales that is subject to the collection of local sales and use tax. Businesses that have a 380 Incentive agreement with the City are eligible to receive a reimbursement of taxes paid for the year if they have met the requirements outlined in the agreement by a certain date each year. For the fiscal year ended September 30, 2018, the City reimbursed $816,192 in property taxes paid.

Economic Development Incentive Agreements

The City of Schertz Economic Development Corporation (the SEDC) negotiates economic development incentive agreement on behalf of the SEDC and the City of Schertz (the City) on an individual basis. As of September 30, 2018, the City had nine active incentive agreements.

On May 2, 2017, the City and the Corporation approved the Schertz Incentive Policy which outlines the City's primary tools to attract commercial investment and promote economic development. Projects are selected on a case-by-case basis in accordance current policy and state laws at the discretion of the governing body. All incentive agreements are formalized through a performance agreement with specified terms and recapture criteria.

The SEDC Incentive program, authorized by Chapters 501, 502 and 505 of the Texas Local Government Code, enables the Corporation to fund allowable projects from the collection of one-half of one percent of sales tax proceeds collected in the City of Schertz. In accordance with state law, the SEDC Incentive Policy establishes grants and loans for businesses that create Primary Jobs for the following categories: Existing Businesses (3 years of operation within City), Small Businesses (fewer than 50 full-time jobs or annual sales less than $10 million), Large Impact Businesses (Up to $100 million in taxable property), and Extra Large Businesses (over $100 million in taxable property).

The City and Corporation's outstanding incentive agreement grants are as follows:

	FY 2017-18 Amt.	Est. Remaining Grant
City of Schertz - LGC 380.001	$ 816,192	$ 1,377,080
SEDC - LGC 501.101	537,500	125,000
SEDC - LGC 201.103	$ -	$ 5,934,488

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

Service Concession Arrangements

The City entered into an agreement with YMCA, under which YMCA will operate and collect user fees from the Natatorium and Outdoor Pools for the next 20 years. YMCA will pay the city $100,000 annually over the course of the arrangement; the present value of these installment payments is estimated to be $851,356. The City will approve the rates and services that YMCA will provide, however, YMCA will retain all revenues earned from the operation of the Natatorium. The YMCA will remit all revenues received from operating the Outdoor Pools to the City with the exception of revenues earned from YMCA specific programs. As of September 30, 2018, the Natatorium is still under construction and is reported by the City as Construction in Progress in the amount of $9,801,311. The City reports the Outdoor Pools and related equipment as capital assets with a total carrying amount of $778,529. The City reports a receivable and deferred inflow of resources in the amount of $851,356 on the government-wide statements at year-end pursuant to the service concession arrangement. Additionally, a liability of $507,136 for the present value of maintenance costs estimated over the life of the Service Concession arrangement.

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.

Subsequent Event

The City issued $8,570,000 General Obligation and Refunding Bonds, Series 2018 in November 2018. The amount of $8,432,865 was transferred to an escrow agent for the bond refunding of the Series 2009 in the amount of $4,075,000 and Series 2010 General Obligation Refunding Bonds in the amount of $630,000. The coupon rate is 3.375% -5% and the final payment is September 30, 2033. The Net Present Value of Saving is $758,899.

New Accounting Pronouncements

Statement No. 83, Certain Asset Retirement Obligations – The requirements of this Statement will take effect for reporting periods beginning after June 15, 2018. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets will recognize a liability based on the estimate of the current value of outlays expected to be incurred The City has not early adopted this new pronouncement.

Statement No. 84, Fiduciary Activities – The requirements of this Statement will take effect for reporting periods beginning after June 15, 2018. The statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting certain criteria will be reported in a fiduciary fund in the basic financial statements. The City has not early adopted this pronouncement.

Statement No. 87, Leases - The requirements of this Statement will take effect for reporting periods beginning after June 15, 2019. A lessee will be required to recognize the assets and liabilities for leases with lease terms of more than 12 months. The City has not early adopted this pronouncement.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments

The City of Schertz has entered into commitments for various projects as follows:

Primary Government:	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Governmental Activities:			
Pedestrian Routes Project	$ 350,000	$ 91,654	$ 258,346
Fire Station 2 & Repairs	500,000	481,619	18,381
FM 78 and Main Street	1,000,000	7,513	992,487
Fire Station 3	8,000,000	1,215,324	6,784,676
YMCA-Bathroom Renovation	540,500	217,554	322,946
Window Replacement - Recreation Center	1,152,264	792,198	360,066
Building Improvements	1,600,000	72,560	1,527,440
Main Street Improvements	407,057	-	407,057
FM 1518 Street Improvements	5,000,000	600,656	4,399,344
Total Governmental Commitments	18,549,821	3,479,078	15,070,743
Business-Type Activities:			
Woman Hollering Wastewater	5,940,424	832,911	5,107,513
Scenic Hills/Greenridge	73,252	10,182	63,070
Oil/Water Separator	73,252	22,600	50,652
E. Dietz Creek De-Silting	573,055	114,124	458,931
Corbett Ground Storage Tank & Pumps	1,650,000	930	1,649,070
Corbett Elevated Water Tank	2,982,052	301,296	2,680,756
FM 1103 Utility Relocation	1,000,000	22,000	978,000
Trainer Hale Road Distribution Main	500,000	-	500,000
Total Business-Type Activities	12,792,035	1,304,043	11,487,992
Total Estimated Future Commitments	$ 31,341,856	$ 4,783,121	$ 26,558,735

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City contracts with the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program providing insurance coverage in the following areas: general liability, automobile liability and physical damage, law enforcement liability, worker's compensation, real and personal property, mobile equipment, and errors and omissions liability. 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 $416,192 for property and casualty and workers compensation coverage. There were no significant increases or decreases in coverage from fiscal year 2017.

Financial Advisory Services
Provided By:

SAMCO Capital